# FRANCHISE DISCLOSURE DOCUMENT

**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
A Pennsylvania Corporation
1525 Ford Road
Bensalem, Pennsylvania 19020
215-338-4606
www.phillypretzelfactory.com
info@phillypretzelfactory.com

Franchisor franchises the right to operate a retail business offering traditional "Philadelphia" style fresh baked soft pretzels and other authorized products under the name Philly Pretzel Factory®.

The total investment necessary to begin operating a single traditional full production Philly Pretzel Factory is $430,024 to $685,224. This includes $40,000 that must be paid to the franchisor and/or its affiliate. The total investment necessary to begin operating a single traditional oven-ready Philly Pretzel Factory ranges from $183,505 to $405,160. This includes $40,000 that must be paid to the franchisor and/or its affiliate.

The total investment necessary to begin operating a single oven-ready Philly Pretzel Factory located in a Non-Traditional location is $176,141 to $358,120. This includes $42,000 to $49,000 that must be paid to the franchisor and/or its affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact our corporate office at 1525 Ford Road, Bensalem, Pennsylvania 19020 or via telephone at 215-338-4606.

The terms of your Franchise Agreement will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contracts. Read all of your contracts carefully. Show your contracts 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.

The Issuance Date of this Franchise Disclosure Document ("FDD") is: April 30, 2026.

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## How to Use This Franchise Disclosure Document

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

| QUESTION | WHERE TO FIND INFORMATION |
|---|---|
| **How much can I earn?** | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit C. |
| **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 E 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 Philly Pretzel Factory 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 franchise have a troubled legal history?** | Item 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 Philly Pretzel Factory franchisee?** | Item 20 or Exhibits C and D list 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. |

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

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

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

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

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

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

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

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

## Some States Require Registration

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

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## 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, or litigation only in Pennsylvania. Out-of-state mediation 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 Pennsylvania than in your own state.

2. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both you and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

3. **Sales Performance Required**. You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise and loss of your investment.

4. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.

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

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**MICHIGAN ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF MICHIGAN**

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

(A) A prohibition on the right of a franchisee to join an association of franchisees.

(B) A requirement that a franchisee assent to release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims**.**

(C) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(D) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are subject to compensation. This subsection applies only if: (1) the term of the franchise is less than 5 years and (2) the franchisees is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of the franchisor's intent not to renew the franchise.

(E) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(F) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(G) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(1) the failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(2) the fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(3) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

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

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

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

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE ADDRESSED
TO: DEPARTMENT OF ATTORNEY GENERAL
CONSUMER PROTECTION DIVISION
670 LAW BUILDING, 525 W. OTTAWA
STREET LANSING, MICHIGAN 48913
Telephone (517) 373-7117

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**Exhibits to Soft Pretzel Franchise Systems, Inc. Franchise Disclosure Document**


Exhibit A – State Administrators
Exhibit B – Registered Agent for Service of Process
Exhibit C – List of Franchisees
Exhibit D – List of Former Franchisees
Exhibit E – Financial Statements
Exhibit F – Soft Pretzel Franchise Systems, Inc. Franchise Agreement
- Exhibit A – Site Selection Addendum
- Exhibit B – Personal Guarantee
- Exhibit C – Restrictive Covenant and Confidentiality Agreement
- Exhibit D – Collateral Assignment of Lease
- Exhibit E – Conditional Assignment of Franchisee's Telephone Numbers
- Exhibit F – Assignment and Assumption Agreement
- Exhibit G –Non-Traditional Location Addendum to Franchise Agreement
- Exhibit H - Electronic Funds Withdrawal Authorization

Exhibit G – Confidentiality Agreement
Exhibit H – Compliance Certification
Exhibit I – State Specific Addenda
Exhibit J – Sample Termination and Release
Exhibit K – Sublease Agreement for Non-Traditional Locations
Exhibit L – Table of Contents Operations Manual
Exhibit M – State Effective Dates
Exhibit N – Receipts


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

Company

To simplify the language in this disclosure document "Company" "we" or "us" refers to Soft Pretzel Franchise Systems, Inc., the franchisor. "You" refers to the franchisee who buys the franchise. The franchisee may be a person, corporation, partnership, or limited liability company. If the franchisee is a corporation, partnership, or limited liability company, "you" does not include the principals of the corporation, partnership or limited liability company unless otherwise stated.

Company's Business Activities and the Franchised Business

We are a Pennsylvania corporation formed on October 12, 2004, with a principal business address at 1525 Ford Road, Bensalem, Pennsylvania 19020. We do business only under our corporate name and the trade names "Philly Soft Pretzel Factory", "Soft Pretzel Factory" and "Philly Pretzel Factory." We have no predecessors or parents. We have offered franchises for the type of business being offered since December 2004 and have never offered franchises in any other line of business. We and our affiliates have previously operated businesses of the type being offered in this disclosure document. We do not engage, and have never engaged, in any other line of business. Our agents for service of process are identified in Exhibit B of this disclosure document.

Our affiliate, An Original Soft Pretzel Factory, Inc., is a Pennsylvania corporation formed in June 1998 with a principal business address at 7366 Frankford Ave., Philadelphia, PA 19136. Since June 1998, An Original Soft Pretzel Factory, Inc. has owned and operated a business of the type being offered in this disclosure document at 7368 Frankford Avenue, Philadelphia, PA 19136. An Original Soft Pretzel Factory, Inc. has also owned and operated a business of the type offered in this disclosure document at 5200 Frankford Avenue, Philadelphia, Pennsylvania since 2004. From August 2003 until 2007, An Original Soft Pretzel Factory, Inc. had 3 franchises that operated businesses substantially similar to our Philly Pretzel Factories. In 2007, An Original Soft Pretzel Factory, Inc. transferred the franchise agreements for these franchisees to us. An Original Soft Pretzel Factory, Inc. has never been engaged in any other line of business and is no longer offering franchises.

Our affiliate, DLB Pretzels, Inc., is a Pennsylvania corporation formed in May 2014 with a principal business address at 1525 Ford Road, Bensalem, PA 19020. DLB Pretzels, Inc. offers and sells certain pretzel items to Traditional and Non-Traditional Factories. DLB Pretzels, Inc. has never been engaged in any other line of business nor offered franchises.

Our affiliate, Cone Guys Holdings, LLC, is a Pennsylvania limited liability company formed in June 2025 with a principal business address at 1525 Ford Road, Bensalem, PA 19020. Cone Guys Holdings, LLC offers and sells certain ice cream cone items to Traditional and Non-Traditional Factories that offer and sell ice cream. Cone Guys Holdings, LLC has never been engaged in any other line of business nor offered franchises.

The Franchise Offered

We grant franchises for the establishment, development and operation of a single business offering traditional "Philadelphia" style soft pretzels and other authorized products including mini pretzels, rivets, cheesesteak pretzels, pretzel dogs, spicy pretzel sausages, cinnamon pretzels, pepperoni pretzel melts, mustards, dips, frozen lemonades, custom pretzels, pretzel party trays, ice cream/water ice (optional) and



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other products we may develop in the future under the marks "Philly Soft Pretzel Factory", "Soft Pretzel Factory" and "Philly Pretzel Factory" (the "Traditional Factory").

We also grant franchises for the establishment, development, and operation of a Philly Pretzel Factory in smaller and special venues requiring a more concise format utilizing modified equipment and generally located in a big-box retailer, such as Walmart and supermarkets (each, a "Non-Traditional Location" or "Non-Traditional Factory"). Non-Traditional Locations are only offered in the Oven-Ready format. We have entered into a Master Lease Agreement (the "Walmart Master Lease") with Walmart Stores, Inc. and its affiliates (collectively, "Walmart") to sublease space for the operation of Non-Traditional Locations within the premises of retail facilities owned by Walmart (each, a "Walmart Store"). We reserve the right to enter into similar arrangements with other retailers and supermarkets in the future.

We offer two formats for Traditional Factories (collectively and interchangeably the "Factory(ies)"): a "Full-Production" format which allows you to make and bake freshly made pretzels and other products on site; and an "Oven-Ready" format which allows you to bake premade pretzels and other products purchased from our affiliate, DLB Pretzels, Inc., or our designated vendors.

Under our franchise agreement ("Franchise Agreement"), we will license and grant you the right to establish and operate one Factory in the manner described in the Franchise Agreement and in our operations manual ("Operations Manual"). We have developed a marketing concept and uniform standards and specifications for the operation of a Philly Pretzel Factory, all of which we may change, improve, and further develop at our discretion (the "System"). Our System provides you with the tools necessary to market and offer for sale Philly Pretzel Factory products, including traditional soft pretzels, mini pretzels, rivets, cheesesteak pretzels, spicy pretzel sausages, cinnamon pretzels, pepperoni pretzel melts, pretzel dogs, mustards, dips, frozen lemonades, custom pretzels, ice cream/water ice, pretzel party trays and other products we may develop in the future. You will operate your Factory under the service marks and trade names "Philly Pretzel Factory", "Philly Soft Pretzel Factory", "Soft Pretzel Factory", and other trade names, trademarks, and service marks which we specify now or designate in the future in connection with the System (collectively referred to as the "Proprietary Marks").

Each Non-Traditional Location is operated in accordance with our standard form of Franchise Agreement, the Sub-Lease Agreement (the "Sublease") attached to the Franchise Agreement as Exhibit K, and the Non-Traditional Location Addendum attached to the Franchise Agreement as Exhibit G. In the event you sign a franchise agreement for a Non-Traditional Location to be subleased by us, we will permit you to view a copy of the master lease at our offices in Philadelphia, Pennsylvania, and/or at an alternative location designated by us. Before you are permitted to view the master lease, you must sign our Confidentiality Agreement which is attached to this disclosure document as Exhibit I. The term of the Sublease is generally 5 years with consecutive options to renew for additional 5-year terms.

Market and Competition

As a Philly Pretzel Factory franchisee, you will be offering your products and services to the general public. The market for soft pretzel stores is an established one with many units located in malls and other traditional retail locations. You will be competing with other retail outlets offering similar products, including independently owned and regional and national franchise chains.

Industry Specific Regulations

Your Factory will be subject to various federal, state and local laws and regulations affecting the restaurant industry including federal, state and local safety and health codes, and food packaging and labeling requirements and regulations. Your Factory will be subject to other laws and regulations, including



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but not limited to, state and local licensing, zoning and land use regulations, as well as various sanitation and fire standards. You are also subject to employment laws such as the Fair Labor Standards Act and various state laws governing such matters as minimum wages, overtime and working conditions. You will also be subject to other laws or regulations that are not specific to the industry, but applicable to businesses generally, including the Americans with Disabilities Act.

## ITEM 2 BUSINESS EXPERIENCE

Chief Executive Officer: Daniel Dizio

Daniel Dizio is our co-founder and serves as our Chief Executive Officer and previously served as our Secretary from June 2006 to January 2011 and our President from our formation until September 2011 in Bensalem, PA. Mr. Dizio is also the co-founder and an owner of our affiliate, An Original Soft Pretzel Factory, Inc., and has served as its Vice-President and Secretary since July 1998. Mr. Dizio is also a member of our affiliate Cone Guys Holdings, LLC since June 2025 in Bensalem, PA.

President: Martin Ferrill

Martin Ferrill serves as our President, a position he has held since September 2011 in Bensalem, PA. From February 2011 until August 2011, Mr. Ferrill served as our Chief Operating Officer in Bensalem, PA. Mr. Ferrill is also a member of our affiliate Cone Guys Holdings, LLC since June 2025 in Bensalem, PA.

Founding Partner: Leonard M. Lehman

Leonard M. Lehman is our co-founder and previously served as our Vice President from June 2006 until February 2011 in Bensalem, PA. Mr. Lehman previously served as our Treasurer from September 2004 until January 2011 in Bensalem, PA. Mr. Lehman is also the co-founder of our affiliate, An Original Soft Pretzel Factory, Inc. and has served as its President and Treasurer since July 1998. Mr. Lehman is also a member of our affiliate Cone Guys Holdings, LLC since June 2025 in Bensalem, PA.

Vice President of Real Estate: Frank Weiss

Frank Weiss serves as Vice President of Real Estate, and has held this position since March 2016 in Bensalem, PA. Frank previously served as our Real Estate Manager from February 2008 until 2016 and our Vendor Relations Manager from 2010 to 2016 in Bensalem, PA.

Director of Franchise Development: Greg Salzano

Greg Salzano serves as Director of Franchise Development and has held this position since February 2019 in Bensalem, PA. Previously, Mr. Salzano served as our Franchise Development Manager from November 2015 to January 2019. From September 2021 until April 2024, Mr. Salzano served as General Manager of Franchise Recruiting for CertaPro Painters, LTD in Audubon, PA. From February 2021 until September 2021, Mr. Salzano served as Franchise Development Manager, Western US, for FullSpeed Automotive in Greenwood Village, CO.

Vice President of Training: Chris Dowling, CFE

Chris Dowling has served as our Vice President of Training since January 2022. Previously, Mr. Dowling was our Director of Unit Economics and Training from January 2014 to January 2022. From May



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2007 until December 2013, Mr. Dowling served as a Franchise Support Manger in our Operations Department in Bensalem, PA.

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## ITEM 3 LITIGATION

Concluded

UC Twister, LLC. v. Soft Pretzel Franchise Systems, Inc. and Ron Heil, In the Court of Common Pleas of Philadelphia County, Pennsylvania, Case No. 170703995. On August 4, 2017, UC Twister, LLC ("UC Twister"), a current franchisee of Soft Pretzel Franchise Systems, Inc. ("Soft Pretzel"), filed a complaint against us and another System franchisee, Ron Heil, relating to Heil's purchase of development rights from UC Twister in which we served as the escrow agent for the purchase price. On September 26, 2017, UC Twister filed an amended complaint against Soft Pretzel and Heil alleging the following claims against Soft Pretzel: (1) conversion of funds Soft Pretzel held as an escrow agent in a transaction between UC Twister and Heil; (2) breach a fiduciary duty to UC Twister; (3) fraud; (4) fraudulent inducement; (5) unjust enrichment/quantum meruit; (6) detrimental reliance/promissory estoppel; (7) constructive trust; (8) tortious interference with contractual relations; (9) breach of an oral contract to act as the escrow agent; (10) breach of a quasi-contract/contract implied in law to act as the escrow agent; (11) injunctive relief; and (12) conspiracy. UC Twister seeks $2,000,000 in alleged damages. On November 15, 2018, the parties entered into a settlement agreement pursuant to which Soft Pretzel purchased certain assets owned by UC Twister and used in connection with their closed Philly Pretzel Factory franchise for $97,000 in exchange for mutual releases. The matter was subsequently dismissed with prejudice.

Except for the matters disclosed above, no litigation is required to be disclosed in this Item.

## ITEM 4 BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

## ITEM 5 INITIAL FEES

**Initial Franchise Fee.** The initial franchise fee for your first territory is $40,000 and $25,000 for each additional territory you purchase, which is payable to us in full when you sign the Franchise Agreement. The initial franchise fee is uniform to all franchisees and deemed fully earned upon payment and in consideration of administrative and other expenses we incur in granting this franchise and for our lost or deferred opportunity to franchise others, is non-refundable.

**Security Deposit**. If you purchase a Store-in Store Location, including a Walmart location, you will enter into a Sublease with us under which you will obtain the right to occupy your Non-Traditional Location. Contemporaneously with the execution of a Sublease, you shall deposit with us a security deposit (the "Security Deposit") to be held by us, without liability for interest, as security for your faithful performance of all of the terms, covenants, and conditions of the Sublease. The Security Deposit ranges between $2,000 and $9,000 for most Non-Traditional Locations. If at any time during the Term of the Sublease any of the rent shall be overdue and unpaid, or any other sum payable by you to us or master landlord is overdue and unpaid, we may, but shall not be required to, appropriate and apply any portion of the Security Deposit to the payment of any such overdue rent or other sum.



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## ITEM 6 OTHER FEES

| NAME OF FEE | AMOUNT[1] | DUE DATE | REMARKS |
|---|---|---|---|
| Royalty Fee | 6% of Gross Sales | Deducted weekly from Your Bank Account via an Electronic Funds Transfer System ("EFT") | See Note 2 |
| System Wide Brand Fund | 2% of Gross Sales | Deducted weekly from Your Bank Account Via EFT | See Note 3 |
| Local Advertising | 3% of Gross Sales | As incurred | See Note 4 |
| Third Party Required POS and Transaction Fees | Our approved supplier's then-current fees<br><br>Currently, our required software involves the following fees for Traditional Factories:<br><br>$204.30 per month for software to provide point-of-sale (POS) functions, with the option to add direct integration at $25 per month per third party delivery service; $116 per month for CRM and mobile app management fees; and card transaction fees ranging from $0.07 to $0.15 per transaction.<br><br>Currently, our required software involves the following fees for Non-Traditional Factories:<br><br>$120 per month for software to provide point-of-sale (POS) functions, with the option to add direct integration at $25 per month per third party delivery service and $20 per month for kitchen display screen; $116 per month for CRM and mobile app management fees; and card transaction fees ranging from $0.07 to $1.00 per transaction, which includes CRM and mobile app management. | As incurred. | Our approved supplier for this software may modify its fees upon written notice to you.<br><br>We reserve the right to collect these fees and remit them to our designated vendor on your behalf in our sole discretion.<br><br>See Item 11 for more information. |



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| NAME OF FEE | AMOUNT[1] | DUE DATE | REMARKS |
|---|---|---|---|
| Collection Costs, Attorneys' Fees and Interest | Fees and Costs Incurred/Interest at 18% or Highest Lawful Interest Rate for Commercial Transactions | As incurred | See Note 5 |
| Audit of Books and Records | $2,000 to $5,000 | As required | See Note 6 |
| Financial Records and Reports | Cost of preparing audited financial statements | Annually | See Note 7 |
| Taxes on Payments to Us | Amount of tax or assessment | When imposed by taxing authority | See Note 8 |
| Transfer Fee | ½ of the then-current initial franchise fee | Upon transfer | See Note 9 |
| Renewal Fee | ½ of the then-current initial franchise fee | Upon renewal | See Note 10 |
| Additional Training | Our then-current additional training fee, currently $0 per additional person | At time of additional training | See Note 11 |
| Indemnification | Amount of claim or judgment | When incurred | See Note 12 |
| Supplier Approval/Testing Costs | $3,000 to $5,000 | When incurred | See Note 13 |
| Intranet | Fees and costs, currently $0 | When incurred | See Note 14 |
| Additional Support | $1,000 per person per visit up to 5 days, plus any travel or accommodation expenses | When incurred | See Note 15 |
| Year Seven Remodeling and Refurbishment Expenses | Actual costs incurred, not to exceed $30,000 | During the 7th year of the term of the Franchise Agreement | You shall repair, refinish, repaint, replace, and/or otherwise redo the Factory's signs, furnishings, fixtures, equipment, decor, and any other tangible part or property of the Factory at your sole expense in the manner necessary to bring it into conformance with other franchises of the type we and our franchisees are opening at such time, provided that such expenditures shall be capped at $30,000.If you fail or refuse to initiate promptly and timely complete the necessary actions described in the notice, after notice of default and 30-day opportunity to cure, we have the option to perform the |



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| NAME OF FEE | AMOUNT[1] | DUE DATE | REMARKS |
|---|---|---|---|
| | | | necessary repairs, replacements, maintenance or refurbishment and charge you for our costs. |
| Rent for Non-Traditional Location | Ranges between $1,250 and $4,200 and includes electric, water and trash removal | Monthly | You will pay your rent directly to us if you operate a Non-Traditional Location. See Note 16. |
| Failure to Commence Operations Fee – Non-Traditional Location | Generally, $10,000 plus an additional $300 a day for each day which the Leased Premises remains unopened as required by the terms of the Master Lease | Payable on Demand | We will charge you these amounts if we are required to pay them to the Landlord. They are payable immediately on demand by us. |
| Failure to Operate Fee | Generally, $300 a day for each day, which the Factory remains closed and not operating, excluding any reasonable period for renovation or repair | Payable on Demand | They are payable immediately on demand by us. |
| Failure to maintain premises – Non-Traditional Location | Generally, the cost of repair plus an administrative charge of 10% of the cost thereof | Payable on Demand | We will charge you these amounts if we are required to pay them to the Landlord. They are payable immediately on demand by us. |
| Lien Removal – Store-in- Store Location | Generally, the cost of lien plus an additional 10% administrative fee, plus interest | Payable on Demand | We will charge you these amounts if we are required to pay them to the Landlord. They are payable immediately on demand by us. |
| Interest on Late rent Payments – Non-Traditional Location | 5% per annum or maximum amount allowed by law on any rent pay unpaid when due | Payable on Demand | You will pay your rent directly to us if you operate a Non-Traditional Location. This is only in connection with a Non-Traditional Location located at Wal-Mart. |
| Additional Non-Traditional imposed fees | Varies | As incurred, on demand or annually | Note 17 |
| Hold Over Rent – Non-Traditional Location | 150% of then-current monthly rent | Weekly | Note 18. |
| Relocation Fee | $0 | As incurred | You may not relocate the Factory without our prior written consent. If you relocate to a new site, you must pay us a non-refundable relocation fee of $0 at the time of making the request. |
| Annual Conference | Expenses of you and your employees' transportation to and from the Annual | As incurred | Note 19. |



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| NAME OF FEE | AMOUNT[1] | DUE DATE | REMARKS |
|---|---|---|---|
| | Conference, and lodging, meals, and salaries during the Annual Conference; $1,500 if you fail to attend the annual conference without our prior written consent | | |
| Fee for an additional location within your Territory | Then-current fee, currently $0 | As incurred | Note 20. |
| Technology Fee | Then current fee, currently $0. | As incurred | Note 21. |

**Notes**

Note 1. The preceding table describes other recurring or isolated fees or payments that you must pay to our affiliates, or which we or our affiliates impose or collect on behalf of a third party, in whole or in part. Unless otherwise indicated below, all of the fees listed above are imposed by, payable to and collected by us and are non-refundable.

Note 2. **Royalty Fees.** Each week you must pay us a royalty fee equal to 6% of your "Gross Sales." "Gross Sales" include all revenues you generate from all business conducted at or from your Factory, whether for cash or credit and regardless of collection, during the preceding week, including amounts you received from selling and delivering merchandise and tangible property of any nature whatsoever. "Gross Sales" does not include the amount of any tax imposed by any federal, state, municipal or other governmental authority; you agree to pay these amounts as and when due. You must send us weekly Gross Sales reports by 12:00 midnight on Tuesday of every week for the previous week of sales in the form and manner we specify. We will collect the weekly Royalty Fees through an electronic funds transfer system on Wednesday of each week, or at such other time and in such other manner as we may designate.

Note 3. **System Wide Brand Fund**. Currently, you must contribute 2% each week to the System Wide Brand Fund, which is used for the benefit of all System franchisees. We have the right to increase your System Wide Brand Fund contribution to 4% of your Gross Sales.

Note 4. **Local Advertising Requirement.** In addition to the System Wide Brand Fund contributions described in Note 4 above, you must spend, at a minimum, 3% of your Gross Sales each month on local advertising in accordance with our standards and specifications ("Local Advertising Requirement") as prescribed in the Operations Manual or otherwise in writing, which may include, without limitation, requirements that you place a certain number and/or type(s) of media advertisements to assist you in promoting your Factory. You may, in your sole discretion, expend additional amounts of local advertising. We have the right, in our discretion, to designate any geographical area for purposes of establishing a regional advertising and promotional cooperative ("Cooperative"), and to determine whether you must participate in a Cooperative. You will receive credit for Cooperative contributions against the Local Advertising Requirement.

Note 5. **Collection Costs, Attorneys' Fees and Interest.** If the funds in your bank account are insufficient to cover any amounts due under the Franchise Agreement on the date such funds are due, in addition to the overdue amount, we shall immediately be entitled to debit from your bank account interest on such amount from the date it was due until all past-due amounts are paid, at a rate of 18% per annum or the maximum rate permitted by law. Any late payment or underpayment of the Operating or advertising fees and any other charges or fees you owe us or our affiliates will bear interest from the due date until paid at the lesser



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of 18% interest per year or the maximum rate permitted by the law of the state where your Factory is located. If you are in breach or default of any monetary or non-monetary material obligation under the Franchise Agreement or any related agreement between you and us and/or our affiliates, and we and/or our affiliates engage an attorney to enforce our respective rights (whether or not we initiate formal judicial proceedings), you must pay all reasonable attorneys' fees, court costs and litigation expenses we or our affiliates incur. If you institute any legal action to interpret or enforce the terms of the Franchise Agreement and your claim is denied or the action is dismissed, you must reimburse us our reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against the action. We are entitled, under the Franchise Agreement, to have this amount awarded as part of the judgment in the proceeding.

Note 6. **Audit/Inspection Costs**. You must maintain adequate and proper records and accounts regarding the operation of your Factory. You must retain the records for a period of three years. Such records and accounts shall be open for inspection by us, and/or our designated agents, at all reasonable times. If necessary, in our opinion, you must deliver to us and/or our designated agents copies of all bookkeeping records not already in our possession, including, but not limited to, customer records, cash register tapes, electronic data, sales and purchase records and tax records, to enable us to adequately audit your Gross Sales. You must waive any right to withhold, as privileged information, tax records relative to your Factory. If we determine, as a result of any audit, that there has been a deficiency in the payment of any amount owed to us, the amount of the deficiency must be paid immediately with interest at the rate of 1.5% per month from the original due date. In addition, if it is discovered, as a result of any audit, that the Gross Sales of any period have been understated more than 5%, or if you fail to provide any of the above-mentioned records, you must pay all reasonable costs and expenses incurred by us in connection with such audit or attempted audit.

Note 7. **Financial Records and Reports**. You must maintain for at least three fiscal years from their preparation complete financial records for the operation of your Factory in accordance with generally accepted accounting principles and must provide us, at our request, with (i) a weekly sales report signed by you and in the form we specify for Gross Sales and Net Sales during the preceding calendar week indicating all monies received during the relevant period, as well as customer counts and average sales, and such other additional information which we deem necessary to properly evaluate your progress, which shall accompany your royalty and advertising fees; (ii) annual financial reports and operating statements in the form we specify, prepared by a certified public accountant or state licensed public accountant, within 90 days after the close of each of your fiscal years; (iii) state and local sales tax returns or reports and federal, state and local income tax returns for each year in which your Factory is operated, within 30 days after their timely completion; and (iv) such other reports as we may from time to time require, in the form and at the time we prescribe. To assist you in recording and keeping accurate and detailed financial records for reports and tax returns, we, at our discretion, may specify the form in which the business records are to be maintained, provide a uniform set of business records for you to use, and specify the type of cash register or other equipment to be used in connection with the Factory.

Note 8. **Taxes on Payments to Us**. If any taxing authority, wherever located, imposes any future tax, levy or assessment on any payment you make to us, in addition to all payments due to us, you must pay the tax, levy or assessment. In addition, you are solely responsible for payment of all taxes, including but not limited to, real estate, sales, payroll, franchise, income, personal property, and gross receipts taxes which are assessed as a result of your operation of the franchise.

Note 9. **Transfer Fee.** We have the right to condition the proposed sale or transfer of your Philly Pretzel Factory or of your interest in the Philly Pretzel Factory upon your payment of a transfer fee equal to ½ of our then-current initial franchise fee, sufficient to cover our reasonable costs in effecting the transfer and in providing initial assistance to the transferee. You do not have to pay the transfer fee if you assign your



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Franchise Agreement to a corporation or limited liability company wholly owned by you for the sole purpose of operating the Factory.

Note 10. **Renewal Fee.** If you wish to renew your Franchise Agreement, at the time of renewal you must pay us a renewal fee equal to ½ of our then-current initial franchise fee. Thus, we have the right to condition the renewal of your Franchise Agreement upon your payment of a renewal fee.

Note 11. **Additional Training.** Subject to the availability of our training personnel, we will train your additional and/or replacement managers at our then-current tuition fee, which is currently $0 per additional person. We reserve the right to increase the tuition fee for additional training.

Note 12. **Indemnification**. You must defend, indemnify and hold us harmless from any and all claims, liabilities, responsibilities, demands, obligations, actions or damages of any kind (including costs and reasonable attorneys' fees) and any costs or expense by reason of any loss of life or injury or claimed injuries to persons or property that may be arising in whole or in part from the operation of your Factory, including your advertising, except as otherwise provided in the Franchise Agreement. For Non-Traditional Locations, you must indemnify Walmart, the master landlord or us (in the event we indemnify Walmart or other master landlord) for any damages arising from your operation of the Factory or any breach of the Master Lease by you, any of your employees, representatives or customers.

Note 13. **Supplier Approval/Testing Costs.** If we incur any costs in connection with testing a particular product or evaluating a supplier at your request, you must reimburse us our reasonable testing costs, regardless of whether we subsequently approve the supplier. See Item 8 of this disclosure document for more information about designated and approved suppliers.

Note 14. **Intranet.** We have developed an intranet that allows you and certain employees to: (i) view and print portions of the confidential Operations Manual; (ii) download approved local advertising materials; and (iii) communicate with us and other franchisees. You are required to use our intranet in the operation of your Factory according to our terms and conditions and agree to pay any fees associated with the intranet system. Currently, we cover all fees associated with the intranet, however, we reserve the right to charge you these fees in the future.

Note 15. **Additional Support Services**. We may, subject to our discretion and reasonable availability, provide additional support services at mutually agreeable times for a fee equivalent to our then-current rates for the services of our consulting and training personnel, which is currently $1,000 per person. We reserve the right to increase the support services fee. You will also be responsible for all travel and accomodation expenses incurred by our training representative.

Note 16. **Rent for Non-Traditional Location**. The monthly rent for a Non-Traditional Location varies based upon the square feet, location and market value of the Walmart Store or other store and generally is the greater of 10% of the Factory's gross sales or the minimum base rent. Increases in monthly rent will generally be set by the terms of the master lease. We estimate that the monthly minimum base rent for a Non-Traditional Location will generally range between $1,250 and $4,200. The amount of your monthly rent will be determined based on our then-current form of Sublease Agreement and generally includes the cost of electricity, water and trash removal.

Note 17. **Additional Non-Traditional Imposed Fees.** For Non-Traditional Locations, you may be required to pay utilities (other than electricity, water and trash removal), key money, and additional security deposits as required under the master lease. If charged by the master landlord, you are responsible for these additional fees as well as paying any additional amounts owed under the Master Lease prior to opening your Factory. In addition, you must comply with master landlord imposed requirements in terms of your



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employees. Currently, Walmart requires that a background check be performed on all persons working on their premises. You are responsible for performing all background checks on your employees.

Note 18. **Hold Over Rent - Non-Traditional Locations**. If you remain in possession of the Leased Premises after the expiration of the Sublease Agreement or Master Lease, you will occupy the Leased Premises on a month-to-month basis with a monthly rental rate equal to the rent and other charges applicable at the time of the expiration of the Sublease or Master Lease plus fifty percent (50%) of the sum of such amounts. Further, Tenant will be subject to all conditions, provisions, and obligations of the Sublease as far as the same are applicable to a month-to-month tenancy.

Note 19. **Annual Conference.** We may, in our discretion, hold an Annual Conference at a location to be selected by us. We shall determine the topics and agenda for such conference to serve the purpose among other things, of updating franchisees on new developments affecting franchisees, and exchanging information between franchisees and our personnel regarding Philly Pretzel Factory operations and programs. All expenses, including you and your employees' transportation to and from the Annual Conference and lodging, meals, and salaries during the Annual Conference are your sole responsibility. In the event that you fail to attend the annual conference without our prior written consent, you must pay us a fee of $1,500.

Note 20. **Fee for additional locations within Territory.** Your Franchise Agreement grants you the right to operate one Factory at the Location identified on the Data Sheet to the Franchise Agreement. Except as explicitly set forth in the Franchise Agreement, you shall not display nor distribute your product at or from any other location within your Territory, for any commercial purpose, without having first obtained our prior written consent. We have the right to condition our consent upon, including but not limited to, your compliance with our standards and specifications as set forth in the Operations Manual or otherwise in writing, and your payment of our then-current fee for an additional location within the Territory, currently $0 per location.

Note 21. **Technology Fee**. We reserve the right to require that you pay us or our designated vendor(s) a fee (which may be collected monthly, quarterly, or annually) associated with maintaining required computer hardware and software and any other technology used in the operation of your Factory, and such payment shall be made in the manner prescribed by us or the designated vendor(s), as applicable. If we collect this fee directly, the fee must be paid in the same manner as the royalty and other amounts due under the Franchise Agreement, or as we otherwise set forth in writing. We reserve the right to change the Technology Fee as changes are made to the System's hardware, software and other computer requirements or as required by the third party service provider(s) or by any regulatory agency.



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## ITEM 7 ESTIMATED INITIAL INVESTMENT

### A. YOUR ESTIMATED INITIAL INVESTMENT FOR A TRADITIONAL FACTORY

| Type of Expenditure | Amount- Oven-Ready Format[1] | Amount- Full-Production Format[1] | Method of Payment | When Due | To Whom Made Payment is to be Made |
|---|---|---|---|---|---|
| Initial Franchise Fee[2] | $40,000 | $40,000 | Lump Sum | Upon Execution of the Franchise Agreement | Us |
| Rent[3] | $1,100 to $4,500 | $1,100 to $7,500 | Lump Sum | At Signing of Lease | Landlord |
| Lease Deposit[4] | $1,100 to $4,500 | $1,100 to $15,000 | Lump Sum | At Signing of Lease | Landlord |
| Architect Fees[5] | $5,000 to $7,500 | $12,500 to $15,500 | As Incurred | Prior to commencing construction or build-out of your Factory | Architect(s) |
| Construction/ Leasehold Improvements[6] | $51,000 to $98,836 | $190,000 to $275,000 | As Incurred | As Incurred | Contractor(s) |
| Equipment[7] | $54,881 to $130,000 | $150,000 to $200,000 | As Incurred | Upon negotiated terms | Third Party Supplier(s) |
| Ice Cream/Water Ice Equipment (Optional)[8] | $0 - $55,000 | $0 - $55,000 | Lump Sum | Upon Purchase of Equipment | Third Party Supplier(s) |
| Computer System, Office Supplies & Miscellaneous Equipment[9] | $1,624 to $1,824 | $1,624 to $2,224 | As Incurred | As Incurred | Third Party Supplier(s) |
| Promotional Materials[10] | $500 to $1,500 | $500 to $2,500 | Lump Sum | Before Beginning Operation of the Franchised Business | Third Party Supplier(s) |
| Grand Opening Advertising Requirement[11] | $5,000 | $5,000 | As Incurred | Upon Execution of the Franchise Agreement | Third Party Supplier(s) |
| Permits and Licenses[12] | $400 to $2,500 | $400 to $4,000 | As Incurred | As Incurred | Governmental Authorities |
| Training Expenses[13] | $100 to $2,000 | $100 to $2,000 | As Incurred | As Incurred | Restaurants and Hotels |
| Signage[14] | $3,300 to $12,000 | $3,200 to $12,000 | As Agreed | As Incurred | Third Party Supplier(s) |
| In-Store Camera Surveillance System[15] | $500 to $1,000 | $500 to $1,000 | Lump Sum | As Incurred | Designated Vendor |
| Prepaid Insurance Premium[16] | $3,000 to $4,000 | $3,000 to $5,000 | Lump Sum | As Incurred | Insurance Carrier/Broker |



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| Type of Expenditure | Amount- Oven-Ready Format[1] | Amount- Full-Production Format[1] | Method of Payment | When Due | To Whom Made Payment is to be Made |
|---|---|---|---|---|---|
| Utility and Telephone Deposits[17] | $500 to $1,000 | $500 to $2,000 | Lump Sum | As Incurred | Utility and Telephone Companies |
| Legal Costs[18] | $500 to $1,500 | $500 to $1,500 | As Incurred | As Incurred | Attorneys and Government Authorities |
| Initial Inventory[19] | $5,000 to $7,500 | $10,000 to $15,000 | From Cash on Delivery-Net 30 Days | As Incurred | Third-Party Supplier(s) |
| Additional Funds[20] | $10,000 to $25,000 | $10,000 to $25,000 | As Incurred | As Incurred | Employees, Suppliers and Creditors |
| **Total** | **$183,505 to $405,160** | **$430,024 to $685,224** | | | |

**Notes**

Note 1. We offer two formats for Traditional Factories: a "Full-Production" format which allows you to make and bake freshly made pretzels and other products on site; and an "Oven-Ready" format which allows you to bake premade pretzels and other products purchased from us or our designated vendors. We only offer one format for Non-Traditional Factories – which is "Oven-Ready".

Except as otherwise described in the notes below, the preceding table provides an estimate of your initial investment and the costs necessary to begin operating your Oven-Ready or Full-Production Traditional Factory.

Actual costs will vary for each franchise location depending on a number of factors including market condition, the geographic location of your Factory, and the amount of construction work necessary for build-out. Unless otherwise indicated, all of the fees listed in this Item 7 are uniformly imposed by, payable to, and collected by us, and are non-refundable. Neither we nor an affiliate will finance any portion of your initial investment for a Traditional Factory.

Note 2. See Item 5 for a description of the Initial Franchise Fee.

Note 3. You must obtain a retail premises on which to locate your Factory, which we must approve in advance (the "Approved Location"). Although you may purchase or lease the Approved Location, we anticipate that you will lease a location for your Factory. Traditional Factories typically occupy approximately 800 to 1,600 square feet of commercial space. Costs will vary depending upon many factors, including the geographic location of your business, the size of the premises, the availability and cost of labor and materials, the condition of the premises and the work that your landlord will do as a result of the lease negotiations and the then-current local real estate rental market conditions. You can obtain estimates of rental costs by contacting local commercial realtors. We estimate that base rent, exclusive of tax or common area maintenance charges may range between $1,100 and $7,500 per month. This category reflects one month's estimated rent.



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Note 4. We estimate that lease security deposits will range from $1,100 to $15,000 for most locations. This category reflects an estimated security deposit of rent for two months.

Note 5. Your Factory shall conform to our standards and specifications for appearance, layout, and design. You are solely responsible for the preparation of architectural and working drawings necessary to complete construction and/or build-out at the Approved Location. You must purchase architecture and contracting services for the construction of your Factory, which meet our minimum specifications and from architects and contractors that we have approved in writing. We will provide you with the then-current specifications for the construction and layout of your Factory and a list of approved architects, engineers, and contractors, which will be described in the Operations Manual or otherwise in writing. We must approve all plans before you begin construction/build-out. We must approve all subsequent, material changes to the plans and drawings before such changes may be implemented.

Note 6. The range in this category reflects an estimate for layout and construction build-out costs for your Factory, including millwork. Your cost for leasehold improvements will vary depending upon the size of your Factory, its geographic location and the condition of the premises. If you are converting an existing business into a Factory, your costs may be higher or lower depending on the available assets, fixtures, and conversion costs. Construction costs in some areas of the country may exceed these estimates. We will provide to you the most current specifications for the design and general layout of a Factory, including interior design, layout, fixtures, furniture, equipment, sign structures, signs, menu boards/price list boards, and other elements of trade dress.

Note 7. The ranges in this category reflect the estimated cost of purchasing the equipment necessary to begin operating a Traditional Factory.

Note 8. The range in this category reflects the estimated cost of purchasing the equipment necessary to offer ice cream and water ice at your Factory. You are not obligated to purchase this equipment or offer ice cream/water ice at your Factory.

Note 9. You must purchase and use our designated electronic cash register/point of sale system, as well as our proprietary software, which must be purchased from our designated vendor. See Item 11 of this disclosure document for more information about computer software and hardware requirements.

Note 10. Before you open your Factory, we will provide you with a copy of our "Promotional Advertising Package" containing our advertising standards and specifications. We estimate that your cost relating to these initial advertising supplies will range from $500 to $2,500, depending upon printing and other product costs.

Note 11. For your Grand Opening Campaign, you are required to spend at least $5,000 to satisfy your Grand Opening Advertising Requirement in the manner described in our Grand Opening Manual. In addition to newspaper, direct mail, and other forms of media advertising, your Grand Opening Campaign will also include in-store promotion giveaways, including our "free pretzel per customer, no purchase necessary" promotion for a minimum of one week. You must spend a minimum of $5,000 to satisfy the Grand Opening Requirement, which includes the cost of participation in the "one free pretzel per customer" promotion, any other in-store promotion giveaways required by us. You must submit to us, upon our request, evidence of your Grand Opening Campaign expenditures as described in the Grand Opening Manual.

Note 12. The cost of permits and licenses will depend upon the county or other geographic location within which your Factory is located.



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Note 13. See Items 6 and 11 for a complete explanation of our training program and training costs. Our estimate includes lodging accommodations and dining expenses for two people. Our estimate does not include expenses associated with traveling to our headquarters for off-site training. Your travel expenses, if any, will depend upon the distance of travel, mode of transportation, and the time of year in which your training occurs.

Note 14. The cost of signage, both interior and exterior, will depend on the size and location of your Factory, your landlord's particular requirements, local and state ordinances and zoning requirements. You may purchase signage from any third-party supplier so long as the signage conforms to our standards and specifications and local codes. See Item 8.

Note 15. You must purchase an in-store camera surveillance system from our designated supplier. See Item 11 for more information regarding the in-store camera surveillance system.

Note 16. Business insurance coverage will vary from state to state and will depend on your prior loss experience, if any, and/or the prior loss experience of your insurance carrier in the state or locale in which you operate your Factory, and national or local market conditions. We estimate that your annual insurance premium will range from $3,000 to $5,000. Insurance carriers and brokers typically require a down payment equal to one quarter of the annual insurance payment and monthly payments of the remaining balance. The range in the chart represents our estimate of the initial down payment plus the first three monthly payments. This does not include Worker's Compensation Insurance, the rates of which will vary depending on the State in which you are doing business and your experience rating. You must purchase insurance from our designated supplier and provide us with proof of insurance.

Note 17. The range in this category reflects our estimates for telephone and electricity deposits. We have approximated one month's usage. Your actual costs will depend on your credit rating and operating history.

Note 18. This range reflects the estimated costs of legal expenses for starting up your Factory, as well as the cost of obtaining business licenses and permits.

Note 19. The range in this category includes the cost of your initial opening inventory which will include a two- to three-week supply of all food, product, paper, merchandise, uniforms and supplies necessary to operate a Traditional Factory. If you purchase an Oven-Ready Factory, you will purchase from approved suppliers initial inventory prior to opening.

Note 20. We estimate that you will need between $10,000 and $25,000 in additional capital to operate the Factory during the initial three months of operation. We anticipate these additional funds will be necessary to pay operating expenses such as employee salaries, rent, credit card processing fees and other miscellaneous costs during this period. The additional funds necessary will vary depending on the location of your Factory and your individual choices. These estimates are based upon the collective experience of our affiliates in opening and operating Factories generally.



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## B. YOUR ESTIMATED INITIAL INVESTMENT FOR A NON-TRADITIONAL LOCATION

| Type of Expenditure | Amount-Oven-Ready Format[1] | Method of Payment | When Due | To Whom Made Payment is to be Made |
|---|---|---|---|---|
| Initial Franchise Fee[2] | $40,000 | Lump Sum | Upon Execution of the Franchise Agreement | Us |
| Rent[3] | $1,250 to $4,500 | Lump Sum | At Signing of Lease | Landlord |
| Lease Deposit[4] | $2,000 to $9,000 | Lump Sum | At Signing of Lease | Us |
| Architect Fees[5] | $4,000 to $7,500 | As Incurred | Prior to commencing construction or build-out of your Factory | Architect(s) |
| Construction/ Leasehold Improvements[6] | $51,000 to $125,000 | As Incurred | As Incurred | Contractor(s) |
| Equipment[7] | $54,881 - $75,000 | As Incurred | Upon negotiated terms | Third Party Supplier(s) |
| Ice Cream/Water Ice Equipment (Optional)[8] | $0 - $55,000 | Lump Sum | Upon Purchase of Equipment | Third Party Supplier(s) |
| Computer System, Office Supplies & Miscellaneous Equipment[9] | $970 to $1,370 | As Incurred | As Incurred | Third Party Supplier(s) |
| Promotional Materials[10] | $500 to $1,500 | Lump Sum | Before Beginning Operation of the Franchised Business | Third Party Supplier(s) |
| Grand Opening Advertising Requirement[11] | $5,000 | As Incurred | Upon Execution of the Franchise Agreement | Third Party Supplier(s) |
| Permits and Licenses[12] | $440 to $1,000 | As Incurred | As Incurred | Governmental Authorities |
| Training Expenses[13] | $100 to $2,000 | As Incurred | As Incurred | Restaurants and Hotels |
| Signage[14] | $2,000 to $3,500 | As Agreed | As Incurred | Third Party Supplier(s) |
| In-Store Camera Surveillance System[15] | $500 to $1,000 | Lump Sum | As Incurred | Designated Vendor |
| Prepaid Insurance Premium[16] | $3,000 to $5,000 | Lump Sum | As Incurred | Insurance Carrier/Broker |
| Utility and Telephone Deposits[17] | $0 to $250 | Lump Sum | As Incurred | Utility and Telephone Companies |
| | | | | |



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| Type of Expenditure | Amount-Oven-Ready Format[1] | Method of Payment | When Due | To Whom Made Payment is to be Made |
|---|---|---|---|---|
| Legal Costs[18] | $500 to $1,500 | As Incurred | As Incurred | Attorneys and Government Authorities |
| Initial Inventory[19] | $5,000 to $7,500 | From Cash on Delivery-Net 30 Days | As Incurred | Third Party Supplier(s) |
| Additional Funds[20] (3 months) | $5,000 to $12,500 | As Incurred | As Incurred | Employees, Suppliers and Creditors |
| **Total** | **$176,141 to $358,120** | | | |

**Notes**

Note 1. We offer two formats for Traditional Factories: a "Full-Production" format which allows you to make and bake freshly made pretzels and other products on site; and an "Oven-Ready" format which allows you to bake premade pretzels and other products purchased from us or our designated vendors. We only offer "Oven-Ready" factories for Non-Traditional locations. Except as otherwise described in the notes below, the preceding table provides an estimate of your initial investment and the costs necessary to begin operating an Oven-Ready Non-Traditional Location. Actual costs will vary for each franchise location depending on a number of factors including market condition, the geographic location of your Non-Traditional Location, and the amount of construction work necessary for build-out. Unless otherwise indicated, all of the fees listed in this Item 7 are uniformly imposed by, payable to, and collected by us, and are non-refundable. Although neither us nor our affiliate finances the initial investment in connection with Non-Traditional Locations, you will be obligated to enter into a Sublease and Guaranty of Sublease with us under which you will obtain the right to occupy your Non-Traditional Location. For additional information on the Sublease and Guaranty, please see Item 10.

Note 2. See Item 5 for a description of the Initial Franchise Fee.

Note 3. The monthly rent for a Non-Traditional Location varies based upon the square feet, location and market value of the Walmart Store or other store within which your Factory is located and generally is the greater of 10% of the Factory's gross sales or the minimum base rent. Increases in monthly rent will generally be set by the terms of the master lease. We estimate that the monthly minimum base rent for a Non-Traditional Location will generally range between $1,250 and $4,500.

Note 4. We estimate that lease security deposits will generally range from $2,000 to $9,000 for most Non-Traditional Locations. This category reflects a two-month estimated security deposit.

Note 5. Your Non-Traditional Location shall conform to our standards and specifications for appearance, layout and design, as well as the standards and specifications set forth in the master lease. You are solely responsible for the preparation of architectural and working drawings necessary to complete construction and/or build-out at the Approved Location. You must purchase architecture and contracting services which meet our minimum specifications and from architects and contractors that we have approved in writing. We will provide you with the then-current specifications for the construction and layout of your Factory and a list of approved architects, engineers, and contractors, which will be described in the Operations Manual or



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otherwise in writing. We must approve all plans before you begin construction/build-out. We must approve all subsequent, material changes to the plans and drawings before such changes may be implemented.

Note 6. The ranges in this category reflect an estimate for layout and construction build-out costs for your Non-Traditional Location, including millwork. Your cost for leasehold improvements will vary depending upon the size of your Non-Traditional Location, its geographic location and the condition of the premises. Construction costs in some areas of the country may exceed these estimates. We will provide to you the most current specifications for the design and general layout of a Factory, including interior design, layout, fixtures, furniture, equipment, sign structures, signs, menu boards/price list boards, and other elements of trade dress.

Note 7. The ranges in this category reflect the estimated cost of purchasing the equipment necessary to begin operating a Non-Traditional Location. You must comply with all standards and specifications for signs, furnishings, supplies, fixtures, equipment, and inventory set forth by the master landlord in the master lease.

Note 8. The range in this category reflects the estimated cost of purchasing the equipment necessary to offer ice cream and water ice at your Factory. You are not obligated to purchase this equipment or offer ice cream/water ice at your Factory.

Note 9. You must purchase and use our designated electronic cash register/point of sale system, as well as our proprietary software, which must be purchased from our designated vendor. See Item 11 of this disclosure document for more information about computer software and hardware requirements.

Note 10. Before opening, we will provide you with a copy of our "Promotional Advertising Package" containing our advertising standards and specifications. We estimate that the costs for initial advertising supplies will range from $500 to $1,500, depending upon printing and other product costs.

Note 11. For your Grand Opening Campaign, you are required to spend at least $5,000 to satisfy your Grand Opening Advertising Requirement in the manner described in our Grand Opening Manual. In addition to newspaper, direct mail, and other forms of media advertising, your Grand Opening Campaign will also include in-store promotion giveaways, including our "free pretzel per customer, no purchase necessary" promotion for a minimum of one week. You must spend a minimum of $5,000 to satisfy the Grand Opening Requirement, which includes the cost of participation in the "one free pretzel per customer" promotion, any other in-store promotion giveaways required by us. You must submit to us, upon our request, evidence of your Grand Opening Campaign expenditures as described in the Grand Opening Manual.

Note 12. The cost of permits and licenses will depend upon the county or other geographic location of your Non-Traditional Location.

Note 13. See Items 6 and 11 for a complete explanation of our training program and training costs. Our estimate includes lodging accommodations and dining expenses for two people. Our estimate does not include expenses associated with traveling to our headquarters for off-site training. Your travel expenses, if any, will depend upon the distance of travel, mode of transportation, and the time of year in which your training occurs.

Note 14. You may purchase signage from any third-party supplier so long as the signage conforms to our and the master landlord's standards and specifications. If required by the master landlord, you must submit requests to the master landlord to use certain signage and advertising. See Item 8 for more information regarding required signage.



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Note 15. You must purchase an in-store camera surveillance system from our designated supplier. See Item 11 for more information regarding the in-store camera surveillance system.

Note 16. For Non-Traditional Locations, you must maintain insurance in the amounts prescribed in the master lease or otherwise in writing. Currently, you must maintain insurance with: (i) worker's compensation with statutory limits and if no statutory limits, with minimum limits of $500,000 per occurrence, and employer's liability coverage with minimum limits of $1,000,000, for each employee for bodily injury by accident and for each employee for bodily injury by disease; (ii) commercial general liability insurance with a $3,000,000 minimum limit per occurrence; and (iii) business automobile liability insurance with minimum combined single limits of $500,000. You must provide us with proof of coverage and name us and any subsidiary or affiliate which we designate as additional insureds. We estimate that your annual insurance premium will range from $3,000 to $5,000. Insurance carriers and brokers typically require a down payment equal to one quarter of the annual insurance payment and monthly payments of the remaining balance. The range in the chart represents our estimate of the initial down payment plus the first three monthly payments. This does not include worker's compensation insurance, the rates of which will vary depending on the state in which you are doing business and your experience rating. You must purchase insurance from our designated supplier and provide us with proof of insurance.

Note 17. The range in this category reflects our estimates for telephone deposits. We have approximated one month's usage. Your actual costs will depend on your credit rating and operating history. Your monthly rent for a Walmart Location includes electricity, water and trash removal, but not all utilities.

Note 18. This range reflects the estimated costs of legal expenses for starting up your Factory, as well as the cost of obtaining business licenses and permits.

Note 19. The range in this category includes the cost of your initial opening inventory which will include a two- to three-week supply of all food, product, paper, merchandise, uniforms and supplies necessary to operate a Non-Traditional Location. For Oven-Ready facilities, you will purchase from suppliers approximately $5,000 to $7,500 of initial inventory prior to opening.

Note 20. We estimate that you will need between $5,000 to $12,500 for an Oven Ready Non-Traditional Location in additional capital to operate the Factory during the initial three months of operation. We anticipate these additional funds will be necessary to pay operating expenses such as employee salaries, rent, credit card processing fees and miscellaneous costs during this period. The additional funds necessary will vary depending on the location of your Factory and your individual choices. These estimates are based upon the collective experience of our franchisees and affiliate in opening and operating Philly Pretzel Factories generally.

## ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate your Factory in strict conformance with our methods, standards, and specifications which we prescribe in our confidential Operations Manual and various other confidential manuals and writings prepared for use by us in operating your Factory (collectively the "Manual"), and which we may change at our sole discretion.

Approved Products, Services, and Suppliers

You may only offer approved products ("Approved Products") for sale at your Factory, which currently include traditional soft pretzels, mini pretzels, rivets, cheesesteak pretzels, spicy pretzel sausages, cinnamon pretzels, pepperoni pretzel melts, pretzel dogs, mustards, dips, frozen lemonades, custom pretzels, and pretzel party trays. We will provide you with a list of the then-current Approved Products



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upon signing your Franchise Agreement. All Approved Products must meet our standards and specifications. In order to: (i) better assure the quality and supply of the Approved Products; and/or (ii) enable us, in our sole discretion, to take advantage of marketplace efficiencies, we have the right to require you to purchase the Approved Products only from us, our affiliates or other suppliers or distributors approved or designated by us. We may also develop certain proprietary products which you must purchase from us and offer for sale at your Factory. You must also purchase all inventory (including oven-ready pretzel items), equipment, fixtures, furnishings, product display units, uniforms, supplies and materials, ice cream cones, and frozen ready to bake pretzel items from us or from our designated or approved suppliers. Currently, Non-Traditional Factories are required to purchase oven-ready pretzel and hot dog items from our from our approved supplier. Traditional Factories may choose to purchase these items from DLB Pretzels, Inc. subject to DLB Pretzels, Inc.'s supply level. Our affiliate, Cone Guys Holdings, LLC is the Approved Supplier of ice cream cones for our franchises that offer ice cream. Our Approved Product list and your purchasing requirements are subject to change. You may purchase signage from any third-party supplier so long as the signage conforms to our standards and specifications and local codes. Other than their ownership interest in us and our affiliates, DLB Pretzels, Inc. and Cone Guys Holdings, LLC, none of our officers have an interest in any System supplier.

We formulate and modify our standards and specifications for products and services based upon the collective experience of our franchisees and affiliates. Our standards and specifications are described in the Franchise Agreement, the Manual, and other written documents. We have the right, under the Franchise Agreement, to change the standards and specifications applicable to operation of your Factory, including standards and specifications for signs, furnishings, supplies, fixtures, inventory, and equipment by written notice to you or through changes in the Manual. You recognize that you may incur an increased cost to comply with these changes at your own expense; however, no change will materially alter your fundamental rights under the Franchise Agreement. We will notify you of any change to our standards and specifications by way of written amendments to the Manual or otherwise in writing.

If you wish to purchase any item (for which we have identified approved or designated supplier(s)) from an unapproved supplier, you must provide us with a written request for approval of the supplier. Your request must include the name, address and telephone number of the proposed supplier, a description of the item you wish to purchase, and purchase price of the item, if known. We will approve, in our sole discretion, a previously unapproved supplier, if we are satisfied that the proposed supplier meets our then-current standards and specifications. The criteria we use for supplier approval is our confidential information; therefore, we do not make this information available to our franchisees. At our request, for testing purposes you must provide us with a sample of the item you wish to purchase. If we incur any costs in connection with testing a particular product or evaluating an unapproved supplier at your request, you must reimburse our reasonable testing costs, regardless of whether we subsequently approve the supplier. We will inform you of our decision regarding approval of a supplier within 60 days. We may revoke our approval of particular products or suppliers when we determine, in our sole discretion, that products or suppliers no longer meet our standards for the System. Upon receipt of written notice of such revocation, you must cease purchasing products from the supplier. You must use products purchased from approved suppliers solely in connection with the operation of your Factory and not for any competitive business purpose.

We and/or our Affiliate currently negotiate purchase arrangements with suppliers for the benefit of franchisees and may derive revenue from your purchase of certain foodstuffs and other required products, including but not limited to equipment, flour, mustard, and beverages from designated or approved suppliers. The rebates paid to us by currently approved suppliers for franchisee purchases of foodstuffs and other required products range from $.02 to $3.25 per case/bag, depending on the type of product purchased. Other approved suppliers pay us allowances from required franchisee purchases, including a rebate of $.50 per 50 lbs. bag of flour, as well as 18% on all franchisee apparel and marketing purchases. Depending upon the location of your Factory, our approved distributor of flour and other foodstuffs may require you to order



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a minimum amount of inventory each time you place an order. Currently, this amount ranges between $500 and $2,000 per order. In addition, our designated distribution company pays us a rebate equal to 1% of all franchisee's purchases, excluding flour, and our approved equipment supplier currently pays us a rebate of up to 2% based on franchisee purchase volume. Finally, our approved supplier for beverages will now pay us a yearly rebate of $1.00 to $5.00 per case of beverages sold by System franchisees.

As of our fiscal year ended December 31, 2025, we derived $653,117 or 8.6% of our total revenue of $7,620,724 from required purchases and leases.

In its fiscal year ending December 31, 2025, our affiliate DLB Pretzels, Inc. derived $1,300,341 from franchisee purchases or leases. Except as otherwise disclosed in this Item, none of our other affiliates received any revenue from franchisee purchases or leases.

In its finical year ending December 31, 2025, our affiliate Cone Guys Holdings LLC derived $0 from franchisee purchase or leases. Except as otherwise disclosed in this Item, none of our other affiliates received any revenue from franchisee purchases or leases.

We estimate that your required purchases and lease will account for approximately 60 – 80% of all purchases and leases necessary to establish your Traditional Factory and approximately 50 – 70% of all purchases and leases necessary to operate your Traditional Factory after opening. We estimate that your required purchases and lease will account for approximately 60 – 80% of all purchases and leases necessary to establish your Non-Traditional location and approximately 70 – 90% of all purchases and leases necessary to operate your Non-Traditional location after opening.

You do not receive any other material benefits in the form of renewal rights or rights to additional territories from your use of our designated and approved suppliers. There are currently no purchasing or distribution cooperatives in existence for the System.

Insurance

You must obtain and maintain insurance in the amounts we prescribe. We currently require our franchisees to maintain insurance with: (i) general liability coverage including premises operations, product liability, personal/advertising injury, fire/premises legal liability in an amount of at least $1,000,000 per occurrence and $2,000,000 aggregate; (ii) umbrella liability with a limit of at least $1,000,000; (iii) worker's compensation insurance (including Employers Liability Insurance) as required by the laws of the state in which you operate your Factory; (iv) Employment Practice Liability Insurance coverage in an amount of at least $250,000; and (v) business automobile liability insurance with minimum combined single limits of $1,000,000. This insurance policy must also cover business personal property covering full replacement costs of the equipment. If your lease requires you to purchase and maintain higher insurance limits, your lease requirements will control. We reserve the right to require you to use our designated insurance vendors.

For Walmart locations, you currently must maintain insurance with: (i) worker's compensation with statutory limits and if no statutory limits, with minimum limits of $500,000 per occurrence, and Employer's liability coverage with minimum limits of $1,000,000, for each employee for bodily injury by accident and for each employee for bodily injury by disease; (ii) commercial general liability insurance with a $3,000,000 minimum limit per occurrence; (iii) EPLI coverage in an amount of at least $250,000; and (iv) business automobile liability insurance with minimum combined single limits of $500,000.

You must provide us with proof of coverage and name us and any subsidiary or affiliate which we designate as additional insureds.



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Leases and Leasehold Improvements

You must, at your own expense, construct all leasehold improvements to the Factory premises in conformance with our plans and specifications. You may not begin construction until you have obtained our prior written approval and you may not deviate from any approved plans or specifications without our prior written approval.

For a Non-Traditional Location, you and your employees and contractors must comply with all standards and specifications for use of the Walmart Store or other store as set forth in the master lease or otherwise in writing. You and your employees and contractors may only park in those parking spots designated by the master landlord.

Computer Hardware and Software Components

Presently, you must use our approved supplier for our POS System which you must purchase and our approved supplier for the camera surveillance system which you must purchase. Our present computer hardware and software requirements are listed in detail in Item 11 of this Franchise Disclosure Document.

## ITEM 9 FRANCHISEE'S OBLIGATIONS

**This table lists your principal obligations under the Franchise Agreement 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 | Section in Sublease Agreement; Non-Traditional Location Addendum | Item in Disclosure Document |
|---|---|---|---|
| a. Site selection and acquisition/lease | 1.2, 5.1, 5.2, 8.1 | Sublease: 1<br>Location Addendum: 1, 10 | Items 6, 10 and 11 |
| b. Pre-opening purchases/leases | 5.2, 9.4 | Sublease:3(a), 3(d), 4(a)<br>Location Addendum: n/a | Items 7 and 8 |
| c. Site development and other pre-opening requirements | 7.3, 9.2 | 3(a) | Items 6, 7 and 11 |
| d. Initial and ongoing training | 8.3 | No Provision | Items 6, 7 and 11 |
| e. Opening | 9.3 | No Provision | Item 11 |
| f. Fees | 2.2.8, 6, 7.3, 7.4, 11.3.2.8 | Sublease: 3, 4<br>Location Addendum: n/a | Items 5, 7 and 6 |
| g. Compliance with standards and policies/Operating Manual | 8.7, 9.6 | Sublease: 3(a), 4(b), 6<br>Location Addendum: 4, 5,6, 7 | Items 8 and 11 |
| h. Trademarks and proprietary information | 3, 4 | No Provision | Items 13 and 14 |
| i. Restrictions on products/services offered | 7.2, 9.5 | Sublease: 3(a)<br>Location Addendum: 5, 6, 7 | Items 8 and 16 |
| j. Warranty and customer service requirements | No provision | No Provision | Not Applicable |



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| Obligation | Section in Franchise Agreement | Section in Sublease Agreement; Non-Traditional Location Addendum | Item in Disclosure Document |
|---|---|---|---|
| k. Territorial development and sales quotas | No provision | Sublease: Attachment 1<br>Location Addendum: 9 | Not Applicable |
| l. Ongoing product/service purchases | 9.5 | No Provision | Item 8 |
| m. Maintenance, appearance and remodeling requirements | 2.2.3, 9.18 | Sublease: 3(a)<br>Location Addendum: 5, 7 | Item 11 |
| n. Insurance | 10.7 | Sublease: 3(a), 5<br>Location Addendum: 8 | Items 6 and 7 |
| o. Advertising | 7 | Sublease: n/a<br>Location Addendum: 3 | Items 6 and 11 |
| p. Indemnification | 10.2 | Sublease: 5<br>Location Addendum: n/a | Item 6 |
| q. Owner's participation/ management staffing | 9.9 | Sublease: n/a<br>Location Addendum: 7 | Items 11 and 15 |
| r. Records and reports | 9.11, 9.12 | Sublease: n/a<br>Location Addendum: | Item 6 |
| s. Inspections/audits | 9.11, 9.15 | Sublease: 8<br>Location Addendum: n/a | Item 11 |
| t. Transfer | 11 | Sublease: 7, 11<br>Location Addendum: n/a | Item 17 |
| u. Renewal | 2.2 | Sublease: 2<br>Location Addendum: 2 | Item 17 |
| v. Post-termination obligations | 10.5.2, 13 | Sublease: 6,<br>Location Addendum: 2 | Item 17 |
| w. Non-competition covenants | 10.5 | Sublease: n/a<br>Location Addendum: 2 | Item 17 |
| x. Dispute resolution | 16.2 | Sublease: 9<br>Location Addendum: n/a | Item 17 |



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## ITEM 10 FINANCING

For Non-Traditional Locations, including Walmart locations, you (and if you are an entity, each of your owners) will enter into a Sublease and Guaranty of Sublease with us under which you will obtain the right to occupy your Non-Traditional Location. The term of the Sublease is generally five years with one five-year renewal option. The monthly rent for a Non-Traditional Location varies based upon the square feet, location and market value of the Walmart or other store and generally is the greater of 10% of the Factory's gross sales or the minimum base rent. Monthly base rent ranges between $1,250 and $4,500 and includes electric, water and trash removal. Increases in monthly rent will be set by the master landlord. Such rent may vary based on the size and location of the Walmart or other store within which your Factory is located and of the facility for your Non-Traditional Location. The amount of your monthly rent will be determined based on our then-current form of Sublease Agreement and generally includes the cost of electricity, water and trash removal. There is no prepayment penalty for early payment, however, because the cost of electricity, water and trash removal may fluctuate month to month, it will be difficult to prepay those amounts.

Contemporaneous with the execution of the Sublease, you shall deposit with us a security deposit (the "Security Deposit") to be held by us, without liability for interest, as security for your faithful performance of all of the terms, covenants, and conditions of the Sublease. The Security Deposit ranges between $3,000 and $7,000 for most Non-Traditional Locations. If at any time during the Term of the Sublease any of the rent shall be overdue and unpaid, or any other sum payable by you to us or master landlord is overdue and unpaid, we may, but shall not be required to, appropriate and apply any portion of the Security Deposit to the payment of any such overdue rent or other sum.

Any and all required payments under the Sublease or the master lease shall be paid in a timely manner directly to us or our assignee. At our option, all payments due from you under the Sublease shall be made by cash, bank draft, certified check, money order or electronic funds transfer. We shall assess a late fee of 5% on any overdue amounts. Additionally, any outstanding balance shall be charged interest at the maximum legal rate in the jurisdiction in which your Factory is located. If you default under the Sublease, we reserve the right to cure such default on your behalf and terminate the Sublease, repossess the premises and terminate the Franchise Agreement.

It is not our practice or intent to sell, assign, or discount to a third party the Sublease.

## ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEM AND TRAINING

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

**Franchise Agreement**

Pre-Opening Obligations.

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

1. We or our designee will review proposed sites for the location of your Factory. (Section 8.1 of the Franchise Agreement). We will use our best efforts to approve or disapprove your proposed site within 30 days from the date you submit your proposal along with any other information relating to the site which we may reasonably require. If we don't provide a response to your proposed site within this 30-day period, then the site will be deemed disapproved. (Section 8.1 of the Franchise Agreement). We may assist you in locating a site. If you do not locate an acceptable site within 180 days from the date



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you sign the Franchise Agreement and commence operations from your Factory within 12 months from the date you sign the Franchise Agreement, we have the right to terminate the Franchise Agreement. (Sections 12.1.2.3 and 12.1.2.4 of the Franchise Agreement).

2. We will provide to you the most current specifications for the design and general layout of a Factory, including interior design, layout, fixtures, furniture, equipment, sign structures, signs, menu boards/price list boards, and other elements of trade dress. (Section 8.2 of the Franchise Agreement). You will be responsible for hiring architects, engineers, and contractors from our approved list to execute the build-out of your Factory. (Section 8.2 of the Franchise Agreement).

3. We will provide initial tuition-free training for up to four individuals. (Section 8.3 of the Franchise Agreement). We will train additional persons at a tuition rate of $1,000 per person so long as this person(s) accompanies you to training. You, if you are an individual (or at least one of your partners, shareholders or members if you are a partnership, corporation or limited liability company), must attend and complete the initial training program to our satisfaction You must complete the initial training program and open your Factory within 12 months of executing the Franchise Agreement. (Section 8.3 of the Franchise Agreement). This initial training program consists of classroom and on-the-job training at our headquarters or an affiliate or franchisee-owned Factory, or other location designated by us. This training program includes training in the operation and management of a Factory, including record keeping procedures, personnel management, merchandising and retailing, display, design, Factory layout and inventory control, and in the preparation, creation, and production of Philly Pretzel Factory products. Your additional and/or replacement managers will be required to attend this initial training program. At your request, and subject to the availability of our personnel, we will train your additional and/or replacement managers at our then-current tuition which is currently $1,000 per person. See Item 6 for more information regarding training costs.

   Our training program is currently conducted on an as-needed basis. Training will be provided by or under the supervision of our President, Martin Ferrill and our Vice President of Training, Chris Dowling. Martin has over 23 years' experience in the food and franchising industry and 18 years' experience with the Philly Pretzel Factory system. Chris has over 17 years' experience in the food and franchising industry and 14 years' experience with the Philly Pretzel Factory system. The initial training will last for five consecutive days at our training center located at 1525 Ford Road, Bensalem, PA or at another location designated by us. However, if you are operating a non-traditional Factory, then we have the option to reduce the number of days from five to four since non-traditional Factories are not required to twist and mix pretzels in their Factory. In addition, we will provide three to five days of initial training on site at your Factory. You must pay all of your and your employees expenses incurred during training including travel, lodging, and dining expenses and employees' salaries. See Item 6 for more information regarding training costs. We will provide you all training materials at no additional charge. The training program includes instruction as outlined in the following chart. We may offer additional training programs and/or refresher courses, and you will be required to attend any mandatory additional training program.

**TRAINING PROGRAM**

| SUBJECT | Classroom & Hands On Training (Hours) | Online – Training Module (Hours) | Onsite Training at your Factory (Hours) |
|---|---|---|---|
| Basic Operations – Mixing & Twisting | 10 | 1 | 10 |
| Basic Operations – Potting & Baking | 10 | 1 | 10 |



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| SUBJECT | Classroom & Hands On Training (Hours) | Online – Training Module (Hours) | Onsite Training at your Factory (Hours) |
|---|---|---|---|
| Basic Operations – POS & Customer Relations | 5 | 2 | 9 |
| Basic Operations – Safety, Sanitation & Equipment Maintenance | 6 | 3 | 5 |
| Marketing & Advertising | 4 | 1 | 3 |
| HR/Staffing/Training/Coaching | 3 | 1 | 5 |
| Financial Management | 2 | 1 | 3 |
| **TOTALS** | **40 hours** | **10 hours** | **45 hours** |

4. We will provide you with standards and specifications for equipment, fixtures, furniture, inventory, products, suppliers, exterior and interior signs and decorating and promotional materials, required for the Factory and standards and specifications for supplies and inventory. Specifications may include minimum standards for performance, pricing policies, warranties, design and appearance and local zoning, sign and other restrictions. (Section 8.4 of the Franchise Agreement). If you operate an Oven Ready Factory, we or our designated suppliers will provide you with the necessary initial and ongoing pretzel inventory upon payment to us or the approved supplier, however, we do not deliver or install equipment, signs, fixtures, and supplies to you.

5. We will loan you one physical copy of our Operations Manual (upon request) containing mandatory and suggested standards, operating procedures, and rules, which we prescribe, as well as information relating to your obligations under this Agreement. (Section 8.7 of the Franchise Agreement). Otherwise, the Operations Manual is provided to you digitally. You must operate your Factory in strict compliance with the Operations Manual, as it may be reasonably modified from time to time. The Operations Manual shall be confidential and shall at all times remain our property. You may not make any disclosure, duplication, or other unauthorized use of any portion of the Operations Manual. The provisions of the Operations Manual constitute provisions of this Agreement as if fully set forth herein. You must ensure that your copy of the Operations Manual is current and up to date. If there is a dispute relative to the contents of the Operations Manual, the most recently published digital copy will control. If you operate a Walmart Location, we will provide you with a copy of any tenant handbook provided to us. The Table of Contents of the Operations Manual is included as Exhibit L to this Franchise Disclosure Document. The Operations Manual is presently 93 pages long and is subject to ongoing modifications and changes as we make changes to our procedures.

   We do not generally own the premises for your Factory. However, in the event you sign a franchise agreement for a Non-Traditional Location to be subleased by us, we will permit you to view a copy of the master lease at our offices in Philadelphia, Pennsylvania, and/or at an alternative location designated by us. Before you are permitted to view the master lease, you must sign our Confidentiality Agreement which is attached to this disclosure document as Exhibit I.

Post-Opening Obligations.

After opening your Factory and during the term of the Franchise Agreement, we will perform the following obligations:

1. We will provide you with updates to our standards and specifications for equipment, fixtures, furniture, products, inventory, suppliers, exterior and interior signs and decorating and promotional materials,



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required for the Factory and standards and specifications for supplies and inventory. (Section 8.4 of the Franchise Agreement).

2. We, or our designee, will also provide periodic assistance after you open for business, as we deem appropriate and advisable. Subject to availability of personnel and at your reasonable request, we will make available corporate personnel to provide additional on-site or telephonic assistance (at our sole discretion) beyond the on-site initial opening assistance. (Section 8.5 of the Franchise Agreement.)

3. In addition to the assistance rendered to you prior to opening and in connection with the grand opening, we will provide continuing consultation and advice as we deem advisable regarding merchandising and retailing, pricing and promotional materials, display, design, Factory layout, sales techniques, and other business, operational and advertising matters which directly relate to your Factory. (Section 8.6 of the Franchise Agreement). Such assistance will be provided, at our option, by telephone, email, periodically through on-site assistance by appropriate personnel, and/or other methods.

4. We may, in our discretion, hold a mandatory two- or three- day Annual Conference at a location we determine, no more than once per year ("Annual Conference"). (Section 8.8 of the Franchise Agreement). We will determine the Annual Conference and agenda of the Annual Conference, which generally will include updating our franchisees on new developments affecting them and exchanging information between our franchisees and our personnel concerning the operations and programs of the franchise operation. You must pay all costs and expenses to attend the Annual Conference. If you fail to attend the annual conference without obtaining our prior written consent, you must pay us a fee of $1,500. (Section 8.8 of the Franchise Agreement.)

5. We will promptly provide you with any amendments to the designated list of approved products and/or suppliers. (Section 8.4 of the Franchise Agreement). In addition, we will notify you promptly of any changes, additions, or deletions to the list of products that must be provided by your Factory.

6. If you operate an Oven-Ready facility, we or our designated supplier will provide you with the necessary ongoing pretzel inventory upon payment to us. (Section 8.4 of the Franchise Agreement).

Advertising

For your Grand Opening Campaign, you are required to spend at least $5,000 to satisfy your Grand Opening Advertising Requirement in the manner described in our Grand Opening Manual. (Section 7.3 of the Franchise Agreement). In addition to newspaper, direct mail, and other forms of media advertising, your Grand Opening Campaign will also include in-store promotion giveaways, including our "free pretzel per customer, no purchase necessary" promotion for a minimum of one week. The cost of the Grand Opening Requirement includes the cost of participation in the "one free pretzel per customer" promotion, any other in-store promotion giveaways required by us. You must submit to us, upon our request, evidence of your Grand Opening Campaign expenditures as described in the Grand Opening Manual or otherwise in writing.

We have established a "System Wide Brand Fund" for the common benefit of System franchisees (the "Fund"). (Section 7.4 of the Franchise Agreement). Currently, you must contribute 2% of your weekly Gross Sales to the Fund; however, we have the right to increase your contribution requirement to 4% of your weekly Gross Sales ("Fund Contribution"). Your Fund Contribution is paid to us on a weekly basis in the same manner as the royalty fees due under the Franchise Agreement. We have the right to administer Fund contributions, at our sole discretion, to develop, produce, and distribute national, regional, and/or local advertising and to create advertising, print ads, and public relations materials which promote, in our sole judgment, the services offered by System Franchisees. We may use the Fund to satisfy any and all



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costs of maintaining, administering, directing, preparing, and producing advertising for television, radio, magazine, and print media outlets, direct mailing campaigns, social and digital media advertising campaigns and gift card program. We will make a good faith effort to spend the Funds in the general best interests of the System on a System-wide basis. We are not required under the Franchise Agreement to spend any amount of Fund contributions in your Territory and not all System franchisees will benefit directly or on a pro-rata basis from our expenditures.

We have the right to reimbursement from Fund Contributions for all reasonable costs and overhead, if any, that we may incur in activities which are reasonably related to directing and implementing the Fund, including costs of personnel for creating and implementing advertising, promotional, marketing and loyalty programs. There is no requirement that the Fund be audited. (Section 7.4.3 of the Franchise Agreement). Upon your written request, we will provide you with an unaudited accounting of Fund expenditures within 180 days after the end of each fiscal year. Franchisees participating in the Fund will be required to contribute to the Fund at uniform rates. Company and affiliate owned Factories are not obligated to contribute any amount to the Fund but may do so in our or our affiliate's sole dissection. Currently, our affiliate owned Factories contribute a minimum of $4,800 annually to the Fund. The advertising materials are produced by us and outside sources. We may, at our sole discretion, advance monies to the Fund so that programs can be initiated that would otherwise not be affordable for the Fund. Should we advance monies to the Fund, we will determine, in our sole discretion, the manner and timing for the repayment, to us, of some, or all, of the funds we advance. (Section 7.4.2 of the Franchise Agreement).

Although we anticipate that all Fund Contributions will be spent in the fiscal year they accrue, if we do not spend all Fund Contributions by the end of each fiscal year, the remaining amounts may be carried over to be expended during the next fiscal year. We will not receive payments (other than reimbursement for expenses) for administering the Fund. We do not anticipate that any part of fund contributions will be used for advertising that is principally a solicitation for the sale of additional franchises, but we reserve the right to include a notation in any advertisement indicating "Franchises Available." We have the right to require that advertising cooperatives be formed, changed, dissolved or merged. Currently, you are not required to participate in any local or regional advertising cooperative.

In the fiscal year ended December 31, 2025, the expenditures from the System Wide Brand Fund were expended as follows: (i) Marketing and Social Media (30.20%); (ii) Public Relations (6.44%); (iii) Administrative (4.42%); (iv) Advertising (35.39%); (v) Production/Creative (12.93%); and (vi) In-Store Creative (10.62%). We did not expend any advertising funds on the solicitation of new franchisees in the 2025 fiscal year.

Local Advertising

In addition to the System Wide Marketing Fund contributions described above, you must spend 3% of your Gross Sales each month on local advertising in accordance with our standards and specifications ("Local Advertising Requirement"). (Section 7.5 of the Franchise Agreement). We may require you to spend an additional monthly amount on local advertising. You may, in your sole discretion, spend additional amounts on local advertising.

You must spend the Local Advertisement Requirement as we prescribe in the Operations Manual or otherwise in writing, which may include, without limitation, requirements for placing a certain number and/or type(s) of media advertisements and participate in customer loyalty programs. You acknowledge and agree that your local advertising obligation must be expended regardless of the amount(s) spent by other System franchisees on local advertising. You may spend any additional sums you wish on local advertising. You must use only such advertising and promotional materials as have been previously approved by us. You must submit to us on a quarterly basis, within 15 days following the end of each



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quarter, evidence of your local advertising expenditures during the preceding quarter in accordance with our standards and specifications.

You must submit to us, at least 10 days prior to your use, samples of all sales, promotional and advertising materials you desire to use, including, but not limited to, social media advertisements or contests, digital advertisements, advertisements on third-party delivery platforms, email campaigns, app-push notifications, specialty and novelty items, signs, boxes, bags and other packaging which we have not previously approved. Within 10 business days of our receipt of any sample sales promotional material or advertising materials from you, we will notify you in writing of our approval or disapproval of the materials; provided, however, our failure to approve or disapprove the materials within 10 business days of receipt will be deemed a disapproval. As of the issuance date of this franchise disclosure document, we do not have a franchise advertising council.

Regional Advertising and Promotional Cooperative.

While there is currently no regional advertising and promotional cooperative in place, we shall have the right, in our discretion, to designate any geographical area for purposes of establishing a regional advertising and promotional cooperative and the areas for the regional advertising and promotional cooperative will be determined based on the location of your Factory ("Cooperative"). We also reserve the right to determine whether a Cooperative is applicable to the Factory. We have the right to require that the Cooperative be formed, changed, dissolved or merged. If a Cooperative has been established applicable to the Factory at the time you begin operating under the franchise agreement, you must immediately become a member of such Cooperative. If a Cooperative applicable to the Factory is established at any later time during the term of the franchise agreement, you must become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative begins operation. The mandatory contribution due to the Cooperative will be determined by majority vote of the members of the Cooperative and may exceed the Local Advertising Requirement. You will receive a credit for Cooperative contributions against the Local Advertising Requirement. If your Factory is within the territory of more than one Cooperative, you are required to be a member of only one such Cooperative. Each Cooperative will be organized, administered, and governed in a form and manner, and will commence operation on a date approved in advance by us. We shall provide the by-laws and operating agreement governing the operation of the Cooperative, as we may amend from time to time in the Operations Manual. All internal disputes regarding the Cooperative must be brought before us for resolution and our determination with respect to any dispute will be final and binding upon the parties. Each Cooperative will be organized for the exclusive purpose of developing and placing advertising materials (either internally or with the assistance of outsourced marketing firms) and conducting market research, which will be funded by contributions. We must approve all advertising agencies retained by the Cooperative, all Cooperative advertising budgets, and will have sole ownership over advertising and promotional materials developed through the Cooperative. No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without our prior approval. The mandatory contribution due to the Cooperative will be determined by a majority vote of the members of the Cooperative and may exceed the Local Advertising Requirement. Company or affiliate owned businesses may contribute to the Cooperative encompassing their marketing area(s), once formed, in the same manner as other Cooperative members, and if such business contributes to the Cooperative, will be entitled to the same voting rights. Each member franchisee must submit to the Cooperative, no later than the Tuesday following the first Monday of each week, for the preceding week, its respective contribution as provided in this Agreement together with such other statements or reports as we may require or as may be required by the Cooperative with our approval. Upon your written request,



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we will provide you with an unaudited accounting of Cooperative expenditures within 180 days after the end of each fiscal year.

Computer System

You must purchase and use our designated electronic cash register/point of sale system and credit card terminal, as well as our required software, which must be purchased from our designated vendor. You must also use our designated vendor's credit card processing plan. There is a monthly terminal fee payable to the vendor which varies depending on volume of credit card transactions. Currently, the fees for Traditional Factories are as follows: $204.30 per month for software to provide point-of-sale (POS) functions, with the option to add direct integration at $25 per month per third party delivery service; $116 per month for CRM and mobile app management fees; and card transaction fees ranging from $0.07 to $0.15 per transaction. Currently, the fees for Non-Traditional Factories are as follows: $120 per month for software to provide point-of-sale (POS) functions, with the option to add direct integration at $25 per month per third party delivery service and $20 per month for kitchen display screen; $1.00 per transaction for online and mobile app management fees and card transaction fees ranging from $0.07 to $0.15 per transaction, which includes CRM and mobile app management. These fees are subject to change. You are responsible, at your own expense, for upgrading all cash registers and/or POS credit card systems, as necessary, in order to bring the franchise into compliance with our system standards. (Franchise Agreement, Section 9.7) We have the independent right, as often as we deem appropriate, including on a daily basis, to access your cash register/POS system that we may require you to maintain in connection with the operation of your Factory and to retrieve all information relating to your Factory's operations. (Franchise Agreement, Section 9.7) This information is our proprietary information.

You also must purchase or lease an off-the-shelf computer system with internet capabilities. We estimate that the cost of a computer system, including POS and credit card hardware, ranges from $970 to $2,224 dollars. There are currently no costs for any optional or required maintenance updating, upgrading or support contracts for the computer system and cash registers.

We have the right to develop a computer software system or Internet business applications and to require you to acquire computer hardware equipment and software and to use the Internet applications as we reasonably require in connection with the operation of your Factory. We have the right to require you to update or upgrade your cash register/POS system, as well as any computer software program and computer hardware components, as we deem necessary, but not more than three times per year. In addition, we have the right to require you to enter into a separate maintenance agreement for the computer hardware and/or Software. We reserve the right to require you to install or subscribe to a "systems backup solution" which backs up critical data stored in your computer system using an off-premises storage scheme. Notwithstanding the fact that you must buy, use and maintain the computer hardware and Software under our standards and specifications, you will have the sole and complete responsibility for: 1) the acquisition, operation, maintenance and upgrading of the computer hardware and software; and 2) any and all consequences that may arise if the computer hardware or Software is not properly operated, maintained and upgraded.

We also require you to purchase a camera surveillance system from our designated vendor, and the cost of the system ranges between $500 to $1,000. Notwithstanding the fact that you must buy, use and maintain the store surveillance system under our standards and specifications, you will have the sole and complete responsibility for: 1) the acquisition, operation, maintenance and upgrading of the store surveillance system; and 2) any and all consequences that may arise if the store surveillance system is not properly operated, maintained and upgraded. We will have independent access to the information collected on the surveillance system and there are no contractual limitations on our right to access or use the information or data. We retain sole and exclusive ownership in all information and data collected on the



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surveillance system. There currently are no ongoing maintenance or support contracts covering the surveillance system. We have the right to require you to update or upgrade the surveillance system as we deem necessary, but not more than once per year.

Site Selection and Opening

You are granted a license to operate a single Factory at an approved location mutually agreed upon by you and us. While it is your responsibility to obtain a mutually acceptable site, we or our designee will review proposed sites for your Factory. (Section 9.2 and the Site Selection Addendum to the Franchise Agreement). When evaluating your site, we will consider factors such as size, lease terms and conditions, and other factors such as number of pedestrians and businesses in the area and trade demographics. We anticipate that you will open your Factory within four to 12 months from the date you sign the Franchise Agreement or pay us any consideration for the franchise.

The actual length of this period will depend, however, upon several factors, including your ability to obtain a mutually acceptable site and lease for that site, acceptable financing arrangements, the amount of necessary construction, build-out time, training schedules, delivery schedules for inventory and equipment and other factors. You must commence operations under the Franchise Agreement within 12 months from the date you sign the Franchise Agreement. If you fail to begin operating your Factory within this period, we have the right to terminate the Franchise Agreement after providing you a 15-day cure period. (Franchise Agreement, Section 12.1.2.3). See Items 5, 6 and 17 for more information.

Internet

We have established a website that provides information about the System and our products and services. We may use part of the monies from the Funds that we collect under this Agreement to pay or reimburse the costs associated with the development, maintenance and update of such website. We will be the web master, either directly or through a third party and have sole discretion and control over such website.

Other than the webpage that we maintain, you will not be permitted to maintain an individual website related to the Factory, or to establish a URL incorporating any variation of the "Philly Pretzel Factory" name or the Proprietary Marks, or create any profile on Facebook, Twitter, TikTok, LinkedIn, Plaxo, YouTube, or any other social media and/or networking site without our prior written approval. Any social media page that we approve must allow us to have "parent" access to the page to add, review, edit, or delete postings or other content. Your domain name for use in connection with an individual website must be approved by us prior to use.

You are required to maintain broadband Internet access. If broadband Internet access is unavailable to you, you shall provide for alternative Internet access acceptable to us. In addition, you are required to maintain the Philly Pretzel Factory email address for all correspondence with us.

We reserve the right to require you to purchase certain required products from approved vendors via the Internet.

Area Computer Network, Intranet or Extranet Participation

We have developed an intranet that allows you and certain employees to: (i) view and print portions of the confidential Operations Manual; (ii) download approved local advertising materials; and (iii) communicate with us and other franchisees. You are required to use our intranet in the operation of your



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Factory according to our terms and conditions and agree to pay any fees associated with the intranet system. Currently, we cover all fees associated with the intranet.

## ITEM 12 TERRITORY

You will operate a single Factory within a protected territory as identified on the Data Sheet of the Franchise Agreement or subsequently identified and mutually acceptable to you and us (the "Territory"). If the term of your Lease is shorter than the term of the Franchise Agreement and your Lease cannot be renewed or extended, or you cannot continue for any other reason to occupy the Factory location, you must relocate your Factory to a mutually acceptable site to complete the unexpired term of the Franchise Agreement. You must notify us of your intention to relocate and must have procured a mutually acceptable site within 30 days before closing the existing Factory and must have opened the new Factory for business within 60 days of closing the existing Factory.

At the time you sign the Franchise Agreement, you will enter into our Site Selection Addendum, attached as Exhibit A to the Franchise Agreement, which will govern the site selection process. We will designate an area in which your Factory will be located. Within 180 days after you execute the Franchise Agreement, you will secure, at your expense, a location within the area designated in the Site Selection Addendum.

If you enter into an agreement to operate a Walmart Location, you will enter into a Sublease Location with us, under which you will obtain the right to occupy your Walmart Location. Your right to operate within the Walmart Location will be dependent on your compliance with your responsibilities and obligations under the Sublease Agreement and master lease, including the requirement that you maintain annual Gross Sales equal to at least two hundred thousand dollars ($200,000) (the "Minimum Gross Sales Requirement"). If you fail to achieve the Minimum Gross Sales Requirement, we will have the right to terminate your Franchise Agreement under Section 12.1.2. If the Walmart Store or other store in which your Factory is located closes or moves, your Factory may be relocated to another Walmart Store and your Territory will be adjusted based on this new location. If the Factory is not relocated to another Walmart Store, your Non-Traditional Location Addendum and Sublease will automatically terminate, and you may relocate to a mutually acceptable traditional Factory location.

Your territorial protection relates solely to the operation of a Factory and does not depend upon your achievement of a certain sales volume unless you operate a Walmart Location. The size and configuration of your Territory shall be within our sole discretion and based on certain factors, including population, traffic patterns, number of businesses and pedestrian counts, determined by us before you sign the Franchise Agreement. Your failure to secure a site within 180 days of executing the Franchise Agreement shall constitute a default under the Franchise Agreement and we have the right to terminate the Franchise Agreement under section 12.1.2.4 of the Franchise Agreement. Your failure to commence operations of your Factory within 12 months from the date you sign the Franchise Agreement is also grounds for termination under Section 12.1.2.3.

Each territory will be unique. Influencing factors may include pedestrian flows and geographic boundaries, including zip codes, town lines and rivers. A Factory located in a suburban area will typical be granted a territory encompassing a two to three-mile radius surrounding the Factory. A Factory located in an urban area will typically have a Territory consisting of two city blocks or a smaller area depending upon your Approved Location and the surrounding area. Non-Traditional Store or kiosk locations will have at a minimum a Territory limited to the Factory location.

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



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Once your Territory is identified in the Franchise Agreement, so long as you perform your obligations under the Franchise Agreement, we will neither establish and operate, nor license any other party to establish and operate, a Factory under the System and the Proprietary Marks within the Territory during the term of your Franchise Agreement, except as provided for below.

You are not permitted to solicit customers and/or advertise outside your Territory, except to the extent that you have received our prior written authorization, which we will not unreasonably withhold. We may condition our authorization upon your agreement to offer System franchisees that are operating System Factories in contiguous territories the opportunity to participate in, and share the expense of, such solicitation and/or advertising. While not part of our standard offering, we may allow you to acquire and maintain a vehicle meeting our specifications, which we may change from time to time in our sole discretion, suitable for offering products to customers within your Territory.

Reserved Rights under the Franchise Agreement

You expressly understand and agree that we and our affiliates shall have the right, in our sole discretion, to: (i) own and operate, and license others to own and operate, Factories at any location(s) outside your Territory under the same or different marks; (ii) purchase or acquire independent or third party soft pretzel businesses located within the Territory, and to convert and operate these businesses as Philly Pretzel Factories, so long as we offer you right of first refusal to purchase the business; (iii) distribute, or license others to distribute products identified by the Proprietary Marks or other marks we own or license through any alternative distribution method we or our affiliates may periodically establish or license, including through the Internet, or other concepts currently in existence or as may be developed in the future; (iv) sell or license others to sell Philly Pretzel Factory products and other food and non-food products identified by the Proprietary Marks from carts or kiosks located in enclosed malls, airports, boardwalks, stadiums, amusement parks, military bases, and other closed markets within or outside your Territory; (v) to exclusively own and operate, or license others to own and operate, Factories under the Proprietary Marks and System in non-traditional sites in any location within or outside your Territory, including interior rental space in grocery stores, retail stores, department stores, big box stores, shopping malls, airport concourses, professional sports facilities, college campuses, military installations, hotels, and casinos; (vi) sell Philly Pretzel Factory products as frozen products, identified by the Proprietary Marks, to grocery stores or other markets and/or vendors located within or outside your Territory; (vii) establish other franchises, company-owned stores or channels of distribution selling or leasing similar products or services under different trademarks within or outside of your Territory; (viii) acquire, be acquired by, merge or affiliate with or engage in any transaction with other businesses (whether or not these businesses are competitive), including competing franchise systems with units operating in your Territory and to convert these units to Philly Pretzel Factory businesses; and (ix) use the Proprietary Marks and System, and license others to use the Proprietary Marks and System to engage in any other activities not expressly prohibited in this Agreement.

While we do not currently operate and have no plans to operate or franchise businesses under marks that are not the Proprietary Marks that will sell goods or services that are the same as or similar to those that you will sell, we reserve the right to do so as set forth above.

Wholesale Accounts

It is our current policy to permit you to service wholesale accounts within your designated Territory so long as: (i) the customer is located within your Territory; (ii) the products are delivered to a location within your Territory; and (iii) if the products are purchased for re-sale purposes, the re-sale location is within your Territory. You may not service a wholesale account located outside of your Territory without our prior written consent. Additionally, if the account is located within another franchisee's Territory, you



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must obtain our prior written consent, as well as the prior written consent of the franchisee. We have the right to revoke our consent and to terminate your right to service any wholesale accounts located outside your Territory at any time and for any reason, including the establishment of another Philly Pretzel Factory franchisee whose Territory encompasses the wholesale account. You are not permitted to market or solicit customers outside of your Territory without our prior written consent.

Alternative Channels of Distribution

You acknowledge and agree that certain of our or our affiliates' products and services, whether now existing or developed in the future, may be distributed in your Territory by us, our affiliates or our franchisees, licensees or designees, in such manner and through such channels of distribution as we, in our sole discretion, shall determine. Such alternative channels include, but are not limited to grocery stores, supermarkets, catering services, amusement or theme parks, sports stadiums and arenas, enclosed shopping centers, institutional feeding facilities, military bases, airports, train stations and gas stations located within or outside your Territory. We reserve the right, among others, to any distribution arrangements relating to such alternative channels. You understand that this Agreement grants you no rights: (i) to distribute such products as described in this paragraph; or (ii) to share in any of the proceeds from our or our affiliates' activities through alternate channels of distribution. You may not provide any services or products through alternate channels of distribution, whether inside or outside of your Territory without our prior written consent.

## ITEM 13 TRADEMARKS

We grant you the right to establish and operate one Factory using the Philly Pretzel Factory System and the Proprietary Marks. The Proprietary Marks include various trade names, trademarks and service marks including the service marks "Philly Soft Pretzel Factory", "Soft Pretzel Factory" and "Philly Pretzel Factory" and other marks we have designated or may designate in the future for use in connection with the franchise System.

All franchised businesses use the name "Philly Soft Pretzel Factory", "Soft Pretzel Factory" and "Philly Pretzel Factory" and other trade names, trademarks, service marks and other indicia of origin we designate for use by the System.

We have registered the following trademarks with the United States Patent and Trademark Office on the principal register and have filed all required affidavits:

| MARK | DATE OF REGISTRATION | REGISTRATION NUMBER | RENEWAL FILED |
|---|---|---|---|
| SOFT PRETZEL FACTORY | October 19, 2004 | 2894758 | April 18, 2025 |



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| | | | |
|---|---|---|---|
| Philly Soft Pretzel Factory | July 4, 2006 | 3110919 | September 16, 2016 |
| Philly Pretzel Factory | May 8, 2007 | 3239541 | September 8, 2016 |
|  | June 29, 2010 | 3808944 | May 20, 2020 |

Since we have federal registrations for the marks "Soft Pretzel Factory", "Philly Soft Pretzel Factory," "Philly Pretzel Factory" and the "Soft Pretzel Factory" and "Philly Pretzel Factory" logos, we have certain presumptive legal rights granted by a registration. We do not own any state trademark registrations. We are not aware of any superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in any state.

Our affiliate, An Original Soft Pretzel Factory, Inc., owns the "Soft Pretzel Factory", "Philly Soft Pretzel Factory" and "Philly Pretzel Factory" marks and logos and has licensed us the right to use them and to sublicense them to system franchisees. The license agreement may only be terminated if we file for bankruptcy, are adjudicated insolvent or file or acquiesces to the appointment of a trustee or receiver. If the license agreement is terminated, An Original Soft Pretzel Factory, Inc. has agreed to assume all of our obligations regarding these marks.

Except as described above, there is no agreement currently in effect which significantly limits our right to use or license the use of our Proprietary Marks in a manner material to the franchise. Except as described above, there are no currently effective determinations of the USPTO, Trademark Trial and Appeal Board, the trademark administrator of any state or any court and no pending interference, opposition or cancellation proceeding or litigation involving the Proprietary Marks.

We are the lawful and sole owner of the domain name www.phillypretzelfactory.com. You cannot register any of the Proprietary Marks now or in the future owned by us or any abbreviation, acronym or variation of the Proprietary Marks, or any other name that could be deemed confusingly similar, as Internet domain names. We retain the sole right to advertise the system on the Internet and to create, operate, maintain and modify, or discontinue use of a website using the Proprietary Marks. You may access our website. Except as we may authorize in writing in advance, however, you cannot: (i) link or frame our website; (ii) conduct any business or offer to sell or advertise any products or services on the worldwide web; and (iii) create or register any Internet domain name in connection with your franchise.

You may not use the Proprietary Marks as part of your corporate name or any Internet domain name. Additionally, you are not permitted to use a webpage in connection with your Factory. You may only use the Proprietary Marks in conjunction with the symbol "TM," "SM" or "R," as applicable and you may not use them in connection with the offer or sale of any unauthorized products or in any other manner which we do not explicitly authorize in writing. We reserve the right to approve all signs, stationery, business cards, forms, and other materials and supplies bearing the Proprietary Marks. You must use the Proprietary Marks, including trade dress, color combinations, designs, symbols, and slogans, only in the



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manner and to the extent we specifically permit in the Franchise Agreement, the Operations Manual, or by our prior written consent. All advertising, publicity, signs, decorations, furnishings, equipment or other materials employing in any way the words "Soft Pretzel Factory", "Philly Soft Pretzel Factory" or "Philly Pretzel Factory" or any derivative thereof or any other Proprietary Mark must be submitted to us for our approval, which may be granted in our sole discretion, before first publication or use. We will not unreasonably withhold our approval.

Any and all goodwill associated with the Proprietary Marks, including any goodwill which may have arisen through your use of them, benefits us or our affiliates exclusively. You must sign any necessary papers, documents and assurances and fully cooperate with us or any other System franchisee in securing all necessary and required consents of any state agency or legal authority to use or register any of the Proprietary Marks. You must promptly notify us of any infringement of, or challenge to, the Proprietary Marks, and we will, in our discretion, take such action as we deem appropriate. We will indemnify and hold you harmless from any suits, proceedings, demands, obligations, actions or claims, including costs and reasonable attorneys' fees, for any alleged infringement under federal or state trademark law arising solely from your use of the Proprietary Marks in accordance with the Franchise Agreement or as we otherwise direct in writing, if you have promptly notified us of this claim. If we undertake the defense or prosecution of any litigation pertaining to any of the Proprietary Marks, you must sign any documents and do any acts that may, in our attorneys' opinion, be necessary to carry out the defense or prosecution.

You hereby acknowledge and agree that during the term of the Franchise Agreement and all subsequent renewals thereof, we have the exclusive right to add, modify, discontinue and/or substitute the Proprietary Marks or any of them, as we deem appropriate in our sole discretion. You must discontinue use of all Proprietary Marks which we have notified you, in writing, have been modified or discontinued within 10 days of receiving written notification and, at your sole cost and expense, must begin using such additional, modified or substituted Proprietary Marks, as we specify in writing, within 10 days of receiving written notice.

## ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any right in, or to, any patents or registered copyrights that are material to the franchise. We do, however, claim common law protection as to several aspects of the System, including the Operations Manual and other manuals, advertising and promotional materials and training materials and programs.

The Franchise Agreement provides that the Operations Manual, our trade secrets and copyrighted materials, methods and other techniques and know-how are our exclusive and confidential property, which we provide to you in confidence ("Confidential Information"). You agree to use the Confidential Information only for the purposes and in the manner we authorize in writing, which use will be exclusively for our benefit. Our trade secrets include product preparation and assembly techniques, sales techniques, merchandising and display techniques, Factory layout, advertising formats, accounting systems, operations systems, policies, procedures, systems, compilations of information, records, specifications, manuals and other confidential information which we or our affiliates have developed for use in the operation of each Philly Pretzel Factory. You may not contest our ownership of our trade secrets, methods or procedures or contest our right to register, use or license others to use any of these trade secrets, methods or procedures. You and your heirs, successors and assigns (including your partners, officers, directors, shareholders, and their respective heirs, successors and assigns) and your employees and their respective heirs, successors and assigns, are prohibited from using and/or disclosing any Confidential Information in any manner other than as we permit in writing.



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There are no current determinations, proceedings or litigation involving any of our copyrighted materials. Should you become aware that any unauthorized third party is using any of our copyrighted materials, we request notification of such unauthorized use. We may revise any of our copyrighted materials at our discretion and may require that you cease using any outdated item or portion of the Operations Manual.

The Franchise Agreement provides that if you, your employees, or principals develop any new concept, process or improvement in the operation or promotion of Philly Pretzel Factories, you shall promptly notify us and provide us with all necessary related information, without compensation. Any new concept, process or improvement shall become our sole property and we shall be the sole owner of all patents, patent applications, trademarks, copyrights and other intellectual property rights related to any new concepts. You and your principals shall assign to us any rights you may have or acquire in new concepts you or your employees develop, including the right to modify any new concept, process or improvement, and otherwise shall waive and/or release all rights of restraint and moral rights to any new concepts you or your employees develop. You and your principals agree to assist us in obtaining and enforcing the intellectual property rights to any new concept, process or improvement in any and all countries and further agree to sign and provide us with all necessary documentation for obtaining and enforcing our rights. You and your principals shall irrevocably designate and appoint us as your agent and attorney-in-fact to sign and file any documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any new concept, process or improvement. In the event that any provision of the Franchise Agreement relating to new concepts is found to be invalid or otherwise unenforceable, you and your principals shall grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement if the use or sublicense would, absent the relevant agreements, directly or indirectly infringe on your rights to the new concepts.

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

You (or at least one of your principals if you are a corporation, limited liability company or partnership) must personally supervise the day-to-day operations of the Factory. You may, however, designate a manager to supervise the day-to-day operations of your Factory, as long as the manager has received our prior written approval and has completed our initial training programs. The manager is not required to own a percentage of the business. In addition, any such manager must sign our confidentiality and non-competition agreements.

Under the terms of the Franchise Agreement, your principals, partners or members, as applicable, are required to sign a Personal Guaranty (Exhibit B to the Franchise Agreement) agreeing to be bound by the non-competition agreement, confidentiality requirements (Exhibit C to the Franchise Agreement) and all of the other terms and obligations contained in the Franchise Agreement. Additionally, your spouse is required to sign the Personal Guaranty, which binds your spouse to the obligations contained in the Franchise Agreement.

If you purchase a Store-in Store Location, including a Walmart location, your principals, partners or members, as applicable, are required to sign a Sublease Guaranty (Exhibit K to this disclosure document).

## ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell only approved products and services. You may not sell any product or render any service in connection with your Factory, which does not meet our standards and specifications. You must refrain from any deviation from our standards and specifications. We may, in our sole discretion,



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change the type of products and/or services that you may offer and sell in connection with your Factory at any time upon notice to you.

Your grant of a franchise to operate a Factory does not include: (i) any right to offer any services via e-commerce; (ii) any right to establish an independent website or to establish a URL incorporating the Proprietary Marks or any variation thereof; or (iii) any right to distribute, market, or implement our products or services, including Proprietary Products, in any channel of distribution not specifically identified in the relevant agreements. We reserve the right to approve any third-party vendor that you may use to provide delivery services (Door Dash, Uber Eats, etc.).

Your Factory must be open for the days and hours designated in the Operations Manual or as otherwise specified by us in writing. Currently, your Factory must remain open for 12 hours each weekday, 10 hours on Saturday and 7 hours on Sunday.

You may not solicit customers and/or advertise outside your Territory, except to the extent that you have received our prior written authorization. We may condition our authorization upon your agreement to offer franchisees operating Factories in contiguous territories the opportunity to participate in and share the expense of the solicitation and/or advertising. You may not advertise the Factory, or any products or services offered by the Factory via the Internet without our prior written consent, which we may give or withhold in our sole discretion.

You must operate your Factory in strict conformity with all applicable federal, state, and local laws, ordinances and regulations. These laws, ordinances and regulations vary from jurisdiction to jurisdiction. You must know of the existence and requirements of all laws, ordinances, and regulations applicable to your Factory and adhere to them.

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

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

### THE FRANCHISE RELATIONSHIP

| | Provision | Section in Franchise Agreement | Summary |
|---|---|---|---|
| a. | Length of the franchise term | 2.1 | Ten years. |
| b. | Renewal or extension of the term | 2.2 | One term of ten years subject to the conditions described below. |
| c. | Requirements for you to renew or extend | 2.2 | Right to remain in possession of your Factory; completed all required remodeling; are not in default of the Franchise Agreement or any other agreement; pay us a renewal fee in the amount of ½ of our then current initial franchise fee; satisfied our qualification and training requirements; signed a release; you execute our then-current form of franchise agreement, which may have materially different terms and conditions than your original contract. If you operate a Factory located within a Walmart Store, you must inform us of your desire to renew your Sublease Agreement at least two hundred seventy (270) days prior to the expiration of your Sublease Agreement's term. |



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| | Provision | Section in Franchise Agreement | Summary |
|---|---|---|---|
| d. | Termination by you | No Provision | Not Applicable. (Subject to State Law – The franchisee may terminate the agreement on any grounds available by state law.) |
| e. | Termination by us without cause | No Provision | Not Applicable. |
| f. | Termination by us with cause | 12.1 | We can terminate only if you are in default. |
| g. | Cause defined – curable defaults | 12.1.2<br><br>12.1.3 | You have fifteen days to cure non-payment; failure to complete training; failure to open; failure to procure a site; failure to maintain prescribed hours; failure to personally participate in the day-to-day operation; failure to maintain quality controls; you engage in conduct with reflects adversely on the System; or unauthorized transfer. If you operate a Walmart Location, we have the right to terminate your Franchise Agreement if you fail to meet the Minimum Gross Sales Requirement.<br><br>You have thirty days to cure failure to comply with the Franchise Agreement or other agreements. |
| h. | Cause defined – non-curable defaults | 12.1.1 | Non-curable defaults: you are convicted of or plead guilty to criminal misconduct; you commit fraud; you make any misrepresentation on your franchise application; two defaults in any twelve month period; you sell and purchase any unapproved product; you breach any other agreement with us or any of our affiliates; you misuse the Proprietary Marks or disclose Confidential Information; you violate any health, safety or sanitation law or ordinance or regulation; your Lease is terminated; you violate the restrictive covenant; you make any assignment for the benefit of creditors or file for bankruptcy; bankruptcy or reorganization proceedings are brought on your behalf; execution is begun against you; you are insolvent; you abandon the business; or order or purchase supplies, inventory, furnishings, fixtures or equipment from a supplier not currently approved by us. |
| i. | Your obligations on termination/non-renewal | 13 | Obligations include: cease all operation under the Franchise Agreement; pay all money owed; discontinue use of the Proprietary Marks; direct the transfer of your telephone numbers and domain name(s); return the Operations Manual and proprietary software; vacate premises if we exercise our right under the Collateral Assignment of Lease; surrender all stationary, printed materials or any other item containing the Proprietary Marks; cease to hold yourself out as a System franchisee; cancel any assumed or business name containing the Proprietary Marks; permit us to inspect your financial records within 6 months of termination; and comply with the post-termination covenants described in 10.5. |
| j. | Assignment of contract by us | 11.5 | There are no restrictions on our right to assign. |
| k. | "Transfer" by you – defined | 11.3 | A transfer requiring our prior written consent occurs if you form a legal entity to run your franchised business, or if you are a legal entity and you assign, sell, pledge or transfer any portion of your stock (partnership interest or ownership interest) or increase the number of outstanding shares of your stock. |



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| | Provision | Section in Franchise Agreement | Summary |
|---|---|---|---|
| l. | Our approval of transfer by franchisee | 11.1 | We must consent in writing; approval is subject to the conditions described below. |
| m. | Conditions for our approval of transfer | 11.3.2 | (1) All of your monetary obligations have been satisfied; (2) you complete, to our satisfaction, all maintenance, refurbishing, renovating and remodeling of your Factory to reflect the then-current image of a Philly Pretzel Factory; (3) you have cured all existing defaults; (4) you have signed a general release; (5) you have provided to us a copy of the signed purchase agreement; (6) the transferee meets our criteria; (7) the transferee signs our franchise agreement; (8) you pay us a transfer fee in an amount equal to ½ of our then current initial franchise fee (unless you are transferring to a corporation or limited liability company wholly owned by you for the sole purpose of operating the Factory); (9) the transferee completes our training program; and (10) you comply with the post-termination provisions described below. |
| n. | Our right of first refusal to acquire your business | 11.3.1 | You must first offer to sell to us on the same terms and conditions as those offered by a third party. |
| o. | Our option to purchase your business | 14 | We have the option to purchase any equipment used in connection with your Factory upon termination. |
| p. | Your death or disability | 11.2 | Your legal representative shall have the right to continue the operating the Factory provided that within 45 days from the death, disability or incapacity, such person has obtained our written approval and successfully completes our training program. |
| q. | Non-competition covenants during the term of the franchise | 10.5.1 | No involvement in any competing business offering in whole or in part soft pretzel products. |
| r. | Non-competition covenants after the franchise is terminated or expires | 10.5.2 | For a period of two years you may not have any interest in any other business offering in whole or in part soft pretzel products within ten miles of the Territory or any other Territory licensed by us. For a period of two years you may not solicit business from customers of your former Factory nor solicit any employees of ours. For a period of two years you may not enter into any business granting franchises or licenses similar to our franchises. |
| s. | Modification of this agreement | 16.1 | The Franchise Agreement may only be changed by a written document signed by you and us. |
| t. | Integration/ merger clause | 16.1 | Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. |
| u. | Dispute resolution by arbitration or mediation | 16.2.2, 16.2.3, 16.2.4 | You must bring all disputes before our President prior to bringing a claim before a third party. After exhausting this internal dispute resolution procedure, at our option, all disputes must be submitted first to mediation, in Philadelphia County, Pennsylvania in accordance with the American Arbitration Association's Commercial Mediation Rules then in effect. All |



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| | Provision | Section in Franchise Agreement | Summary |
|---|---|---|---|
| | | | claims or disputes between you and us must be submitted to arbitration in Philadelphia, Pennsylvania. |
| v. | Choice of forum | 16.2.5 | All claims not subject to mediation or arbitration must be brought before a court of general jurisdiction in Philadelphia, Pennsylvania, or the United States District Court for the Eastern District of Pennsylvania, located in Philadelphia, Pennsylvania (subject to state law). You consent to the personal jurisdiction and venue of any court of general jurisdiction in Philadelphia, Pennsylvania and the United States District Court for the Eastern District of Pennsylvania. |
| w. | Choice of law | 16.2.1, 16.9 | Pennsylvania law applies, as permitted by state law. (See the state specific addenda attached to this disclosure document.) |

## ITEM 18 PUBLIC FIGURES

We do not currently use any public figures in advertising or promoting our Philly Pretzel Factories.

## 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 any reasonable basis for the information, and if the information is included in the disclosure document. Financial information that differs from that included in Item 19 may only be given 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.

### Background

This Item sets forth historical gross sales and cost information for franchised outlets for the measurement period of January 1, 2025, to December 31, 2025 (the "Measurement Period"), which was provided to us by our franchised Factories and affiliate Factories. As of December 31, 2025, there were 160 franchised Factories and 4 affiliate Factories ("Affiliate Factories") open.

Part One of this Item sets forth Gross Sales information for 115 of 117 franchised Full-Production Traditional Factories that operated during the entire Measurement Period (the "Representative Traditional Factories"). Part One also sets forth Gross Sales information for one of our Affiliate Factories that operated a Full-Production Traditional Factory during the entire Measurement Period.

Excluded from Part One are Gross Sales achieved by 2 franchised Traditional Factories that were not open the entire Measurement Period, 34 franchisee-owned Non-Traditional Factories (the "Non-Traditional Representative Factories"), 9 franchised Factories with seasonal based operations and 3 Affiliate Factories.

Part Two of this Item sets forth average cost of goods sold achieved by 115 Representative Traditional Factories during the Measurement Period.



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Part Three of this Item sets forth historical average Gross Sales achieved by 27 franchisee owned Non-Traditional Representative Factories that were open the entire Measurement Period and 1 Non-Traditional Affiliate Factories. Excluded from Part Three were 7 franchisee-owned Non-Traditional Representative Factories that did not report Gross Sales information to us the entire Measurement Period, nine franchised Factories with seasonal based operations that did not report Gross Sales information to us the entire Measurement Period, and two Affiliate Factories. 23 of the 27 Non-Traditional Representative Factories that were open during the entire Measurement Period and 3 Non-Traditional Affiliate Factories operate Oven-Ready Factories.

Part Four of this Item sets forth average cost of goods sold achieved by 24 Non-Traditional Representative Factories during the Measurement Period. Excluded from Part Four are the results of three Representative Non-Traditional Factories who failed to provide us with complete purchase history information for the Measurement Period.

Part Five of this Item sets forth the Gross Sales, as well as payroll, insurance, occupancy costs, marketing and other expenses incurred by 1 Affiliate Factory in operating the original Philly Pretzel Factory store, which is a full production Factory.

The sales and cost information presented in Parts One through Four was provided by the Representative Factories, Non-Traditional Representative Factories and Affiliate Factories through weekly gross sales reports and purchase history reports. The sales and cost information presented in Part Five was provided by one Affiliate Factory. Written substantiation for the financial performance representation will be provided to the prospective franchisee upon reasonable request.

We believe that the following financial data has been compiled using generally accepted accounting principles, but we have not audited the data. Additionally, this Item does not contain complete expense and operating cost information, including royalty fees and advertising fund contributions that you will incur as a franchisee.

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**PART ONE**

The following table shows the Average Gross Sales for all Representative Factories, categorized into Top, Middle and Bottom thirds, during the Measurement Period:

| Category | Number of Representative Factories | Average Gross Sales | Median Gross Sales | High/Low |
|---|---|---|---|---|
| Top 1/3 Representative Factories | 39 | $971,913 | $881,414 | $1,925,524 / $644,060 |
| Middle 1/3 Representative Factories | 38 | $538,424 | $530,737 | $640,966 / $455,657 |
| Bottom 1/3 Representative Factories | 38 | $330,794 | $343,988 | $449,907 / $137,342 |

| | |
|---|---|
| **Overall Average Gross Sales** | **$616,826** |
| **Median** | **$533,223** |

| Average Check | Median Check | Above/Below Average |
|---|---|---|
| $13.07 | $13.91 | 66 / 49 |

The following table shows the Average Gross Sales for one Affiliate Factory that operated a Full-Production Traditional Factory the entire Measurement Period:

| Affiliate | Number of Representative Affiliate Factories | Average Gross Sales | High/Low |
|---|---|---|---|
| Affiliate Representative Factory | 1 | $1,287,819 | $1,287,819 |

**Notes to Part One:**

1. For each category, the Average Gross Sales is defined as the sum of the Gross Sales of the Representative Factories divided by the number of Representative Factories in each category. "Top 1/3 Representative Factories" achieved Gross Sales of $644,060 and greater during the Measurement Period. Of the 39 Top 1/3 Representative Factories profiled in Part One, 14 exceeded the Average Gross Sales and 25 did not. "Middle 1/3 Representative Factories" achieved Gross Sales between $455,657 and $640,966 during the Measurement Period. Of the 38 Middle 1/3 Representative Factories profiled in Part One, 18 exceeded the Average Gross Sales and 20 did not. "Bottom 1/3 Representative Factories" achieved Gross



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Sales between $137,342 and $449,907 during the Measurement Period. Of the 38 Bottom 1/3 Representative Franchisees profiled in Part One, 23 exceeded the Average Gross Sales and 15 did not.

2. "Gross Sales" means all revenues generated from all business conducted at or from the Representative Factories during the preceding reporting period, including amounts received from the sale and delivery of merchandise and tangible property of any nature whatsoever. "Gross Sales" does not include the amount of any tax imposed by any federal, state, municipal or other governmental authority; you agree to pay such amounts as and when due. "Average Gross Sales" for each category was calculated by taking the sum of the Representative Factories' Gross Sales and dividing it by the total number of Representative Factories included.

3. "Overall Average Gross Sales" is defined as the sum of the Gross Sales of all Representative Factories divided by the number of Representative Factories. Of the 115 Representative Factories, 44 exceeded the Overall Average Gross Sales and 71 did not.

4. "Average Check" was calculated by combining the total amount of Gross Sales received by each Representative Factory during the Measurement Period and dividing by the total amount of checks processed by the Representative Factories during this time period.

5. "Median" represents the amount that 1/2 of the Representative Factories exceeded and 1/2 were below.

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## PART TWO

The following table shows the average cost of goods sold achieved by the 115 Representative Factories during the Measurement Period:

| Category of Costs | Average % of Gross Sales | High | Low | Above/Below Average |
|---|---|---|---|---|
| Baking, Paper Products and Meat Costs | 20.3% | 32.7% | 15.5% | 59/56 |
| Beverage Costs | 1.8% | 8.3% | 0.1% | 37/78 |
| Average Costs of Goods Sold | 22.1% | 35.0% | 15.6% | 59/56 |
| Median - Average Costs of Goods Sold | 22.2% | | | |

**Notes to Part Two:**

1. Baking, paper, and meat products includes all baking ingredients, including flour, dips, sauces, meats, cheeses, paper supplies, containers, cleaning supplies, cooking items, safety items, and uniforms.

2. The Average % of Gross Sales for each category of costs was calculated by taking the sum of each of the included Representative Factories' percentage costs and dividing it by the number of included Representative Factories.

3. Average Costs of Goods Sold is defined as the sum of the average percentage of baking, paper, and meat products costs and beverage costs and dividing it by the number of included Representative Factories.

4. The Median is the number at which 1/2 of the included Representative Factories exceeded and 1/2 were below.

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## PART THREE

The following table shows the Average Gross Sales and Average Check for 27 Non-Traditional Representative Factories during the Measurement Period:

| Average Gross Sales | High/Low | Above/Below Average | Median |
|---|---|---|---|
| $219,896 | $503,676 / $91,550 | 11/16 | $209,183 |
| **Average Store-in-Store Check** | **Above/Below Average** | | **Median Store-in-Store Check** |
| $5.88 | 17/10 | | $6.22 |

The following table discloses the Average Gross Sales and Average Check for one Affiliate Factories that operated a Non-Traditional Factory the entire Measurement Period:

| Affiliate | Number of Representative Affiliate Factories | Average Gross Sales | Median Gross Sales | High/Low |
|---|---|---|---|---|
| Affiliate Representative Factories | 1 | $448,347 | $448,347 | $448,347 |
| Average Check | | $4.14 | | |
| Median Check | | $4.14 | | |

**Notes to Part Three:**

1. "Gross Sales" means all revenues generated from all business conducted at or from the Non-Traditional Representative Factories during the Measurement Period, including amounts received from the sale and delivery of merchandise and tangible property of any nature whatsoever. "Gross Sales" does not include the amount of any tax imposed by any federal, state, municipal or other governmental authority; you agree to pay such amounts as and when due.

2. "Average Gross Sales" is defined as the sum of the Gross Sales for the Non-Traditional Representative Factories during the Measurement Period divided by the total number of Non-Traditional Representative Factories.

3. "Average Store-in-Store Check" was calculated by combining the total amount of Gross Sales received by the Non-Traditional Representative Factories during the Measurement Period and dividing by the total amount of checks processed by the Non-Traditional Representative Factories during this time period.

4. "Median" is the number at which 1/2 of the included Non-Traditional Representative Factories exceeded and 1/2 were below.

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## PART FOUR

The following table shows the average cost of goods achieved by 24 of the 27 Non-Traditional Representative Factories during the Measurement Period:

| Category of Costs | Average % of Gross Sales | High | Low | Above/Below Average |
|---|---|---|---|---|
| Baking, Paper, and Meat Products Costs | 28.3% | 46.4% | 12.1% | 15/9 |
| Beverages | 1.6% | 5.5% | 0.1% | 5/19 |
| Average Cost of Goods Sold | 29.9% | 48.1% | 12.1% | 13/11 |
| Median- Average Cost of Goods Sold | 30.1% | | | |

**Notes to Part Four:**

1. "Gross Sales" means all revenues generated from all business conducted at or from the Non-Traditional Representative Factories during the Measurement Period, including amounts received from the sale and delivery of merchandise and tangible property of any nature whatsoever. "Gross Sales" does not include the amount of any tax imposed by any federal, state, municipal or other governmental authority; you agree to pay such amounts as and when due.

2. Baking, Paper, and Meat Products includes all baking ingredients, including flour, dips, sauces, meats, cheeses, paper supplies, containers, cleaning supplies, cooking items, safety items, and uniforms.

3. The Average % of Gross Sales for each category of costs was calculated by taking the sum of the Non-Traditional Representative Factories' percentage costs and dividing it by the number of Non-Traditional Representative Factories.

4. Average Costs of Goods Sold is defined as the sum of the average Baking, Paper, and Meat Products Costs and Beverage Costs and dividing it by the number of Non-Traditional Representative Factories.

5. The Median is the number at which 1/2 of the included Non-Traditional Representative Factories exceeded and 1/2 were below.

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## PART FIVE

**Affiliate Full Production Traditional Factory**

| Category | Amount | % of Gross Sales |
|---|---|---|
| **Gross Sales[1]** | **$1,287,819** | **100%** |
| | | |
| **Operating Expenses** | | |
| Payroll[2] | $373,468 | 29% |
| Insurance[3] | $12,878 | 1% |
| Occupancy[4] | $64,391 | 5% |
| Brand Fund Contributions[5] | $25,756 | 2% |
| Royalty[6] | $77,269 | 6% |
| Other[7] | $103,026 | 8% |
| **Total Operating Expenses** | **$656,788** | **51%** |
| | | |
| **Operating Profit** | **$631,031** | **49%** |

**Notes to Part Five:**

1. "Gross Sales" means all revenues generated from all business conducted at or from the Factory during the Measurement Period, including amounts received from the sale and delivery of merchandise and tangible property of any nature whatsoever. "Gross Sales" does not include the amount of any tax imposed by any federal, state, municipal or other governmental authority; you agree to pay such amounts as and when due.

2. "Payroll" is defined as employee compensation for work, computed and paid on an hourly basis, includes overtime, 401K benefits for eligible employees, and other employee benefit costs (short and long term disability, workers' compensation, and group health insurance).

3. "Insurance" is defined as general liability insurance.

4. "Occupancy" is defined as the total rent and any overages payable under the lease.

5. "Brand Fund Contributions" is defined as all payments to the System wide Brand Fund at 2%, and in the case of the Affiliate Full Production Traditional Factory, additional promotional activity expenses.

6. "Royalty" is defined as the 6% Royalty Fee. Unlike franchisees, the affiliate owned Factories do not pay the 6% Royalty Fee. For that reason, the Total Operating Expenses listed above for the affiliate owned Factories have been supplemented to include such amounts and therefore are overstated from actual Total Operating Expenses for the affiliate businesses incurred during the Measurement Period.

7. "Other" is defined as maintenance and repair, licenses and permits, office supplies, local advertising fees, professional fees, POS and transaction fees, and utilities.

8. "Total Operating Expenses" is defined as the sum of Payroll, Insurance, Occupancy, Marketing, Royalty and Other costs only. Total Operating Expenses detailed in this Section Five exclude all other costs and expenses necessary to operate the business, including costs of goods sold (including all costs for



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Baking, Paper, and Meat Products), the $5,000 grand opening advertising, taxes, finance charges, owner compensation/salary and benefits, which you may incur as a franchisee.

9. "Operating Profit" is defined as Gross Sales minus Total Operating Expenses.

**Assumptions:**

1. This analysis does not contain complete information concerning the operating costs and expenses that you will incur in operating your Factory. Except as otherwise provided for in Tables Two, Four or Five, the above expenses figures exclude royalties, grand opening advertising, System Wide Marketing Fund contributions, local advertising costs, rent, inventory costs, administrative payroll, payroll taxes, credit card processing fees, POS terminal fees, owner compensation/salary, healthcare, employee benefits, uniforms, office supplies, postage, travel and entertainment expenses, utilities and telephone charges, late fees, training fees, and other fees and operating expenses which you may incur as a franchisee.

2. The above figures exclude tax liabilities that you will be responsible for.

3. The above figures exclude professional fees or other administrative expenses that you may incur, including legal and accounting fees.

4. Interest expense, interest income, depreciation, amortization and other income or expenses will vary substantially from business to business, depending on the amount and kind of financing you obtain to establish your Factory. You should consult with your tax advisor regarding depreciation and amortization schedules and the period over which assets of your Factory may be amortized or depreciated, as well as the effect, if any, of any recent or proposed tax legislation.

**General Notes to Item 19:**

**Some outlets have earned this amount. Your individual results may vary. There is no assurance you will do as well.**

Other than the preceding financial performance representation, Soft Pretzel Franchise System, Inc. does not make any financial performance representations. 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, you should report it to the franchisor's management by contacting Martin Ferrill, Soft Pretzel Franchise System, Inc., 1525 Ford Road, Bensalem, Pennsylvania 19020, 215-338-4606, the Federal Trade Commission, and the appropriate state regulatory agencies.

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## ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1**
**System-wide Outlet Summary**
**For Years 2023 through 2025**

| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---|---|---|---|---|
| Franchised | 2023 | 143 | 146 | +3 |
| | 2024 | 146 | 155 | +9 |
| | 2025 | 155 | 160 | +5 |
| Company (and Affiliate) Owned | 2023 | 7 | 10 | +3 |
| | 2024 | 10 | 7 | -3 |
| | 2025 | 7 | 4 | -3 |
| Total | 2023 | 150 | 156 | +6 |
| | 2024 | 156 | 162 | +6 |
| | 2025 | 162 | 164 | +2 |

**Table No. 2**
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**
**For Years 2023 through 2025**

| State | Year | Number of Transfers |
|---|---|---|
| Illinois | 2023 | 0 |
| | 2024 | 1 |
| | 2025 | 1 |
| Missouri | 2023 | 0 |
| | 2024 | 1 |
| | 2025 | 3 |
| New Jersey | 2023 | 3 |
| | 2024 | 3 |
| | 2025 | 5 |
| New York | 2023 | 1 |
| | 2024 | 2 |
| | 2025 | 0 |
| North Carolina | 2023 | 0 |
| | 2024 | 0 |
| | 2025 | 1 |
| | 2023 | 6 |



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| State | Year | Number of Transfers |
|---|---|---|
| **Pennsylvania** | **2024** | **4** |
| | **2025** | **6** |
| **South Carolina** | **2023** | **1** |
| | **2024** | **0** |
| | **2025** | **0** |
| **Total** | **2023** | **11** |
| | **2024** | **11** |
| | **2025** | **16** |

**Table No. 3**
**Status of Franchised Outlets**
**for Years 2023 through 2025**

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired By Franchisor | Ceased Operations Other Reasons | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| Delaware | 2023 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2024 | 3 | 1 | 0 | 0 | 0 | 0 | 4 |
| | 2025 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| Illinois | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2025 | 2 | 1 | 0 | 0 | 1 | 0 | 2 |
| Maryland | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 0 | 1 | 0 | 0 | 0 | 1 |
| | 2025 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Massachusetts | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2025 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| Missouri | 2023 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 3 | 0 | 0 | 0 | 0 | 5 |
| | 2025 | 5 | 2 | 1 | 0 | 1 | 0 | 5 |
| New Jersey | 2023 | 45 | 2 | 0 | 0 | 0 | 0 | 47 |
| | 2024 | 47 | 2 | 0 | 0 | 0 | 0 | 49 |
| | 2025 | 49 | 2 | 1 | 0 | 0 | 0 | 50 |
| New York | 2023 | 12 | 1 | 0 | 0 | 0 | 1 | 12 |
| | 2024 | 12 | 1 | 0 | 0 | 0 | 0 | 13 |
| | 2025 | 13 | 0 | 0 | 0 | 0 | 0 | 13 |
| North Carolina | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2025 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |



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| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired By Franchisor | Ceased Operations Other Reasons | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| Ohio | 2024 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2025 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Pennsylvania | 2023 | 75 | 2 | 0 | 0 | 2 | 0 | 75 |
| | 2024 | 75 | 3 | 0 | 0 | 0 | 4 | 74 |
| | 2025 | 74 | 5 | 0 | 0 | 2 | 0 | 7 |
| South Carolina | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2025 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Virginia | 2023 | 1 | 0 | 0 | 0 | 1 | 0 | 0 |
| | 2024 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2025 | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| **TOTALS** | **2023** | **143** | **7** | **0** | **0** | **3** | **1** | **146** |
| | **2024** | **146** | **14** | **1** | **0** | **0** | **4** | **155** |
| | **2025** | **155** | **12** | **3** | **0** | **4** | **0** | **160** |

**Table No. 4**
**Status of Company-Owned and Affiliate Owned Outlets**
**For Years 2023 through 2025**

| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| Illinois | 2023 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2025 | 0 | 0 | 1 | 0 | 1 | 0 |
| Missouri | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 1 | 0 | 1 | 1 |
| | 2025 | 1 | 0 | 1 | 0 | 2 | 0 |
| Pennsylvania | 2023 | 6 | 0 | 2 | 0 | 0 | 8 |
| | 2024 | 8 | 0 | 0 | 1 | 1 | 6 |
| | 2025 | 6 | 0 | 2 | 1 | 3 | 4 |
| Virginia | 2023 | 0 | 0 | 1 | 0 | 0 | 1 |
| | 2024 | 1 | 0 | 0 | 0 | 1 | 0 |
| | 2025 | 0 | 0 | 0 | 0 | 0 | 0 |



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| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| **Total** | **2023** | **7** | **0** | **3** | **0** | **0** | **10** |
| | **2024** | **10** | **0** | **1** | **1** | **3** | **7** |
| | **2025** | **7** | **0** | **4** | **1** | **6** | **4** |

**Table No. 5**
**Projected Openings as of December 31, 2025**

| State | Franchise Agreements Signed But Outlet Not Opened | Projected New Franchised Outlet In the Next Fiscal Year | Projected New Company-Owned Outlet In the Next Fiscal Year |
|---|---|---|---|
| Florida | 12 | 10 | 0 |
| Massachusetts | 1 | 1 | 0 |
| Missouri | 1 | 1 | 0 |
| New Jersey | 2 | 2 | 0 |
| New York | 5 | 3 | 0 |
| North Carolina | 1 | 1 | 0 |
| Pennsylvania | 6 | 6 | 0 |
| South Carolina | 3 | 3 | 0 |
| **Total** | **31** | **26** | **0** |

Attached as Exhibit C to this disclosure document are the names, addresses and telephone numbers of all System franchisees as of the issuance date. Attached as Exhibit D to this disclosure document are the names and last known addresses and telephone numbers of every franchisee who has had an outlet transferred, terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recent fiscal year or who has not communicated with us within 10 weeks of the disclosure documents issuance date. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

There are no other trademark specific franchisee organizations associated with the franchised system being offered.

In the past three fiscal years, franchisees have signed confidentiality clauses. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Soft Pretzel Franchise Systems, Inc. You may wish to speak with current and former franchisees but be aware that not all franchisees will be able to communicate with you.

## ITEM 21 FINANCIAL STATEMENTS

Attached as Exhibit E to this franchise disclosure document are our audited financial statements for the fiscal years ended December 31, 2023, December 31, 2024, and December 31, 2025. Our fiscal year end is December 31.



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## ITEM 22 CONTRACTS

Included as Exhibits F, G, H, I, J and K to this disclosure document are copies of all contracts or agreements proposed for use or in use regarding the offer of our franchise including the Soft Pretzel Franchise Systems, Inc.:

Franchise Agreement (Exhibit F)

- Exhibit A to the Franchise Agreement (Site Selection Addendum)
- Exhibit B to the Franchise Agreement (Personal Guarantee)
- Exhibit C to the Franchise Agreement (Restrictive Covenant and Confidentiality Agreement)
- Exhibit D to the Franchise Agreement (Collateral Assignment of Lease)
- Exhibit E to the Franchise Agreement (Conditional Assignment of your Telephone Numbers)
- Exhibit F to the Franchise Agreement (Assignment and Assumption Agreement)
- Exhibit G to the Franchise Agreement (Non-Traditional Location Addendum to Franchise Agreement)
- Exhibit H to the Franchise Agreement (Electronic Funds Withdrawal Authorization)

Confidentiality Agreement (Exhibit G)
Compliance Certification (Exhibit H)
State Specific Addenda (Exhibit I)
Sample Termination and Release Agreement (Exhibit J)
Sublease Agreement for Non-Traditional Locations (Exhibit K)

## ITEM 23 RECEIPTS

Exhibit N of this disclosure document contains a detachable document, in duplicate, acknowledging receipt of this disclosure document by a prospective franchisee. You should sign both copies of the Receipt. You should retain one signed copy for your records and must return the other signed copy to: Franchising Department, Soft Pretzel Franchise Systems, Inc., 1525 Ford Road, Bensalem, Pennsylvania 19020.

***[The remainder of this page is intentionally left blank.]***



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# EXHIBIT A
**TO**
**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**

## STATE ADMINISTRATORS

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## STATE ADMINISTRATORS

California Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(213) 576-7500; or toll free: 1-866-275-2677

Florida Department of Agricultural and Consumer Services
Division of Consumer Services
Mayo Building, Second Floor
Tallahassee, Florida 32399-0800
(850) 922-2770

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

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

Kentucky Office of the Attorney General
Consumer Protection Division
P.O. Box 2000
Frankford, Kentucky 40602
(502) 573-2200

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

Michigan Attorney General's Office
Consumer Protection Division
Attn: Franchise Unit
670 Law Building
Lansing, Michigan 48913
(517) 373-7117

Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198
(651) 539-1600

Nebraska Department of Banking and Finance
1200 North Street, Suite 311
P.O. Box 95006
Lincoln, Nebraska 68509-5006
(402) 471-3445

NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8236

North Dakota Office of Securities Commissioner
600 East Boulevard, 5th Floor
Bismarck, North Dakota 58505
(701) 328-2910

Oregon Department of Consumer and Business Services
Division of Finance and Corporate Securities
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4387

Chief Securities Examiner
Rhode Island Department of Business Regulation
Banking Division, Franchise Section
233 Richard Street, Suite 232
Providence, Rhode Island 02903-4232
(401) 222-3048

South Dakota Department of Commerce and Regulation
Division of Securities
118 West Capitol Avenue
Pierre, South Dakota 57501-2017
(605) 773-4013

Statutory Document Section
Texas Secretary of State
P.O. Box 12887
Austin, Texas 78711
(512) 475-1769

State of Utah
Division of Consumer Protection
P.O. Box 45804
Salt Lake City, Utah 84145-0804
(801) 530-6601

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Virginia State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9051

State of Washington
Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507-9033
(360) 902-8769/0

State of Wisconsin
Department of Financial Institutions
Division of Securities
P.O. Box 1768
Madison, Wisconsin 53701-1768
(608) 266-1064

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**EXHIBIT B**
**TO**
**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**

# REGISTERED AGENT FOR SERVICE OF PROCESS

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## AGENTS FOR SERVICE OF PROCESS

California Commissioner of the Department of Financial Protection and Innovation
320 West 4th Street
Los Angeles, California 900101105

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813

Illinois Attorney General
Franchise Division
500 South Second Street
Springfield, Illinois 62706

Indiana Secretary of State
302 West Washington Street
Room E-111
Indianapolis, Indiana 46204

Maryland Securities Commissioner
Office of the Attorney General
Division of Securities
200 St. Paul Place
Baltimore, MD 21202-2020

Michigan Department of Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
P.O. Box 30054
6546 Mercantile Way
Lansing, MI 48909

Minnesota Commissioner of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198
(651) 539-1600

Attention: New York Secretary of State
New York Department of State
One Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, NY 12231-0001
(518) 473-2492

North Dakota Securities Commissioner
State Capitol – 5th Floor
600 E. Boulevard Avenue
Bismarck, ND 58505

Director of Rhode Island
Department of Business Regulation
1511 Pontiac Avenue
Cranston, Rhode Island 02920

Department of Revenue and Regulation
Division of Securities
445 E. Capitol
Pierre, South Dakota 57501-3185

Clerk of the State Corporation Commission
1300 East Main Street
1st Floor
Richmond, Virginia 23219

Department of Financial Institutions
General Administration Building
Securities Division
P.O. Box 9033
Olympia, Washington 98507-9033

Wisconsin Commissioner of Securities
201 West Washington Avenue, 3rd Floor
Madison, Wisconsin 53703

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**EXHIBIT C**
**TO**
**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**

**OPEN STORES**

©2026 Soft Pretzel Franchise Systems, Inc.

| Location | Address | Owner | Phone | Email |
|---|---|---|---|---|
| *3rd & Oregon* | 2655 South 3rd Street<br>Philadelphia, PA 19148 | Josh Sklaroff<br>Sam Sklaroff | 610-716-2531 | phillypretzelbroad@gmail.com<br>3rdOregon@phillypretzelfactory.com |
| *23rd & Hemberger* | 2335 Hemberger Street<br>Philadelphia, PA 19145 | Romeo Carsello | 267-340-5968 | twisted100@yahoo.com<br>23rdpassyunk@phillypretzelfactory.com |
| *69th Street Terminal* | 6901 Market Street<br>Upper Darby, PA 19082 | Jorge Cruz<br>Elee Cruz | 215-791-5390 | cruzfamilypretzels@gmail.com |
| *Abington* | 1836 Old York Road<br>Abington, PA 19001 | John Frederick<br>Janice Frederick | 831-454-6762 | jfreddy08@me.com<br>jdoneyfrederick@gmail.com<br>abington@phillypretzelfactory.com |
| *Altoona* | 1306 11th Ave<br>Altoona, PA 16601 | Nicholas Acevedo | 216-262-8805 | nicholaswacevedo@gmail.com<br>Altoona@phillypretzelfactory.com |
| *Aramingo* | Port Richmond Plaza<br>3377 Aramingo Avenue<br>Philadelphia, PA 19134 | Steve Miele | 215-620-7269 | lotus1929@comcast.net<br>Aramingo@phillypretzelfactory.com |
| *Avondale* | London Grove Village<br>901 Gap Newport Pike<br>Avondale, PA 19311 | Kristin Freda | 410-608-3802<br>215-313-7687 | Betterphillypretzels@gmail.com<br>Avondale@phillypretzelfactory.com |
| *Beaver Stadium* | Penn State | Nicholas Acevedo | 216-262-8805 | nicholaswacevedo@gmail.com |
| *Bensalem* | 1749 Street Road<br>Bensalem, PA 19020 | Michael Gabbett | 215-778-9628 | mcgabs@verizon.net<br>Bensalem@phillypretzelfactory.com |
| *Bensalem Walmart* | 3461 Horizon Boulevard<br>Bensalem, PA 19020 | Jinal Patel | 215-480-5700 | mypretzel2021@gmail.com<br>BensalemWalmart@phillypretzelfactory.com |
| *Blue Bell* | Center Square Shopping<br>1301 Skippack Pike<br>Blue Bell, PA 19422 | Jorge Cruz<br>Elee Cruz | 215-791-5390 | BlueBell@phillypretzelfactory.com<br>jlcruz522@aol.com<br>eleeac193@gmail.com |
| *Bridgeville* | 1150 Washington Pike<br>Bridgeville, PA 15017 | Scott Kallen<br>Steve Kallen | 215-534-2513<br>215-534-0254 | phillypretzels80@gmail.com<br>Bridgeville@phillypretzelfactory.com |
| *Broad & Passyunk* | 1401 West Passyunk Avenue<br>Philadelphia, PA 19145 | Josh Sklaroff<br>Sam Sklaroff<br>Lori Sklaroff | 610-716-2531<br>610-716-5151<br>609-790-0960 | phillypretzelbroad@gmail.com<br>BroadPassyunk@phillypretzelfactory.com |

| | | | | |
|---|---|---|---|---|
| *Broad & Olney* | 5600 North Broad Street<br>Philadelphia, PA 19141 | Brian Jaffee | 215-778-4594 | glebpretzels@gmail.com<br>BroadOlney@phillypretzelfactory.com |
| *Brodheadsville* | Shoprite<br>107 Kinsley Drive<br>Brodheadsville, PA 18322 | Sam Lake | 570-279-6722 | lakejulian@yahoo.com |
| *Broomall* | 2500 West Chester Pike<br>Broomall, PA 19008 | Ron Heil<br>Gary Nolan | 856-906-0197 | ron@ppfcentercity.com<br>csteinetz@brotherselectric.com<br>Broomall@phillypretzelfactory.com |
| *Camp Hill* | 4401 Carlisle Pike<br>Camp Hill, PA 17011 | Michael DiSante | 717-421-0874 | camphill@phillypretzelfactory.com |
| *Chichester* | 3601 Chichester Avenue<br>Boothwyn/Chichester, PA 19061 | Frank Cirino | 215-915-3605 | frank.mush69@gmail.com<br>Chichester@phillypretzelfactory.com |
| *City Line Ave* | 5022-24 City Line Avenue<br>Philadelphia, PA 19131 | Joe Mattair | 949-322-1117 | joemattair@gmail.com<br>cityline@phillypretzelfactory.com |
| *Coca-Cola Park*<br>***Seasonal*** | 1050 Iron Pigs Way<br>Allentown, PA 18109 | Jeff White<br>John Bagnell | 484-892-5792 | jeff_white12@gmail.com<br>belindabagnell@yahoo.com |
| *Collegeville* | 222 East Main Street<br>Unit # 20<br>Collegeville, PA 19426 | Sharon Gabriel | 610-323-8662 | ppfcollegeville@gmail.com<br>Collegeville@phillypretzelfactory.com |
| *Cottman Avenue* | 1903 Cottman Avenue<br>Philadelphia, PA 19111 | Julia Malak | 267-475-7933 | jamm4411@hotmail.com<br>CottmanAvenue@phillypretzelfactory.com |
| *Cranberry Township* | Cranberry Commons<br>1691 Route 228<br>Suite 9<br>Cranberry Township, PA 16066 | Joe Wueschell | 412-841-2481 | wuenschell@zoominternet.net<br>joewuenschell@gmail.com<br>CranberryTwp@phillypretzelfactory.com |
| *Easton* | Palmer Town Center<br>845 South 25th Street<br>Easton, PA 18045 | Kinjal Patel<br>Bhumika Patel | 717-343-1713 | kinjalptl@icloud.com<br>bhumiptl@icloud.com<br>Easton@phillypretzelfactory.com |

| | | | | |
|---|---|---|---|---|
| *Folsom* | 625 MacDade Boulevard<br>Folsom, PA 19033 | Ron Heil<br>Gary Nolan | 856-906-0197<br>610-883-0034 | ron@ppfcentercity.com<br>csteinetz@brotherselectric.com<br>Folsom@phillypretzelfactory.com |
| *Frankford Terminal* | 5200 Frankford Avenue<br>Philadelphia, PA 19124 | Dan DiZio<br>Len Lehman | 215-962-5593<br>215-862-3066 | ddizio@spfsinc.com<br>llehman@spfsinc.com |
| *Gallery II* | 1101 Market Street<br>Concourse Level by<br>Market Frankford Line<br>Philadelphia, PA 19107 | Ron Heil<br>Tom Guest | 856-906-0197<br>215-805-0676 | ron@ppfcentercity.com<br>tommy@ppfcentercity.com |
| *Gilbertsville* | 1885 Swamp Pike<br>Gilbertville, PA 19525 | Andrew Kelly<br>Aiden Kelly | 610-389-3323 | phillypretzelfactory@gmail.com<br>andrew@kanainc.com<br>Gilbertsville@phillypretzelfactory.com |
| *Glenside* | 501 Edge Hill Road<br>Glenside, PA 19038 | Jorge Cruz<br>Elee Cruz | 215-791-5390 | glenside@phillypretzelfactory.com<br>jlcruz522@aol.com<br>eleeac193@gmail.com |
| *Grant Avenue* | 1687 Grant Avenue<br>Philadelphia, PA 19115 | Phil LaBrie<br>Jason LaBrie | 267-207-4311<br>267-264-7451 | plabrie622@comcast.net<br>pretzelfactorygrant@comcast.net<br>GrantAvenue@phillypretzelfactory.com |
| *Hatfield Walmart* | 1515 Bethlehem Pike<br>Hatfield, PA 19440 | Jessica Horning | 215-681-6837 | hatfieldwalmart@phillypretzelfactory.com<br>jessica.m.horning@gmail.com |
| *Hershey* | 233 Hershey Road<br>Suite B<br>Hummelstown, PA 17036 | Mark Setlock | 717-665-1755<br>717-371-4571 | zookpr@gmail.com<br>hershey@phillypretzelfactory.com |
| *Horsham* | 499 Horsham Road<br>Horsham, PA 19044 | Michael Loose | 215-771-3832<br>609-505-2095 | mloosejr@verizon.net ** mindyloose@gmail.com<br>Horsham@phillypretzelfactory.com |
| *Kennett Square Walmar* | 516 School House Road<br>Kennett Square, PA 19348 | Kristin Freda | 410-608-3802 | Betterphillypretzels@gmail.com kfreda1@gmail.com<br>kennettsquarewalmart@phillypretzelfactory.com |
| *Lahaska* | 5742 Lower York Road<br>Lahaska, PA 18931 | Denise Scott | 215-896-3612<br>215-896-3608 | ppflahaska@gmail.com |

| | | | | |
|---|---|---|---|---|
| *Langhorne* | 1506 East Lincoln Highway<br>Langhorne, PA 19047 | Brian Kean<br>Shaun Kean | 215-284-7070<br>267-229-9652 | brikean@yahoo.com<br>shaunkean105@gmail.com<br>Langhorne@phillypretzelfactory.com |
| *Lansdale* | 330 West Main Street<br>Lansdale, PA 19446 | Fran Barthmaier | 267-977-0253 | pspflansdale@verizon.net<br>Lansdale@phillypretzelfactory.com |
| *Lebanon* | 2213 West Cumberland Street<br>Lebanon, PA 17042 | Barry Fox | 717-644-4499 | fd41fox@hotmail.com<br>Lebanon@phillypretzelfactory.com |
| *Lebanon Walmart* | 1355 East Lehman Street<br>Lebanon, PA 17046 | Hui Li | 717-439-8020 | huili51211@gmail.com<br>LebanonWalmart@phillypretzelfactory.com |
| *Levittown* | 4216 Woodbourne Road<br>Levittown, PA 19057 | Rosemary Shin<br>Young Shin | 267-984-8549<br>267-902-9258 | Rosemary.shin@comcast.net<br>Levittown@phillypretzelfactory.com |
| *Lincoln Financial Field* | 1 Lincoln Financial Field Way<br>Philadelphia, PA 19148 | Dan Dizio | 215-962-5593 | ddizio@spfsinc.com |
| *Lionville* | Village Shopping Center<br>128-A Eagleview Boulevard<br>Exton, PA 19341 | Joe Chiarello | 267-808-5879 | lionvilleppf@gmail.com<br>Lionville@phillypretzelfactory.com |
| *Lititz* | Shoppes @ Kissel Village<br>1006 Lititz Pike<br>Lititz, PA 17543 | Michael DiSante | 717-421-0874 | lititz@phillypretzelfactory.com |
| *Mayfair* | 7366 Frankford Avenue<br>Philadelphia, PA 19136 | Dan DiZio<br>Len Lehman | 215-962-5593<br>215-862-3066 | ddizio@spfsinc.com<br>llehman@spfsinc.com |
| *Monroeville* | 3968 William Penn Highway<br>Monroeville, PA 15146 | David Dansak<br>Jullie Dansak | 412-944-7056 | okdave1718@gmail.com<br>monroeville@phillypretzelfactory.com |
| *Muhlenberg* | 5334 Allentown Pike<br>5th Street Highway<br>Temple, PA 19560 | Amy Turnquist<br>Joe Romello | 610-517-8854 | muhlenberg@phillypretzelfactory.com<br>turnquistamy@gmail.com<br>joeromello@gmail.com |

| | | | | |
|---|---|---|---|---|
| *New Britian* | 424 Towne Center<br>New Britain, PA 18901 | Craig Phillips<br>Merrick Borine | 267-372-5887<br>215-348-8543 | phillips1312@comcast.net<br>phillypretzelchalfont@comcast.net<br>NewBritain@phillypretzelfactory.com |
| *Norristown* | 132 West Main Street<br>Norristown, PA 19401 | Mark Scott | 610-405-9422 | biz1072@yahoo.com<br>Norristown@phillypretzelfactory.com |
| *Northern Liberties* | 301-23 Spring Garden St.<br>Philadelphia, PA 19123 | Matthew Massey | 484-769-7320 | matthew@posbeacon.com<br>northernliberties@phillypretzelfactory.com |
| *Parkwood* | Parkwood Shopping Center<br>12363 Academy Road<br>Philadelphia, PA 19154 | Dave Grimaldi<br>Patty Grimaldi | 215-850-6910 | ppfparkwood@gmail.com<br>Parkwood@phillypretzelfactory.com |
| *Pennsylvania Convention Center* | 1010 Arch Street<br>Philadelphia, PA 19107 | Ron Heil<br>Tommy Guest<br>Bob Tilton | 856-906-0197<br>215-805-0676<br>609-977-4328 | ron@ppfcentercity.com<br>tommy@ppfcentercity.com<br>rtnewproducts@aol.com |
| *Philadelphia International Airport* | | Brian Anderson | 312-307-6787 | banderson@thegroveinc.com |
| *Phoenixville* | 700 Nutt Road<br>Phoenixville, PA 19460 | Adam Joda | 267-663-9997 | adamjoda@yahoo.com<br>Phoenixville@phillypretzelfactory.com |
| *Plymouth Meeting* | 1001 East Germantown Pike<br>Plymouth Meeting, PA 19462 | Jason Wagner<br>Sean Cannon | 267-664-7093<br>215-808-1126 | jmwbusiness056@gmail.com<br>seancannon36@aol.com<br>PlymouthMeeting@phillypretzelfactory.com |
| *Quakertown* | 1465-12 West Broad Street<br>Quakertown, PA 18951 | Andrew Kelly<br>Aiden Kelly | 610-389-3323 | phillypretzelfactory@gmail.com<br>andrew@kanainc.com<br>Quakertown@phillypretzelfactory.com |
| *Reading Walmart* | 5900 Perkiomen Avenue<br>Reading, PA 19606 | Mohammad Mohammad<br>Sal Ali | 484-300-8891<br>484-524-5647 | lhhuvt@gmail.com<br>Almadicontractorsllc@gmail.com<br>Readingwalmart@phillypretzelfactory.com |
| *Richboro* | 741 Second Street Pike<br>Richboro, PA 18954 | Carmen Difiggio | 609-209-9502 | cdifoggio66@gmail.com<br>Richboro@phillypretzelfactory.com |
| *Rochester/Beaver Falls* | 472 Adams Street<br>Rochester, PA 15074 | Scott Kallen | 215-534-2513 | phillypretzels80@gmail.com<br>rochester@phillypretzelfactory.com |

| | | | | |
|---|---|---|---|---|
| *Ross Township* | 2311 Babcock Boulevard<br>Pittsburg, PA 15237 | Nathan Hayden<br>Shannelle Hayden | 724-420-6458 | nathanhayden1426@gmail.com<br>RossTwp@phillypretzelfactory.com |
| *Sansom Street* | 1532 Sansom Street<br>Philadelphia, PA 19102 | Ron Heil<br>Tom Guest<br>Bob Tilton | 856-906-0197<br>215-805-0676<br>609-977-4328 | ron@ppfcentercity.com<br>tommy@ppfcentercity.com<br>rtnewproducts@aol.com |
| *Scranton* | 553 Scranton Carbondale Highway<br>Dickson City, PA 18508 | Michael McHale | 570-335-3287 | mmchale@barbettimchale.com<br>Scranton@phillypretzelfactory.com |
| *Shrewsbury Walmart* | 698 Shrewsbury Commons Avenue<br>Shrewsbury, PA 17361 | John McCarraher | 570-985-8515 | johnmcworksforyou@gmail.com<br>Shrewsburywalmart@phillypretzelfactory.com |
| *Souderton* | 791 Route 113<br>Souderton, PA 18964 | Craig Phillips | 267-372-5887 | phillypretzelsouderton@comcast.net<br>phillips1312@comcast.net<br>Souderton@phillypretzelfactory.com |
| *Southampton* | 555 Second Street Pike<br>Southampton, PA 18966 | Rosemary Shin<br>Young Shin | 267-984-8549<br>267-902-9258 | Rosemary.shin@comcast.net<br>Southampton@phillypretzelfactory.com |
| *Springfield* | 700 Baltimore Pike<br>Springfield, PA 19064 | Ron Heil<br>Gary Nolan | 856-906-0197<br>610-883-0034 | ron@ppfcentercity.com |
| *St. Clair* | Coalcreek Center<br>400 Terry Rich Blvd<br>St. Clair, PA 17970 | Terance Ryan | 267-253-8528 | tryan@rrpmi.com |
| *State College Walmart* | 373 Benner Pike<br>State College, PA 16801 | Nicholas Acevedo | 216-262-8805 | nicholaswacevedo@gmail.com<br>StateCollegeWalmart@phillypretzelfactory.com |
| *Stroudsburg* | 1619 N 9th Street<br>Suite 7<br>Stroudsburg, PA 18360 | Sam Lake | 570-279-6722 | stroudsburg@phillypretzelfactory.com<br>lakejulian@yahoo.com |
| *Suburban Station East* | 1500 JFK Boulevard<br>Philadelphia, PA 19102 | Ron Heil<br>Tom Guest<br>Bob Tilton | 856-906-0197<br>215-805-0676<br>609-977-4328 | ron@ppfcentercity.com<br>tommy@ppfcentercity.com<br>rtnewproducts@aol.com |
| *Suburban Station West (Kiosk)* | 1600 JFK Boulevard<br>Philadelphia, PA 19102 | Ron Heil<br>Tom Guest<br>Bob Tilton | 856-906-0197<br>215-805-0676<br>609-977-4328 | ron@ppfcentercity.com<br>tommy@ppfcentercity.com<br>rtnewproducts@aol.com |

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| *Subaru Park Stadium*<br>***seasonal operations* | 1 Stadium Drive<br>Chester, PA 19013 | Dan DiZio | 215-962-5593 | ddizio@spfsinc.com |
| *Temple University* | 3220 North Broad Street<br>Philadelphia, PA 19140 | Chris DeGirolamo<br>Lauri DeGirolamo | 215-620-0737 | chrisd9969@comcast.net **<br>TempleUniversity@phillypretzelfactory.com |
| *Wadsworth* | 1555 Wadsworth Avenue<br>Philadelphia, PA 19150 | Manisha Patel | 484-832-2584 | manisha.arlagadda@gmail.com<br>WadsworthAvenue@phillypretzelfactory.com |
| *West Allentown* | 5924 West Tilghman Street<br>Unit # 6 Suite F<br>Allentown, PA 18104 | Jeff White<br>John Bagnell | 484-892-5792 | jeff_white12@gmail.com<br>jbtruckman2@aol.com<br>westallentown@phillypretzelfactory.com |
| *West Chester II* | 1075 West Chester Pike<br>West Chester, PA 19382 | Jim Powers | 267-252-8151 | softpretzelfactory@gmail.com<br>WestChester@phillypretzelfactory.com |
| *West Lawn* | 2850 Penn Avenue<br>West Lawn, PA 19609 | Paula Wenger<br>Andrew Wenger<br>Jake Lake | 484-256-5314<br>610-678-0704<br>610-790-9030 | westlawnpretzelfactory@comcast.net<br>Jakefitall@comcast.net<br>WestLawn@phillypretzelfactory.com |
| *Whitehall* | 2415 MacArthur Road<br>Whitehall, PA 18052 | Jeff White<br>John Bagnell | 484-892-5792 | jeff_white12@gmail.com<br>belindabagnell@yahoo.com<br>Whitehall@phillypretzelfactory.com |
| *Whitman Square Walmart* | Whitman Square Walmart<br>9745 Roosevelt Boulevard<br>Philadelphia, PA 19115 | Smruti Patel | 732-762-4271 | smruti790@gmail.com<br>WhitmanSquareWalmart@phillypretzelfactory.com |
| *Willow Grove Walmart* | 2101 Blair Mill Road<br>Willow Grove, PA 19090 | Maher Malqaishat | 215-915-8950 | malqtaish@aol.com<br>WillowGroveWalmart@phillypretzelfactory.com |
| *Woodhaven* | 1890 Woodhaven Road<br>Philadelphia, PA 19116 | Ting (Jason) Lin<br>Bibi Hajira Afridi<br>Tao (Nick) Liu* | 860-880-1893 | znlmanagement@gmail.com<br>woodhaven@phillypretzelfactory.com |
| *York* | 2058 South Queen Street<br>York, PA 17403 | John McCarraher | 570-985-8515 | york@phillypretzelfactory.com<br>johnmcworksforyou@gmail.com |
| *Allendale* | 49-2 West Allendale Avenue<br>Allendale, NJ 07401 | Lindsay Romano | 201-248-5189 | TwistedFamilyPretzels@gmail.com<br>allendale@phillypretzelfactory.com |

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|---|---|---|---|---|
| *Asbury Park Boardwalk* | 800 Ocean Avenue N.<br>Asbury Park, NJ 07712 | Bonnie Nach<br>Kathy Schearer | 201-956-5208 | asburypark@phillypretzelfactory.com<br>bon929@gmail.com |
| *Burlington* | 696 High Street<br>Burlington, NJ 08016 | Anabela Nolan | 215-692-4173 | anabelanolan@gmail.com<br>Burlington@phillypretzelfactory.com |
| *Burlington Walmart* | 2106 Mount Holly Road<br>Route 541<br>Burlington, NJ 08016 | Shachi Patel<br>Jinal Patel | 215-989-6262 | burlingtonpretzel@gmail.com<br>adhikpatel@gmail.com<br>patelpc1981@gmail.com<br>BurlingtonWalmart@phillypretzelfactory.com |
| *Cherry Hill* | 910 Route 70 West<br>Cherry Hill, NJ 08002 | Bob Tilton | 609-977-4328 | tommy@ppfcentercity.com<br>CherryHill@phillypretzelfactory.com |
| *Clementon* | 2001 College Drive<br>Suite 16<br>Clementon, NJ 08021 | Michael DiTeodoro | 215-620-7436 | michael@lilybugventures.com<br>clementon@phillypretzelfactory.com |
| *Clifton* | 859 Clifton Avenue<br>Clifton, NJ 07013 | Dayo Kusamotu | 856-357-6819 | sybcomgroup@gmail.com<br>Clifton@phillypretzelfactory.com |
| *Collingswood* | 976 Haddon Avenue<br>Collingswood, NJ 08108 | Sherri Pope | 609-820-5099<br>609-605-1094 | heavenlypretzels@verizon.net<br>Collingswood@phillypretzelfactory.com |
| *Deptford* | 1010 Cooper Street<br>Deptford, NJ 08096 | Bob Tilton | 609-977-4328 | rtnewproducts@aol.com<br>Deptford@phillypretzelfactory.com |
| *Deptford Walmart (East)* | Intersection of Hurffville Road<br>2000 Clements Bridge Road<br>Deptford Crossing<br>Woodbury, NJ 08096 | Louis Castro<br>Florence Castro | 609-385-5184 | fluie@comcsast.net<br>DeptfordEastWalmart@phillypretzelfactory.com |
| *Deptford/ Woodbury Walmart (West)* | 820 Cooper Street<br>Woodbury, NJ 08096 | Harsheet Brahmbhatt | 609-504-7597 | Barotharshit@yahoo.com<br>DeptfordWalmartWest@phillypretzelfactory.com |
| *Eatontown* | 76 Route 35<br>Kings Highway<br>Eatontown, NJ 07724 | Keith Eyerman | 732-673-7366<br>646-265-7967 | keith.eyerman@verizon.net<br>Eatontown@phillypretzelfactory.com |
| *Edison* | 960 Amboy Avenue<br>Edison, NJ 08837 | Maulik Patel<br>Chintal Patel<br>Krupal Patel<br>Kinjal Patel | | edisonpretzel14@gmail.com<br>edison@phillypretzelfactory.com |

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| *Egg Harbor* | 6814 Tilton Road<br>Egg Harbor, NJ 08234 | Fran McLaughlin | 215-783-5438 | acdoughboy@gmail.com<br>EggHarborTwp@phillypretzelfactory.com |
| *Ewing* | 1400 Parkway Avenue<br>Ewing, NJ 08628 | Gary Russo<br>Kim Russo | 267-307-2547<br>267-391-8360 | Mrandmrstwister@gmail.com<br>garrusso@aol.com<br>kimrusso@comcast.net<br>Ewing@phillypretzelfactory.com |
| *Flemington* | 268 US-202<br>Flemington, NJ 08822 | Russ Muller<br>Steven Muller | 215-962-3428<br>215-429-6105 | rmuller1967@gmail.com<br>srmuller1106@gmail.com<br>Flemington@phillypretzelfactory.com |
| *Hackettstown* | 150 Mountain Avenue<br>Hackettstown, NJ 07840 | Erica Boos<br>Carl Boos | 201-874-1033<br>201-874-1366 | phillypretzelhackettstown@yahoo.com<br>Hackettstown@phillypretzelfactory.com |
| *Hasbrouck Heights* | 155 Route 17 South<br>Hasbrouck Heights, NJ 07604 | Scott Eisenberger | 201-647-2002 | Seisenbe@cmi-metals.com<br>kathyhhppf@gmail.com<br>hasbrouckheights@phillypretzelfactory.com |
| *Hazlet* | 3051 Route 35<br>Hazlet, NJ 07730 | Bob Agnello | 732-713-8888 | Ceasarplus@aol.com<br>Hazlet@phillypretzelfactory.com |
| *Howell* | Howell Plaza<br>4018 Route 9<br>Howell, NJ 07731 | Bob Agnello | 732-713-8888 | Ceasarplus@aol.com<br>HowellPlaza@phillypretzelfactory.com |
| *Livingston* | 21 West Mount Pleasant Avenue<br>Livingston, NJ 07039 | Erica Boos<br>Carl Boos | 201-874-1033<br>201-874-1366 | livingston@phillypretzelfactory.com |
| *Logan Township* | Shops @ Pureland<br>525 Beckett Road<br>Unit#5<br>Swedesboro, NJ 08085 | Diane Murfitt | 610-764-0455 | dmurfitt@hotmail.com<br>LoganTwp@phillypretzelfactory.com |
| *Lumberton* | 1636-52 Route 38<br>Lumberton Plaza<br>Lumberton NJ 08048 | Kevin Klein | 856-685-3627 | lumbertonpretzel@gmail.com<br>Lumberton@phillypretzelfactory.com |
| *Lumberton Walmart* | Lumberton Walmart<br>1740 NJ-38<br>Lumberton, NJ 08048 | Alan Robert Jones (Rob) | 609-664-7186 | robjones1340@gmail.com<br>LumbertonWalmart@phillypretzelfactory.com |
| *Manahawkin/LBI* | 412 East Bay Avenue<br>Manahawkin NJ 08050 | Ron Colla | (914) 799-1780 | ljcolla24@gmail.com<br>Manahawkin@phillypretzelfactory.com |

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|---|---|---|---|---|
| *Marlton* | Crispin Square Shopping Center<br>230 North Maple Avenue<br>Marlton, NJ 08053 | Patrick Scott<br>Mike Loos | 215-771-3832 | Patscott67@gmail.com |
| *Mayslanding Walmart* | 4620 Black Horse Pike<br>Mayslanding, NJ 08330 | Steve Cesari | 570-573-4975 | steve.cesari@gmail.com<br>mayslandingwalmart@phillypretzelfactory.com |
| *Medford* | Pineland Plaza Shopping Center<br>617 Stokes Road, #10<br>Medford, NJ 08055 | Jim Davidson | 856-912-9978 | jamesd003@comcast.net<br>Medford@phillypretzelfactory.com |
| *Moorestown* | 131 West Main Street<br>Moorestown, NJ 08057 | Kevin Tonezelli | 856-839-1144 | tonezelli_pretzels@outlook.com |
| *Morristown* | 167 South Street<br>Morristown, NJ 07960 | Terri Schneider | 516-312-9733 | schneidercapital@gmail.com |
| *Mt. Ephraim* | 301-307 South Black Horse Pike<br>Mt. Ephraim, NJ 08059 | Bob Tilton<br>Chris Schaber | 609-977-4328 | rtnewproducts@aol.com<br>HaddonHeights@phillypretzelfactory.com |
| *Mullica Hill* | Mullica Hill Shopping Center<br>108 Swedesboro Road<br>Suite #4<br>Mullica Hill, NJ 08062 | Diane Murfitt | 856-357-2392 | mullicahill@phillypretzelfactory.com |
| *Neptune Walmart* | 3575 State Route 66<br>Neptune, NJ 07753b | Gamal Mohamed<br>Mohamed Mohamed | 570-497-7066 | mgm6597@gmail.com<br>gam.al1@hotmail.com<br>NeptuneWalmart@phillypretzelfactory.com |
| *Ocean City Boardwalk* | 1020 Boardwalk<br>Ocean City, NJ 08226 | Chris Parise<br>Marty Howard | 609-6012-9818 | jerseytwistllc@gmail.com |
| *Old Bridge* | 3177 Route 9<br>Old Bridge, NJ 08857 | Bob Agnello | 732-713-8888 | ceasarplus@aol.com<br>oldbridge@phillypretzelfactory.com |
| *Old Bridge Walmart* | 1126 US Highway 9<br>Old Bridge, NJ 08857 | Gamal Mohamed<br>Mohamed Mohamed | 570-328-2323 | gam.al1@hotmail.com<br>mgm6597@gmail.com<br>OldBridgeWalmart@phillypretzelfactory.com |
| *Rio Grande* | 1602 Route 47 South<br>Rio Grande, NJ 08242 | John Bonder<br>Susan Bonder | 609-364-0316<br>609-364-8143 | Johnbonder@hotmail.com<br>RioGrande@phillypretzelfactory.com |

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|---|---|---|---|---|
| *Robbinsville* | 691 Route 130 North<br>Suite C<br>Robbinsville, NJ 08691 | Jim Tuttle | 215-837-4782<br>609-298-2198 | thepretzelguy@verizon.net<br>Robbinsville@phillypretzelfactory.com |
| *Rowan University* | 217 Rowan Blvd<br>Glassboro, NJ 08028 | Bob Tilton | 609-977-4328 | rtnewproducts@aol.com |
| *Sea Isle City*<br>***seasonal operation*** | Spinnaker Building<br>3500 Boardwalk<br>Sea Isle City NJ 08243 | Ken Durling<br>Caryn Durling | 215-817-1567<br>215-817- 4947 | jrjdough@yahoo.com<br>cdurling9x@gmail.com<br><br>seaisle@phillypretzelfactory.com |
| *Seaside Park*<br>***seasonal operation*** | 1800 Boardwalk<br>Unit 1<br>Seaside Park, NJ 08752 | Robert Agnello | 732-713-8888 | ceasarplus@aol.com<br>seasidepark@phillypretzelfactory.com |
| *Sewell* | 373 Egg Harbor Road<br>Sewell, NJ 08080 | Bob Tilton | 609-977-4328 | rtnewproducts@aol.com<br>Sewell@phillypretzelfactory.com |
| *Somers Point* | Groveland Center<br>501 New Road<br>Somers Point, NJ 08244 | Brendon Moiso<br>Chris Parise<br>Marty Howard | 609-602-9818 | Jerseytwistsllc@gmail.com<br>SomersPoint@phillypretzelfactory.com |
| *Toms River* | 1845 Hooper Avenue<br>Brick, NJ 08753 | Bob Agnello | 732-713-8888 | ceasarplus@aol.com<br>TomsRiver@phillypretzelfactory.com |
| *Turnersville Walmart* | 3501 Route 42<br>Turnersville, NJ 08012 | Fitz and Maureen Duer<br>Rob and Kristin Egan | (609) 827-4610 (Fitz)<br>(856) 265-4065 (Rob) | fitz5800@gmail.com<br>egan86@comcast.net<br>TurnersvilleWalmart@phillypretzelfactory.com |
| *Vineland* | Cumberland Mall<br>3849 South Delsea Drive<br>Suite A011<br>Vineland, NJ 08360 | Jason Cutler | 609-519-0032 | jc1737@aol.com<br>Millville@phillypretzelfactory.com |
| *Voorhees* | Plaza Shoppes<br>110 White Horse Road<br>Voorhees, NJ 08043 | Julie Scher<br>Craig Scher | 609-315-3811<br>215-805-1010 | julie@voorheesppf.com<br>craig@voorheesppf.com<br>Voorhees@phillypretzelfactory.com |
| *West Berlin Walmart* | 265 NJ-73<br>West Berlin, NJ 08091 | Jinal Patel<br>Shachi Patel | 215-480-5700 | berlinpretzel@gmail.com<br>westberlinwalmart@phillypretzelfactory.com |

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| *Westfield* | 295 East South Avenue<br>Westfield, NJ 07090 | Willy Papke<br>Karen Papke | 908-872-1966<br>732-485-2197 | willypapke@yahoo.com<br>Karen2266@hotmail.com<br>Westfield@phillypretzelfactory.com |
| *Williamstown* | 200 North Black Horse Pike<br>Williamstown, NJ 08094 | Chris Worth | 856-371-6831 | rmcworth@yahoo.com<br>Williamstown@phillypretzelfactory.com |
| *Bear* | Eden Square Shopping Center<br>406 Eden Circle<br>Bear, DE 19701 | Leon DeFulgentis<br>Robert Vollaro<br>Heather Vollaro | 856-649-4425<br>856-232-0508<br>856-625-8740 | leond0495@gmail.com<br>Robert08080@yahoo.com<br>Bear@phillypretzelfactory.com |
| *Naaman's Road* | 1810 Naamans Road<br>Wilmington, DE 19810 | Kristin Freda | 410-608-3802 | betterphillypretzels@gmail.com<br>NaamansRoad@phillypretzelfactory.com |
| *Rehoboth Beach* | Midway Galleria<br>18701 Coastal Highway<br>Rehoboth Beach, DE 19971 | Tyler Lennox<br>Keith Lennox<br>Katrina Brown | 302-808-3034 | trickster5654@gmail.com<br>deezwings@yahoo.com<br>klennox9709@yahoo.com<br>RehobothBeach@phillypretzelfactory.com |
| *Middletown, DE* | 9 West Main Street<br>Middletown, DE 19709 | Angela White<br>Tyeesha Edwards | 267-974-3105<br>215-239-4603 | angelatwhite99@gmail.com<br>etyeesha@yahoo.com pretzelplug@gmail.com<br>middletown@phillypretzelfactory.com |
| *Bellmore* | 2647 Jerusalem Avenue<br>Long Island, NY 11710 | John Shirzad | 646 -671-3666 | kj.shirzad@yahoo.com<br>Bellmore@phillypretzelfactory.com |
| *Deer Park* | Sunset Plaza<br>1150 Deer Park Avenue<br>N Babylon, NY 11703 | John Shirzad | 646 -671-3666 | kj.shirzad@yahoo.com<br>deerpark@phillypretzelfactory.com |
| *Franklin Square* | 197 Franklin Avenue<br>Franklin Square, NY 11010 | Anthony Caiazzo Michael Caiazzo Christine Caiazzo Debbie Smith Joseph Caiazzo Whitney Smith | 917-612-7350<br>516-459-0954<br>516-459-8859<br>516-672-9836<br>917-589-9586<br>516-672-9824 | acaiazzoppffs@gmail.com<br>mcaiazzoppffs@gmail.com<br>ccaiazzoppffs@gmail.com<br>franklinsquare@phillypretzelfactory.com |
| *Long Island Food Truck* | | Joe Russo | 516-330-7719 | |

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|---|---|---|---|---|
| *Lynbrook* | 118 Broadway<br>Lynbrook, NY 11563 | Anthony Caiazzo Michael<br>Caiazzo Christine<br>Caiazzo Debbie Smith<br>Joseph Caiazzo<br>Whitney Smith | 917-612-7350<br>516-459-0954<br>516-459-8859<br>516-672-9836<br>917-589-9586<br>516-672-9824 | acaiazzoppffs@gmail.com<br>mcaiazzoppffs@gmail.com<br>ccaiazzoppffs@gmail.com<br>lynbrook@phillypretzelfactory.com |
| *Massapequa* | 5099 Merrick Road<br>Massapequa Park, NY 11758 | John Shirzad | 646 -671-3666 | kj.shirzad@yahoo.com<br>Massapequa@phillypretzelfactory.com |
| *New City, NY* | 100 South Main Street<br>New City, NY 10956 | Robert O'Malley<br>Robert Miller | 845-828-9310 | newcity@phillypretzelfactory.com<br>RWMiller6@outlook.com<br>romnyc@outlook.com |
| *New Hyde Park* | | Brigitte Louzeiro<br>Keith Joel | 347-219-0207<br>516-698-4001 | brigittelouzeiro@gmail.com<br>twistypretzelllc@gmail.com<br>newhydepark@phillypretzelfactory.com |
| *Rocky Point* | 346 Route 25A<br>Suite 92<br>Rocky Point, NY 11778 | Nick Grillo | 347-538-3185 | nick.grillo@icloud.com<br>rockypoint@phillypretzelfactory.com |
| *Ronkonkoma* | 601 Portion Road<br>Unit #6<br>Lake Ronkonkoma, NY 1179 | Jon Pedone | 631-624-6188 | jonpedone17@gmail.com<br>ronkonkoma@phillypretzelfactory.com |
| *Smithtown* | 314 Maple Avenue<br>Smithtown, NY 11787 | Craig Rome | 631-987-2791 | romanpretzelco@gmail.com<br>smithtown@phillypretzelfactory.com |
| *Staten Island* | 604 Forest Avenue<br>Staten Island, NY 10310 | Tom Mangine | 732-742-6831 | tntprov1030@aol.com<br>phillypretzelbayonne@gmail.com<br>StatenIsland@phillypretzelfactory.com |
| *Syosset* | 331 Jackson Avenue<br>Syosset, NY 11791 | Joe Russo | 516-330-7719 | littlejoey697@icloud.com<br>syosset@phillypretzelfactory.com |
| *Centerville* | 1063 S. Main Street<br>Centerville, OH 45458 | Ed Horan<br>Julie Horan | 937-572-5124 | Ehoran1936@gmail.com<br>ppfcenterville@gmail.com |

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|---|---|---|---|---|
| *Jeffersonville* | Destination Outlets<br>8000 Factory Shop Boulevard Suite 8420<br>Jeffersonville. OH 43128 | Jefferey Wiessman<br>Ben Snodgrass | 516-322-6515 | bsnodgrass@launchtrampolinepark.com<br>jeffersonville@phillypretzelfactory.com |
| *Revere* | 4 Squire Road<br>Revere, MA 02151 | Robert & Jane Gesek | 610-256-8700 | chfbb2@aol.com<br>Store Email: Pretzelsrevere@aol.com<br>Revere@phillypretzelfactory.com |
| *Worcester* | 490 Grafton St.<br>Worcester, MA 01604 | Nicole & Chris Stifnagle | 609-491-9739 | elocinegg@gmail.com<br>worcester@phillypretzelfactory.com |
| *Ballantyne* | 16631 Lancaster Highway<br>Suite 105<br>Charlotte, NC 28277 | Chris Bergey | 215-514-9269 | chris@queencitypretzels.com |
| OBX Food Truck | 4126 W Whispering Winds Ct.<br>Nags Head, NC 27959 | Kurt Unterkoefler<br>Sean Unterkoefler<br>Lisa Unterkoefler | 484-258-8685<br>610-779-3682 | saltytriollc@gmail.com |
| *Columbia* | 2800 Rosewood Drive<br>Columbia, SC 29205 | Lisa Lowe<br>Tracey Lease | 803-605-2131 | Twistedknotsllc@gmail.com<br>columbia@phillypretzelfactory.com |
| *Williams-Brice Stadiu* | 1125 George Rogers Blvd,<br>Columbia, SC 29201 | Lisa Lowe<br>Tracey Lease | 803-605-2132 | Twistedknotsllc@gmail.com<br>columbia@phillypretzelfactory.com |
| *Edwardsville* | 6694 Center Grove Road<br>Edwardsville, IL 62025 | Justin Hawkins | 757-755-5192 | justin.m.hawkins@outlook.com<br>edwardsville@phillypretzelfactory.com |
| *Waterloo* | 933 N. Illinois Route 3<br>Waterloo, IL 62298 | Jeff Ahne | 618-504-2019 | jeffahne@yahoo.com<br>waterloo@phillypretzelfactory.com |
| *Ballwin* | 14744 Manchester Road<br>Ballwin, MO 63011 | Ryan Lawton<br>Mark Daly<br>Rob Lawton | 314-501-4050 | derb079@gmail.com |
| *Crystal City* | 201 N. Truman Blvd<br>Crystal City, MO 63019 | Craig Pertucci | 314-217-4400 | craigpertucci@outlook.com |
| *O'Fallon* | 2015 State Hwy K<br>O'Fallon, MO 63366 | Abhilash Thupili | 816-209-9795 | artfoodsllc@gmail.com<br>ofallon@phillypretzelfactory.com |

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|---|---|---|---|---|
| *South County* | 1460 Forest Ave,<br>Kirkwood MO 63122 | Craig Pertucci | 314-217-4400 | southcounty@phillypretzelfactory.com |
| *Wentzville Walmart* | 1971 Wentzvlle Parkway<br>Wentzville, MO 63385 | Baskarrao Wallajabad<br>Pushkala Lakshmipathy | 917-544-7181<br>917-544-7102 | bwallaja@yahoo.com<br>pushbaskar@yahoo.com<br>Wentzvillewalmart@phillypretzelfactory.com |
| *Bel Air* | 225 Brierhill Drive<br>Bel Air, MD 21015 | Michael Ward | 410-409-5806 | Mward10260@aol.com<br>BelAir@phillypretzelfactory.com |

**List of franchisees that signed a Franchise Agreement as of December 31, 2025, but were not open as of December 31, 2025**

| City | State | Name | Phone Number |
|---|---|---|---|
| Cape Coral | Florida | Richard Emmett | 609-929-1237 |
| Winter Garden | Florida | Chris Brannigan | 818-207-2276 |
| Casselberry | Florida | Derek Lewis | (407) 353-6331 |
| Kia Stadium | Florida | Derek Lewis | (407) 353-6331 |
| Camping World Stadium | Florida | Derek Lewis | (407) 353-6331 |
| South Orlando | Florida | Derek Lewis | (407) 353-6331 |
| Central Orlando | Florida | Derek Lewis | (407) 353-6331 |
| Cocoa Beach | Florida | Karen Connor | (215) 317-0394 |
| South Tampa | Florida | Brian Hanrahan | (813) 508-3582 |
| Fort Myers | Florida | John Moore | (301) 502-1814 |
| Wellen Park | Florida | Kristin Hill | (571) 271-7814 |
| Palm Beach Gardens | Florida | Michele Leibowitz | (561) 702-1188 |
| Attleboro | Massaschusettes | Rebeka Lovato<br>Tim Lovato | (508) 216-3624 |
| Farmington | Missouri | Tanya Rothenberg<br>Christopher O'Bryan | 818-207-2279 |
| Atlantic City | New Jersey | Fran McLaughlin | (215) 783-5438 |
| East Windsor | New Jersey | Denise Scheidell | (609) 668-8944 |
| Lindenhurst | New York | John Shirzad | (646) 671-3666 |
| Patchoque | New York | John Shirzad | (646) 671-3666 |
| Islip | New York | John Shirzad | (646) 671-3666 |
| Huntingdon | New York | Craig Rome | (516) 351-2095 |
| Riverhead | New York | Joe Russo | 516-330-7719 |
| Outer Banks | North Carolina | Kurt, Lisa, Sean<br>Unterkoefler | 484-258-8685<br>610-779-3682 |
| Philadelphia | Pennsylvania | Leslie Caldwell | 215-400-0764 |
| Philadelphia | Pennsylvania | Ron Heil<br>Tommy Guest<br>Bob Tilton | (856) 906-0197 |
| Hazleton | Pennsylvania | Lisamarie Stetz | (570)401-9708 |
| Philadelphia | Pennsylvania | Chris DeGirolamo | (215) 620-0737 |
| Philadelphia | Pennsylvania | David Malaty<br>Yuliya Malaty | (732) 330-8296 |

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|---|---|---|---|
| Doylestown | Pennsylvania | Michael Coughlin<br>Edward Lewis | (267) 237-6428 |
| Myrtle Beach | South Carolina | Seth Middleberg<br>Kathy Battista | (215) 279-1577 |
| South Charleston | South Carolina | Keith Delaney | (610) 247-2883 |
| Mt. Pleasant | South Carolina | Keith Delaney | (610) 247-2883 |

**EXHIBIT D**
**TO**
**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**

# LIST OF FORMER FRANCHISEES

©2026 Soft Pretzel Franchise Systems, Inc.

| City | State | Name | Phone Number |
|---|---|---|---|
| Edwardsville | Illinois | Ashley Randolph | 502-378-2759 |
| Edwardsville | Illinois | Dan DiZio | (215) 962-5593 |
| South County | Missouri | Nathan McDonald | 618-719-1791 |
| Crystal City | Missouri | Emmy Hamlin | 618-645-3669 |
| Kirkwood | Missouri | Emmy Hamlin | 618-645-3669 |
| O'Fallon | Missouri | Sheri Haverstick | (636) 208-0354 |
| South County | Missouri | Dan DiZio | (215) 962-5593 |
| Edison | New Jersey | Willy Papke<br>Karen Papke | 908-872-1966 |
| Deptford Walmart West | New Jersey | Anthony Ragone | 856-373-2226 |
| Mayslanding | New Jersey | Ian Staats<br>Kiersten Staats | 609-742-5507 |
| Turnersville | New Jersey | Cathy Buscemi | (856) 693-6206 |
| Flemington | New Jersey | Eric Jaderlund | 908-295-2723 |
| Wayne | New Jersey | Scott Eisenberger | 201-647-2002 |
| Ballantyne | North Carolina | Terence Devone | 803-984-4407 |
| Blue Bell | Pennsylvania | Ethan Riley | 267-446-4503 |
| Lebanon | Pennsylvania | Marc Ferraro | (856) 313-8952 |
| Scranton | Pennsylvania | Carl Halkyer | 570-954-9106 |
| York | Pennsylvania | Michael Fiorillo | (570) 617-6399 |
| Shrewsbury | Pennsylvania | Michael Fiorillo | (570) 617-6399 |
| Philadelphia (69th Street Terminal) | Pennsylvania | Dan DiZio | (215) 962-5593 |
| York | Pennsylvania | Dan DiZio | (215) 962-5593 |
| Shrewsbury | Pennsylvania | Dan DiZio | (215) 962-5593 |
| Virginia Beach | Virginia | James Burnley | (757) 374-0500 |

**EXHIBIT E**
**TO**
**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**

# FINANCIAL STATEMENTS

©2026 Soft Pretzel Franchise Systems, Inc.

# SOFT PRETZEL FRANCHISE SYSTEMS, INC.

FINANCIAL STATEMENTS

***As of and for the Years Ended December 31, 2025 and 2024***

***And Report of Independent Auditor***

Cherry Bekaert LLP

*Your Guide Forward*

**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
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Cherry Bekaert LLP
Your Guide Forward

# Report of Independent Auditor

To the Board of Directors and Stockholders
Soft Pretzel Franchise Systems, Inc.
Bensalem, Pennsylvania

## Opinion

We have audited the accompanying financial statements of Soft Pretzel Franchise Systems, Inc. (the "Company") (a Pennsylvania S corporation), which comprise the balance sheet as of December 31, 2025, and the related statements of income and retained earnings, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025, 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 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.

## Prior Year Financial Statements

The financial statements of Soft Pretzel Franchise Systems, Inc. as of December 31, 2024, were audited by other auditors whose report dated April 18, 2025, expressed an unmodified opinion on those statements.

## Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

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

Cherry Bekaert LLP

Spring House, Pennsylvania
April 23, 2026

**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
BALANCE SHEETS

*DECEMBER 31, 2025 AND 2024*

| | 2025 | 2024 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 876,530 | $ 1,685,033 |
| Marketable equity securities | 2,272,665 | 3,072,368 |
| Accounts receivable, net of credit losses | | |
| ($-0- and $16,203 in 2025 and 2024, respectively) | 350,707 | 441,163 |
| Rebates receivable | 77,934 | 164,428 |
| Prepaid expenses | 102,055 | 16,428 |
| Due from affiliates | 8,209 | 8,000 |
| Current portion of notes receivable | - | 2,677 |
| Total Current Assets | 3,688,100 | 5,390,097 |
| Property, Plant, and Equipment: | | |
| Furniture and fixtures | 195,681 | 195,681 |
| Machinery and equipment | 431,021 | 431,021 |
| Leasehold improvements | 948,324 | 848,970 |
| | 1,575,026 | 1,475,672 |
| Less accumulated depreciation | (740,608) | (694,589) |
| Property, Plant, and Equipment, Net | 834,418 | 781,083 |
| Other Assets: | | |
| Operating lease right-of-use assets | 1,348,629 | 1,221,392 |
| Due from affiliate - gift card receivable | 100,405 | 100,405 |
| Due from affiliates - accounts receivable | 362,431 | 309,833 |
| Contract assets | 40,000 | 40,000 |
| Total Other Assets | 1,851,465 | 1,671,630 |
| **Total Assets** | $ 6,373,983 | $ 7,842,810 |

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

**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
BALANCE SHEETS (CONTINUED)

*DECEMBER 31, 2025 AND 2024*

| | 2025 | 2024 |
|---|---|---|
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current Liabilities: | | |
| Lines of credit | 250,000 | 250,000 |
| Accounts payable | 260,963 | 281,015 |
| Accrued expenses | 155,633 | 218,034 |
| Accrued profit sharing | 60,221 | 48,117 |
| Contract liabilities | 1,095,626 | 633,077 |
| Gift card liability | 474,794 | 365,017 |
| Other current liabilities | 60,147 | 27,794 |
| Current portion of deferred conversion fund income | - | 66,856 |
| Current portion of operating lease liabilities | 499,077 | 380,215 |
| Total Current Liabilities | 2,856,461 | 2,270,125 |
| Long-Term Liabilities: | | |
| Long-term debt | 2,000,000 | 2,000,000 |
| Operating lease liabilities | 859,409 | 850,275 |
| Security deposits | 72,600 | 68,800 |
| Total Long-Term Liabilities | 2,932,009 | 2,919,075 |
| Stockholders' Equity: | | |
| Common stock - $10 par value; 1,000 shares authorized, 270 shares issued, 260 shares outstanding | 2,700 | 2,700 |
| Retained earnings | 1,167,813 | 3,235,910 |
| Treasury stock, 10 shares | (585,000) | (585,000) |
| Total Stockholders' Equity | 585,513 | 2,653,610 |
| **Total Liabilities and Stockholders' Equity** | $ 6,373,983 | $ 7,842,810 |

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

**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
STATEMENTS OF INCOME AND RETAINED EARNINGS

*YEAR ENDED DECEMBER 31, 2025 AND 2024*

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Amount | Percent of Total Revenues | Amount | Percent of Total Revenues |
| Revenues: | | | | |
| Franchise fees | $ 542,010 | 7.1 % | $ 497,919 | 6.6 % |
| Royalties | 4,706,192 | 61.8 | 4,550,382 | 60.4 |
| Marketing fees | 1,632,152 | 21.4 | 1,588,110 | 21.1 |
| Vendor rebates | 653,117 | 8.6 | 768,529 | 10.2 |
| Conversion funds | 66,856 | 0.9 | 108,643 | 1.4 |
| Gift card breakage | 20,397 | 0.3 | 20,981 | 0.3 |
| Total Revenues | 7,620,724 | 100.0 | 7,534,564 | 100.0 |
| Operating Expenses | 7,350,080 | 96.4 | 7,268,038 | 96.5 |
| Income From Operations | 270,644 | 3.6 | 266,526 | 3.5 |
| Other Income (Expenses): | | | | |
| Interest income | 4,015 | - | 1,073 | - |
| Interest expense | (83,586) | (1.1) | (76,348) | (1.0) |
| Dividend income | 33,526 | 0.4 | 98,801 | 1.3 |
| Miscellaneous income | 25,782 | 0.4 | 1,500 | 0.1 |
| Expo income | 286,923 | 3.8 | 246,163 | 3.3 |
| Sublease income | 501,167 | 6.6 | 493,514 | 6.6 |
| Loss on sale of equipment | - | - | (47,339) | (0.6) |
| Realized gain on marketable securities | 400,410 | 5.3 | - | - |
| Unrealized (loss) gain on marketable securities | (49,818) | (0.7) | 561,601 | 7.5 |
| Total Other Income | 1,118,419 | 14.7 | 1,278,965 | 17.1 |
| State income taxes | - | - | 47,800 | 0.6 |
| Net Income | 1,389,063 | 18.3 % | 1,497,691 | 20.0 % |
| Retained earnings, beginning of year | 3,235,910 | | 3,058,165 | |
| Distributions | (3,457,160) | | (1,319,946) | |
| Retained earnings, end of year | $ 1,167,813 | | $ 3,235,910 | |

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

**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
STATEMENTS OF CASH FLOWS

*YEAR ENDED DECEMBER 31, 2025 AND 2024*

| | 2025 | 2024 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income | $ 1,389,063 | $ 1,497,691 |
| Adjustments to reconcile net income to net cash flows from operating activities: | | |
| Bad debt (recoveries) expense | (16,203) | 6,823 |
| Depreciation | 46,019 | 48,949 |
| Conversion funds | (66,856) | (108,643) |
| Loss on sale of assets | - | 47,339 |
| Change in accounts receivable, affiliates | (52,598) | (162,571) |
| Realized gain on sale of marketable equity securities | (400,410) | - |
| Unrealized loss (gain) on marketable equity securities | 49,818 | (561,601) |
| Gift card breakage | (20,397) | (20,981) |
| Amortization of operating lease right-of-use assets | 538,554 | 539,578 |
| Changes in: | | |
| Accounts receivable | 106,659 | 31,575 |
| Rebates receivable | 86,494 | 82,548 |
| Prepaid expenses | (85,627) | 8,979 |
| Due from affiliates | (209) | 2,500 |
| Due from affiliate - gift card receivable | - | 33,000 |
| Accounts payable | (20,052) | 75,420 |
| Operating lease liabilities | (537,795) | (533,990) |
| Accrued expenses | (62,401) | 30,311 |
| Accrued profit sharing | 12,104 | 1,249 |
| Contract liabilities | 462,549 | 107,195 |
| Gift card liability | 130,174 | 70,004 |
| Other current liabilities | 32,353 | (11,144) |
| Security deposits | 3,800 | 8,500 |
| Net cash flows from operating activities | 1,595,039 | 1,192,731 |
| **Cash flows from investing activities:** | | |
| Repayment of notes receivable | 2,677 | 5,156 |
| Purchases of equipment | (99,354) | (21,784) |
| Purchases of marketable equity securities | (161,705) | (163,485) |
| Proceeds from sale of marketable equity securities | 1,312,000 | - |
| Net cash flows from investing activities | 1,053,618 | (180,113) |
| **Cash flows from financing activities:** | | |
| Net borrowings on lines of credit | - | 250,000 |
| Distributions | (3,457,160) | (1,319,946) |
| Net cash flows from financing activities | (3,457,160) | (1,069,946) |
| Net change in cash and cash equivalents | (808,503) | (57,328) |
| Cash and cash equivalents, beginning of year | 1,685,033 | 1,742,361 |
| Cash and cash equivalents, end of year | $ 876,530 | $ 1,685,033 |

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

**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
STATEMENTS OF CASH FLOWS (CONTINUED)

*YEAR ENDED DECEMBER 31, 2025 AND 2024*

| | 2025 | 2024 |
|---|---|---|
| **Supplemental disclosure of noncash operating activities:** | | |
| Operating lease right-of-use assets obtained in exchange for operating lease liabilities | $ 610,409 | $ 746,079 |
| **Supplemental disclosures of cash flow information:** | | |
| Cash paid during the year for taxes | $ - | $ 47,800 |
| Cash paid for interest | $ 132,162 | $ 30,894 |

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

## Note 1—Nature of business and summary of significant accounting policies

Soft Pretzel Franchise Systems, Inc. (the “Company”) is a Pennsylvania S corporation that was formed in 2004 to offer franchises for the operation of a quick serve bakery serving Philadelphia-style soft pretzels.

*Basis of Accounting* – The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

*Concentration of Credit Risk* – Concentration of credit risk with respect to accounts receivable is considered to be limited due to the quantity of franchisees. Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash. At various times during the years ended December 31, 2025 and 2024, the Company had cash balances in excess of the federally insured limit at one financial institution.

*Use of Estimates* – The preparation of financial statements in conformity with U.S. GAAP” requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

*Cash and Cash Equivalents* – Highly liquid short-term investments with original maturities of three months or less at the time of acquisition are considered cash equivalents.

*Marketable Equity Securities* – The Company determines the appropriate classification of its marketable equity securities at the time of purchase. The Company’s marketable equity securities include a mutual fund, ETF and two individual stocks.

The changes in fair value, whether realized or unrealized, are recorded on the statements of income and retained earnings. Dividend income is recognized when earned. The fair value of marketable equity securities is based on quoted market prices at the reporting date. Realized gains and losses on the sale of marketable equity securities are determined using the specific identification method.

*Accounts Receivable and Allowance for Credit Losses* – Accounts receivable are recognized on the date they are earned and considered to be earned and carried at original amount due.

The Company maintains an allowance for credit losses for expected uncollectible accounts receivable and contract assets, which is recorded as an offset to accounts receivable or contract assets and provisions for credit losses are recorded in operating expenses on the statements of income and retained earnings. At the balance sheet date, the Company uses an aging rate method to recognize an expected allowance for credit losses. In addition, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist.

The allowance for credit losses is based on the Company's assessment of the collectability of customer accounts receivable. In accordance with Accounting Standards Codification (“ASC”) Topic 326: *Financial Instruments – Credit Losses*, the Company makes ongoing estimates relating to the collectability of accounts receivable and records an allowance for estimated losses expected from the inability of its customers to make required payments. The Company establishes expected credit losses by evaluating historical levels of credit losses, current economic conditions that may affect a customer's ability to pay, and creditworthiness of significant customers. These inputs are used to determine a range of expected credit losses and an allowance is recorded within the range. During 2025, the Company elected to use the practical expedient introduced by Accounting Standards Update (“ASU”) 2025-05 which simplifies the calculation of these estimates by assuming that current conditions will continue through the forecast period. In addition, the Company has elected the accounting policy election under ASU 2025-05 which allows the Company to consider subsequent collection activity. The Company has evaluated subsequent collection activity through April 1, 2026.

## Note 1—Nature of business and summary of significant accounting policies (continued)

The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income as bad debts recovery in the year of recovery, in accordance with the entity's accounting policy election. The allowance for credit losses was $-0- and $16,203 as of December 31, 2025 and 2024, respectively. For the years ended December 31, 2025 and 2024, bad debt (recoveries) expense amounted to ($16,203) and $6,823, respectively. Allowance for credit losses was $9,380 as of January 1, 2024.

*Property, Plant, and Equipment* – Property, plant, and equipment are stated at cost. Major renewals and betterments are capitalized, while replacements, maintenance, and repairs, which do not improve or extend the life of the respective assets, are expensed currently. When an asset is disposed of, the asset and the related accumulated depreciation allowance are eliminated and any gain or loss on the transaction is included in other income.

*Depreciation* – Depreciation is computed using the straight-line method in determining financial reporting income. The estimated useful lives for each asset category for financial reporting purposes are generally as follows:

| | |
|---|---|
| Leasehold improvements | 15-40 years |
| Furniture and fixtures | 5-7 years |
| Machinery and equipment | 5-7 years |
| Automobiles and trucks | 5 years |

For the years ended December 31, 2025 and 2024, depreciation expense were $46,019 and $48,949, respectively.

*Impairment of Long-Lived Assets* – Management reviews the carrying value of long-lived assets on an ongoing basis. When factors indicate that a long-lived asset may be impaired, management uses an estimate of the undiscounted future cash flows over the remaining life of the asset in measuring whether the long-lived asset is recoverable. If such an analysis indicates that impairment has in fact occurred, the book value of the long-lived asset is written down to its fair value, which is estimated using discounted cash flows. There were no impairments for the years ended December 31, 2025 and 2024.

*Revenue Recognition* – The Company recognizes revenue upon transfer of control of promised services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those services. The Company is based in Bensalem, Pennsylvania and offers franchising opportunities of retail businesses offering traditional "Philadelphia" style fresh baked soft pretzels and other authorized products under the name Philly Pretzel Factory® to potential franchisees in the United States. The Company's current franchisees are located throughout the United States, primarily in Pennsylvania, New Jersey, and New York.

Franchise related revenues are derived from three main revenue streams all related to the same performance obligation. The contracts stipulate the combined performance obligations under which revenue is earned such as the initial franchise fee, monthly royalty fees, and monthly marketing fees, among other obligations specific to each contract. The first stream is franchise fees which include initial franchise fees, transfer fees, and renewal fees. The second revenue stream is royalties paid weekly in conjunction with each franchise contract signed. The third revenue stream is marketing fees paid weekly in conjunction with each franchise contract signed.

## Note 1—Nature of business and summary of significant accounting policies (continued)

Payment in full for initial franchise fees is due upon opening of the franchise. Company management has analyzed initial franchise fees to determine what portion of the fees should be recognized as revenue up-front at a point time versus what portion of fees should be recognized over time, over the life of the contract. The Company elects the practical expedient in ASU 2021-02 which allows them to account for all pre-opening services as one performance obligation distinct from the franchise license. Pre-opening services include up-front costs the Company incurs for training, consulting including site selection, plans and specifications, as well as on-site assistance which they have valued and will recognize at a point in time when the franchisee begins operations. The Company has made a policy election to account for all pre-opening services as a single performance obligation with related revenue recognized at a point in time. The Company has also assigned a value to the license of the trademark granted to the franchisee over the life of the franchise agreement which will be recognized over that same period on a straight-line basis. All initial franchise fees are non-refundable as stipulated in the franchise agreement. Transfer fees are recognized as revenue in the period incurred as they relate to the franchise that has terminated their agreement early. Renewal fees are treated similarly to initial franchise fees as described above with a portion of the fee recognized as revenue up-front at a point in time and the balance over the life of the contract.

Royalties and marketing fees are recognized as revenue at a point in time, as they are sales-based revenue. Royalty and marketing fee income is recorded as revenue as the fees are earned and become receivable from the franchisee. The royalties are calculated at a rate of 6% of gross sales earned by the franchisee and are due to the Company weekly. Marketing fees are calculated at a rate of 2% of gross sales earned by the franchisee and are also due to the Company weekly. As a result, the Company is acting as a principal and controls the marketing and advertising services and reports the fees collected from franchise customers gross, with separate reporting of related expenses.

The Company routinely enters into arrangements with certain vendors whereby the vendors pay rebates to the Company. Such programs, which can be either contractual or discretionary in nature, are based primarily on franchisee purchases, franchisee performance of specified promotional activities and, at times, other specified factors. This revenue is recognized at a point in time when received or receivable. Revenue received during the year is related to product purchases during that same year.

Accounts receivable and rebates receivable related to revenue recognition were $479,561 and $246,976, respectively, at January 1, 2024.

The Company records gift card sales as gift card liability until the cards are redeemed or breakage is recognized. Breakage is estimated based on historical redemption patterns and recognized proportionately as redemptions occur, when it is probable that a significant reversal will not occur. Breakage income recognized was $20,397 and $20,981 for the years ended December 31, 2025 and 2024, respectively. The gift card liability was $315,994 at January 1, 2024.

*Contract Assets* – Contract assets represent commissions paid directly related to the sale of a franchise. These commissions would not have been paid had the franchise not been sold. These commissions will be recognized as expense over the life of the franchise agreement in the same manner the franchise fee revenue is recognized. The stores associated with these commission payments were not open as of both years ended December 31, 2025 and 2024 and, accordingly, no expense has been recognized. Contract assets were $40,000 at January 1, 2024.

## Note 1—Nature of business and summary of significant accounting policies (continued)

*Contract Liabilities* – Contract liabilities represent remaining performance obligations under the franchise agreements. This is the remaining value of initial franchise fees attributable to operating the stores under the trademark name over the life of the related agreement plus initial franchise fees received for stores that have not yet opened. Contract liabilities were $633,077 and $525,882 at January 1, 2025 and 2024, respectively. Revenue of $294,939 and $283,281 was recognized during the years ended December 31, 2025 and 2024, respectively, attributable to the opening contract liabilities balance.

*Advertising* – The Company follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended December 31, 2025 and 2024 was $1,623,561 and $1,760,465, respectively.

*Income Taxes* – The Company, an S corporation, is generally not a taxpaying entity for federal and state income tax purposes and thus, no income tax expense has been recorded in the financial statements. Income from the Company is taxed to the stockholders on their tax returns. The Company is not an S corporation for New Jersey and recognizes state income tax.

The Company has elected to pay New Jersey pass-through entity tax ("PTE Tax") on behalf of its members. Because the related tax benefits accrue to the members and do not represent an operating obligation of the Company, such amounts are accounted for as distributions rather than expenses. For the year ended December 31, 2024, New Jersey PTE Tax payments of $47,800 were included in the statement of operations. Beginning in 2025, following updated guidance, the Company recorded New Jersey PTE Tax payments of $12,820 as distributions to stockholders. Prior-year amounts have not been reclassified.

In accordance with U.S. GAAP relative to uncertainty in income taxes, the Company recognizes the income tax benefit (or liability as applicable) from an uncertain tax position when it is more-likely-than-not that, based on technical merits, the position will be sustained upon examination, including resolutions of any related appeals or litigation process.

*Leases* – The Company leases various office and warehouse facilities and certain retail store locations on behalf of franchisees. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities on the balance sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent their obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Variable lease costs are not included within the measurement of the lease liability as they are entirely variable and the difference between the portion captured within the lease liability and the actual cost will be expensed as incurred. Variable costs are contractually obligated and relate primarily to additional rents based on monthly sales volume, as well as utilities and real estate taxes that are passed on from the lessor.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

## Note 1—Nature of business and summary of significant accounting policies (continued)

Effective January 1, 2022, the Company subleases certain real estate to an affiliate under an operating lease for space within their corporate headquarters. Sublease income recognized and disclosed for that lease was $30,000 for the years ended December 31, 2025 and 2024, and is included in other income.

The Company also subleases space under a Master Lease agreement with Walmart on behalf of its franchisees. Under the terms of the agreement, the Company is the sub-landlord and each franchisee utilizing a location becomes a sub-tenant. Monthly rent payments are received by the Company from the franchisee sub-tenant monthly and remitted to Walmart. The sub-tenant unconditionally guarantees the lease at a business and personal level collectively and individually. The Company guarantees the lease if the franchisee sub-tenant defaults. For the years December 31, 2025 and 2024, rent payments of $471,167 and $463,514, respectively, are reflected in sublease income and included in other income. The rent payments paid to Walmart are included in operating expenses on the statements of income and retained earnings.

In evaluating contracts to determine if they qualify as a lease, the Company considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The Company has elected the practical expedient for private companies that are not conduit debt obligors, under ASU 2023-01, *Leases (Topic 842): Common Control Arrangement*, to use written terms and conditions to determine if a lease exists in common control arrangements and, if a lease exists, the accounting and classification for that lease.

*Expo Activities* – The Company hosts an annual expo and collects funds from vendors and franchisees to support the event. Income and related expenses are recognized in the period in which they are incurred. Any unspent amounts at year-end are carried forward for future expo-related activities. For the years ended December 31, 2025 and 2024, income related to the expo totaled $286,923 and $246,163, respectively, while related expenses were $127,245 and $248,532, respectively.

*Subsequent Events* – Management has evaluated subsequent events and transactions for potential recognition or disclosure through April 23, 2026, the date on which the financial statements were available to be issued.

*Reclassification* – Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

## Note 2—Note receivable

Note receivable consists of the following at December 31:

| | 2025 | 2024 |
|---|---|---|
| In 2021, the Company entered into an equipment loan for a franchisee in the amount of $19,652. The note was to be repaid in monthly installments of $453 of principal and interest at an interest rate of 5.00%. The note was paid off during the current year. | $ - | $ 2,677 |
| Less current portion | - | (2,677) |
| | $ - | $ - |

## Note 3—Lines of credit

The Company has a revolving line of credit with a maximum amount available of $350,000. The line of credit provides for interest based on the bank's prime lending rate plus 1.00%. At December 31, 2025 and 2024, the rate of interest was 7.75% and 8.50%, respectively. The line of credit is secured by the assets of the Company and is guaranteed by the Company's stockholders and affiliated companies. The line expires on November 30, 2026. There was no outstanding balance at December 31, 2025 or 2024.

The Company has a second revolving line of credit with a maximum amount available of $250,000. The line of credit provides for interest based on the bank's prime lending rate plus .75%. At December 31, 2025 and 2024, the rate of interest was 7.50% and 8.25%, respectively. The line of credit is secured by the assets of the Company and is guaranteed by the Company's stockholders and an affiliated company. There was $250,000 outstanding at December 31, 2025 and 2024. The line of credit is due on demand with no expiration date.

## Note 4—Long-term debt

Long-term debt consists of the following at December 31:

| | 2025 | 2024 |
|---|---|---|
| In March 2022, the Company received an Economic Injury Disaster Loan (the "EIDL Loan") from the SBA in the amount of $2,000,000. The term of the loan is thirty years, with interest accruing at 3.75%. The note may be repaid at any time prior to maturity with no prepayment penalties. Monthly payments of $10,298 were deferred until October 21, 2024. Payments will be applied first to accrued interest, with any remaining amounts applied to principal. A balloon payment of $151,482 will be due at maturity. | $ 2,000,000 | $ 2,000,000 |

The following is a summary of maturities of long-term debt:

| **Years Ending December 31,** | |
|---|---|
| 2026 | $ - |
| 2027 | - |
| 2028 | 25,406 |
| 2029 | 50,389 |
| 2030 | 52,311 |
| Thereafter | 1,871,894 |
| | $ 2,000,000 |

The accrued interest at December 31, 2025 and 2024 was $120,530 and $169,106, respectively, which is included in accrued expenses on the balance sheets.

## Note 5—Gift card liability

As of December 31, 2025 and 2024, the gift card liability was $474,794 and $365,017, respectively. Sold gift cards will be redeemed at franchisee locations which will then be reimbursed by the Company for the value of the gift cards redeemed.

As of December 31, 2025 and 2024, an affiliate owed the Company $100,405 relating to the unredeemed gift card liability. These amounts are included in due from affiliate – gift card receivable on the balance sheets.

The Company records breakage for gift cards (see Note 1).

## Note 6—Deferred conversion income

The Company previously entered into an agreement with a beverage supplier to be the exclusive beverage supplier during the term of the agreement, August 12, 2018 to August 9, 2025. The supplier provided $760,500 of funds to convert all stores to its product. The Company must have abided by certain performance obligations throughout the contract period or forfeit any amounts not earned. The revenue was recognized over the term of the agreement. The deferred amount was $-0- and $66,856 as of December 31, 2025 and 2024, respectively. The Company recognized $66,856 and $108,643 of income for the years ended December 31, 2025 and 2024, respectively, and is included in total revenue.

In December 2025, the Company entered into a new beverage marketing agreement with The Coca-Cola Company. The conversion amount under the new agreement was still being finalized as of December 31, 2025, and no amounts had been recognized or recorded as deferred income at that date. Revenue related to the new agreement will be recognized over the contract term beginning in 2026.

## Note 7—Marketable securities and fair value measurements

The Company's marketable equity securities consist of equity investments with readily determinable fair values, including investments in mutual funds, exchange-traded funds, and publicly traded equity securities. In accordance with ASC Topic 321, *Investments—Equity Securities*, the Company measures these investments at fair value, with changes in fair value, whether realized or unrealized, recognized in earnings within other income on the statements of income and retained earnings.. See Note 1 for further discussion.

The fair market value of the marketable equity securities were $2,272,665 and $3,072,368, at December 31, 2025 and 2024, respectively. For the years ended December 31, 2025 and 2024, unrealized (losses) gains on marketable equity securities were ($49,818) and $561,601, respectively. Realized gains on marketable equity securities were $400,410 and $-0- for the years ended December 31, 2025 and 2024, respectively. The cost basis at December 31, 2025 and 2024 was $2,378,190 and $2,216,485, respectively.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

## Note 7—Marketable securities and fair value measurements (continued)

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

*Level 2* – Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets and liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2025 and 2024. There were no purchases of Level 3 investments and no transfers between levels during the years ended December 31, 2025 and 2024.

*Equity Securities* – Valued at the closing price reported in the active market in which the individual securities are traded (Level 1).

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other companies, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At December 31, 2025 and 2024, all investments were classified as Level 1 within the fair value hierarchy table.

## Note 8—Retirement plan

The Company established a qualified retirement plan under Section 401(k) of the Internal Revenue Code on November 1, 2007. Under the plan which covers substantially all employees, eligible employees can elect to defer a percentage of their wages, subject to statutory limitations. Eligible employees must be at least age 21 and have at least 500 hours and six months of service with the Company. Company profit sharing and matching contributions are discretionary. The total expense for the years ended December 31, 2025 and 2024 was $64,187 and $48,117, respectively, for employer contributions to the plan.

## Note 9—Leases

The Company leases various office and warehouse facilities and certain retail store locations on behalf of franchisees. The leases have remaining lease terms of two to five years, some of which may include options to extend the leases, and some of which may include options to terminate the leases.

The components of lease expense were as follows for the years ended December 31:

| | 2025 | 2024 |
|---|---|---|
| Operating lease expense | $ 538,554 | $ 539,578 |
| Variable lease expense | 109,358 | 95,581 |

Lease expenses are included in operating expenses on the statements of income and retained earnings.

Supplemental cash flow information related to leases were as follows for the years ended December 31:

| | 2025 | 2024 |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | $ 537,795 | $ 533,990 |
| Right-of-use assets obtained in exchange for lease liabilities: | | |
| Operating leases | $ 610,409 | $ 746,079 |

Supplemental balance sheet information related to leases is as follows for the years December 31:

| | 2025 | 2024 |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | $ 537,795 | $ 533,990 |
| Right-of-use assets obtained in exchange for lease liabilities: | | |
| Operating leases | $ 610,409 | $ 746,079 |

## Note 9—Leases (continued)

Maturities of lease liabilities were as follows for the years ending December 31:

| Years Ending December 31, | Operating Leases |
|---|---|
| 2026 | $ 540,692 |
| 2027 | 421,560 |
| 2028 | 318,619 |
| 2029 | 149,600 |
| 2030 | 11,300 |
| Total lease payments | 1,441,771 |
| Less imputed interest | (83,285) |
| Present value of future minimum lease payments | 1,358,486 |
| Less current portion | (499,077) |
| | $ 859,409 |

The Company leases its headquarters in Bensalem, Pennsylvania from Pretzel 98 LLC, an entity under common control, under lease agreements. The headquarters lease has a term of five years with annual payments of $30,000 and one year remaining on the lease. As of December 31, 2025 and 2024, the operating lease ROU assets and operating lease liabilities related to these agreements were $95,161 and $188,514, respectively, and are included in the above lease schedule. The discount rate used to calculate the amounts for the headquarters lease is 1.92%. The total operating lease expense under these agreements were $96,000 for the years ended December 31, 2025 and 2024, and is included in the above lease schedule.

## Note 10—Related party transactions

The Company advances monies to various related parties from time-to-time. The Company expects all amounts to be repaid. No formal repayment terms exist. The balance due was $8,209 and $8,000 at December 31, 2025 and 2024, respectively.

There were $362,431 and $309,833 of accounts receivable due from affiliates at December 31, 2025 and 2024, respectively.

As of December 31, 2025 and 2024, an affiliate owed the Company relating to the unredeemed gift card liability. These amounts are included in due from affiliates - gift card receivable on the balance sheets (see Note 5).

Soft Pretzel Franchise Systems, Inc. provides administrative services to a related party. Income related to these services is presented as a reduction to operating expenses and amounted to $-0- and $11,700 for the years ended December 31, 2025 and 2024, respectively.

During the year ended December 31, 2024, an affiliate took over a lease. The leasehold improvements were written off and the loss was $47,339.

The Company leases its headquarters in Bensalem, Pennsylvania from a related party (see Note 9).

## Note 11—Contingencies

The Company has entered into an agreement with An Original Soft Pretzel Factory, Inc., a corporation wholly-owned by two of the shareholders who together own 85% of the Company's stock, which grants the Company the royalty free right to use the trademarked names "Philly Soft Pretzel Factory" and "Soft Pretzel Factory", which are the property of An Original Soft Pretzel Factory, Inc. The term of the agreement is year-to-year, provided however the agreement shall terminate only if the Company makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, is adjudicated bankrupt or insolvent, files or acquiesces in the appointment of a trustee or receiver for the Company. Legal counsel has not commented on any potential financial impact on the Company related to this agreement. These financial statements do not reflect any adjustments as a result of this contingency.




# *SOFT PRETZEL FRANCHISE SYSTEMS, INC.*

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2024 and 2023**

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# INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors and Stockholders of**
**Soft Pretzel Franchise Systems, Inc.**

## Opinion

We have audited the accompanying financial statements of Soft Pretzel Franchise Systems, Inc. (a Pennsylvania S corporation), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Soft Pretzel Franchise Systems, Inc. as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Soft Pretzel Franchise Systems, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Emphasis of Matter

As discussed in Notes 1 and 2 of the financial statements, in 2024, Soft Pretzel Franchise Systems, Inc. adopted a new accounting policy for the recognition of gift card breakage. Our opinion is not modified with respect to this matter.

## Responsibilities of Management for the Financial Statements

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

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

Herbein
CPAs + Advisors

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

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

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

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

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

Herbein + Company, Inc.

**Spring House, Pennsylvania**
**April 18, 2025**

**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**

**BALANCE SHEETS**

| | December 31 | |
|---|---|---|
| | 2024 | 2023 (Restated) |
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 1,685,033 | $ 1,742,361 |
| Marketable equity securities | 3,072,368 | 2,347,282 |
| Accounts receivable, net of credit losses ($16,203 and $9,380 in 2024 and 2023, respectively) | 441,163 | 479,561 |
| Accounts receivable, affiliates | 309,833 | 147,262 |
| Rebates receivable | 164,428 | 246,976 |
| Prepaid expenses | 16,428 | 25,407 |
| Due from affiliates | 8,000 | 10,500 |
| Current portion of notes receivable | 2,677 | 5,156 |
| **TOTAL CURRENT ASSETS** | 5,699,930 | 5,004,505 |
| **PROPERTY, PLANT AND EQUIPMENT** | | |
| Furniture and fixtures | 195,681 | 173,897 |
| Machinery and equipment | 431,021 | 431,021 |
| Leasehold improvements | 848,970 | 914,689 |
| | 1,475,672 | 1,519,607 |
| Less: accumulated depreciation | (694,589) | (664,020) |
| **PROPERTY, PLANT AND EQUIPMENT, NET** | 781,083 | 855,587 |
| **OTHER ASSETS** | | |
| Operating lease right-of-use assets | 1,221,392 | 972,649 |
| Due from affiliate - gift card receivable | 100,405 | 133,405 |
| Contract assets | 40,000 | 40,000 |
| Note receivable, less current portion | - | 2,677 |
| **TOTAL OTHER ASSETS** | 1,361,797 | 1,148,731 |
| **TOTAL ASSETS** | $ 7,842,810 | $ 7,008,823 |

*See accompanying notes.*

| | December 31 | |
|---|---|---|
| | 2024 | 2023 (Restated) |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **CURRENT LIABILITIES** | | |
| Lines of credit | $ 250,000 | $ - |
| Accounts payable | 281,015 | 205,595 |
| Accrued expenses | 218,034 | 187,723 |
| Accrued profit sharing | 48,117 | 46,868 |
| Contract liabilities | 633,077 | 525,882 |
| Gift card liability | 365,017 | 315,994 |
| Other current liabilities | 27,794 | 38,938 |
| Current portion of deferred conversion fund income | 66,856 | 108,643 |
| Current portion of operating lease liabilities | 380,215 | 387,693 |
| **TOTAL CURRENT LIABILITIES** | 2,270,125 | 1,817,336 |
| **LONG-TERM LIABILITIES** | | |
| Long-term debt | 2,000,000 | 2,000,000 |
| Operating lease liabilities | 850,275 | 588,466 |
| Security deposits | 68,800 | 60,300 |
| Deferred conversion fund income, less current portion | - | 66,856 |
| **TOTAL LONG-TERM LIABILITIES** | 2,919,075 | 2,715,622 |
| **STOCKHOLDERS' EQUITY** | | |
| Common stock - $10 par value; 1,000 shares authorized, 270 shares issued, 260 shares outstanding | 2,700 | 2,700 |
| Retained earnings | 3,235,910 | 3,058,165 |
| Treasury stock, 10 shares | (585,000) | (585,000) |
| **TOTAL STOCKHOLDERS' EQUITY** | 2,653,610 | 2,475,865 |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | $ 7,842,810 | $ 7,008,823 |

**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**

**STATEMENTS OF INCOME AND RETAINED EARNINGS**

| | Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2024 | | 2023 (Restated) | |
| | Amount | Percent of Total Revenues | Amount | Percent of Total Revenues |
| **REVENUES** | | | | |
| Franchise fees | $ 497,919 | 6.6 % | $ 563,807 | 7.8 % |
| Royalties | 4,550,382 | 60.4 | 4,355,727 | 60.0 |
| Marketing fees | 1,588,110 | 21.1 | 1,478,585 | 20.4 |
| Vendor rebates | 768,529 | 10.2 | 736,797 | 10.1 |
| Conversion funds | 108,643 | 1.4 | 108,643 | 1.5 |
| Gift card breakage | 20,981 | 0.3 | 16,133 | 0.2 |
| **TOTAL REVENUES** | 7,534,564 | 100.0 | 7,259,692 | 100.0 |
| **OPERATING EXPENSES** | 7,268,038 | 96.5 | 6,676,430 | 92.0 |
| **INCOME FROM OPERATIONS** | 266,526 | 3.5 | 583,262 | 8.0 |
| **OTHER INCOME (EXPENSES)** | | | | |
| Interest income | 1,073 | - | 525 | - |
| Interest expense | (76,348) | (1.0) | (78,260) | (1.1) |
| Dividend income | 98,801 | 1.3 | 108,103 | 1.5 |
| Employee retention credit | - | - | 495,669 | 6.8 |
| Miscellaneous income | 1,500 | 0.1 | 40,916 | 0.6 |
| Expo income | 246,163 | 3.3 | 481,087 | 6.6 |
| Sublease income | 493,514 | 6.6 | 453,703 | 6.2 |
| Loss (gain) on sale of equipment | (47,339) | (0.6) | 9,277 | 0.1 |
| Unrealized gain on marketable securities | 561,601 | 7.5 | 329,060 | 4.5 |
| **TOTAL OTHER INCOME** | 1,278,965 | 17.1 | 1,840,080 | 25.2 |
| **INCOME BEFORE INCOME TAXES** | 1,545,491 | 20.6 | 2,423,342 | 33.2 |
| **INCOME TAXES** | | | | |
| State income taxes | 47,800 | 0.6 | 24,182 | 0.3 |
| **NET INCOME** | 1,497,691 | 20.0 | 2,399,160 | 32.9 |
| **RETAINED EARNINGS, BEGINNING OF YEAR** | 3,058,165 | 40.6 | 1,831,202 | 25.2 |
| Prior period restatement - see Note 2 | - | - | 411,183 | 5.7 |
| Cumulative-effect of implementing ASU 2016-13 | - | - | (9,380) | (0.1) |
| **ADJUSTED RETAINED EARNINGS, BEGINNING OF YEAR** | 3,058,165 | 40.6 | 2,233,005 | 30.8 |
| Distributions | (1,319,946) | (17.5) | (1,574,000) | (21.7) |
| **RETAINED EARNINGS, END OF YEAR** | $ 3,235,910 | 43.1 % | $ 3,058,165 | 42.0 % |

*See accompanying notes.*

**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**

**STATEMENTS OF CASH FLOWS**

| | Year Ended December 31 | |
|---|---|---|
| | 2024 | 2023 (Restated) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income | $ 1,497,691 | $ 2,399,160 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Bad debt expense (recoveries) | 412 | (376) |
| Depreciation | 48,949 | 55,057 |
| Conversion funds | (108,643) | (108,643) |
| Loss (gain) on sale of assets | 47,339 | (9,277) |
| Unrealized gain on marketable securities | (561,601) | (329,060) |
| Gift card breakage | (20,981) | (16,133) |
| Noncash lease expense | 539,578 | 479,105 |
| Changes in: | | |
| Accounts receivable | 37,986 | (82,573) |
| Accounts receivable, affiliates | (162,571) | 22,139 |
| Rebates receivable | 82,548 | (33,343) |
| Prepaid expenses | 8,979 | (4,573) |
| Due from affiliates | 2,500 | - |
| Due from affiliates - gift card receivable | 33,000 | (133,405) |
| Accounts payable | 75,420 | 73,101 |
| Operating lease liabilities | (533,990) | (478,349) |
| Accrued expenses | 30,311 | 82,849 |
| Accrued profit sharing | 1,249 | 8,026 |
| Contract liabilities | 107,195 | (141,307) |
| Event deposits | - | (169,198) |
| Gift card liability | 70,004 | 112,110 |
| Other current liabilities | (11,144) | (17,011) |
| Security deposits | 8,500 | - |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | 1,192,731 | 1,708,299 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Repayment of notes receivable | 5,156 | 4,905 |
| Purchases of marketable equity securities | (163,485) | (1,350,000) |
| Proceeds from sale of equipment | - | 12,000 |
| Purchases of equipment | (21,784) | (10,442) |
| **NET CASH USED BY INVESTING ACTIVITIES** | (180,113) | (1,343,537) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Net borrowings on line of credit | 250,000 | - |
| Distributions | (1,319,946) | (1,574,000) |
| **NET CASH USED BY FINANCING ACTIVITIES** | (1,069,946) | (1,574,000) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | $ (57,328) | $ (1,209,238) |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 1,742,361 | 2,951,599 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ 1,685,033 | $ 1,742,361 |

*See accompanying notes.*

**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**

**STATEMENTS OF CASH FLOWS - CONTINUED**

| | Year Ended December 31 | |
|---|---|---|
| | 2024 | 2023 (Restated) |
| **SUPPLEMENTAL DISCLOSURES OF NONCASH OPERATING ACTIVITIES** | | |
| Operating lease right-of-use assets obtained in exchange for operating lease liabilities | $ 746,079 | $ 36,493 |
| Cumulative-effect of implementing ASU 2016-13 | - | 9,380 |
| **SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION** | | |
| Cash paid during the year for taxes | $ 47,800 | $ 24,182 |
| Cash paid for interest | 30,894 | - |

*See accompanying notes.*

**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2024 and 2023**

Soft Pretzel Franchise Systems, Inc. (the "Company") is a Pennsylvania S Corporation that was formed in 2004 to offer franchises for the operation of a quick serve bakery serving Philadelphia-style soft pretzels.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Change in Accounting Principle

Effective January 1, 2024, the Company adopted a new accounting policy to recognize revenue from unredeemed gift cards ("breakage") in accordance with ASC 606, *Revenue from Contracts with Customers*. Under this guidance, breakage is recognized proportionately as redemptions occur, based on historical redemption patterns, provided it is probable that a significant reversal of revenue will not occur.

Prior to this change, the Company did not recognize breakage and maintained the full gift card liability until redemption. Management believes that the new policy more accurately reflects the nature of the Company's performance obligations and is consistent with GAAP and industry practices.

This change in accounting principle was applied retrospectively to all periods presented in the financial statements. The cumulative effect of the change in accounting principle as of January 1, 2024, was a decrease and increase to gift card liability and retained earnings, respectively, of $427,316. See Note 2 for further details.

### Concentration of Credit Risk

Concentration of credit risk with respect to accounts receivable is considered to be limited due to the quantity of franchisees. Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash. At various times during the years ended December 31, 2024 and 2023, the Company had cash balances in excess of the federally insured limit at one financial institution.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

### Cash and Cash Equivalents

Highly liquid short-term investments with original maturities of three months or less at the time of acquisition are considered cash equivalents.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Marketable Equity Securities**
The Company determines the appropriate classification of its marketable equity securities at the time of purchase. The Company's marketable equity securities include a mutual fund.

The changes in fair value, whether realized or unrealized, are recorded on the statements of income and retained earnings. Dividend income is recognized when earned. The fair value of marketable equity securities is based on quoted market prices at the reporting date.

**Accounts Receivable and Allowance for Credit Losses**
Accounts receivable are recognized on the date they are earned and considered to be earned and carried at original amount due.

The Company maintains an allowance for credit losses for expected uncollectible accounts receivable and contract assets, which is recorded as an offset to accounts receivable or contract assets and provisions for credit losses are recorded in operating expenses on the statements of income and retained earnings. At the balance sheet date, the Company uses a aging rate method to recognize an expected allowance for credit losses. In addition, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. The allowance for current expected credit losses is based on a review of customer accounts and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts regarding future events and any other factors deemed relevant by the Company. The allowance for credit losses was $16,203 and $9,380 at December 31, 2024 and 2023, respectively.

The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the entity's accounting policy election. Bad debt expense and (recoveries) included in operations for the years ended December 31, 2024 and 2023 were $412 and ($376), respectively.

**Property, Plant and Equipment**
Property, plant and equipment are stated at cost. Major renewals and betterments are capitalized, while replacements, maintenance, and repairs, which do not improve or extend the life of the respective assets, are expensed currently. When an asset is disposed of, the asset and the related accumulated depreciation allowance are eliminated and any gain or loss on the transaction is included in other income.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Depreciation**
Depreciation is computed using the straight-line method in determining financial reporting income. The estimated useful lives for each asset category for financial reporting purposes are generally as follows:

| | |
|---|---|
| Leasehold improvements | 15 - 40 years |
| Furniture and fixtures | 5 - 7 years |
| Machinery and equipment | 5 - 7 years |
| Automobiles and trucks | 5 years |

For the years ended December 31, 2024 and 2023, depreciation expense was $48,949 and $55,057, respectively.

**Impairment of Long-Lived Assets**
Management reviews the carrying value of long-lived assets on an ongoing basis. When factors indicate that a long-lived asset may be impaired, management uses an estimate of the undiscounted future cash flows over the remaining life of the asset in measuring whether the long-lived asset is recoverable. If such an analysis indicates that impairment has in fact occurred, the book value of the long-lived asset is written down to its fair value, which is estimated using discounted cash flows. There were no impairments for the years ended December 31, 2024 and 2023.

**Revenue Recognition**
The Company recognizes revenue upon transfer of control of promised services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those services. The Company is based in Bensalem, Pennsylvania and offers franchising opportunities of retail businesses offering traditional "Philadelphia" style fresh baked soft pretzels and other authorized products under the name Philly Pretzel Factory® to potential franchisees in the United States. The Company's current franchisees are located throughout the United States, primarily in Pennsylvania, New Jersey, and New York.

Franchise related revenues are derived from three main revenue streams all related to the same performance obligation. The contracts stipulate the combined performance obligations under which revenue is earned such as the initial franchise fee, monthly royalty fees, and monthly marketing fees, among other obligations specific to each contract. The first stream is franchise fees which include initial franchise fees, transfer fees, and renewal fees. The second revenue stream is royalties paid weekly in conjunction with each franchise contract signed. The third revenue stream is marketing fees paid weekly in conjunction with each franchise contract signed.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Revenue Recognition - continued**

Payment in full for initial franchise fees is due upon opening of the franchise. Company management has analyzed initial franchise fees to determine what portion of the fees should be recognized as revenue up-front at a point time versus what portion of fees should be recognized over time, over the life of the contract. The Company elects the practical expedient in ASU 2021-02 which allows them to account for all pre-opening services as one performance obligation distinct from the franchise license. Pre-opening services include up-front costs the Company incurs for training, consulting including site selection, plans and specifications, as well as on-site assistance which they have valued and will recognize at a point in time when the franchisee begins operations. The Company has made a policy election to account for all pre-opening services as a single performance obligation with related revenue recognized at a point in time. The Company has also assigned a value to the license of the trademark granted to the franchisee over the life of the franchise agreement which will be recognized over that same period on a straight-line basis. All initial franchise fees are non-refundable as stipulated in the franchise agreement. Transfer fees are recognized as revenue in the period incurred as they relate to the franchise that has terminated their agreement early. Renewal fees are treated similarly to initial franchise fees as described above with a portion of the fee recognized as revenue up-front at a point in time and the balance over the life of the contract.

Royalties and marketing fees are recognized as revenue at a point in time, as they are sales-based revenue. Royalty and marketing fee income is recorded as revenue as the fees are earned and become receivable from the franchisee. The royalties are calculated at a rate of 6% of gross sales earned by the franchisee and are due to the Company weekly. Marketing fees are calculated at a rate of 2% of gross sales earned by the franchisee and are also due to the Company weekly. As a result, the Company is acting as a principal and controls the marketing and advertising services and reports the fees collected from franchise customers gross, with separate reporting of related expenses.

The Company routinely enters into arrangements with certain vendors whereby the vendors pay rebates to the Company. Such programs, which can be either contractual or discretionary in nature, are based primarily on franchisee purchases, franchisee performance of specified promotional activities and, at times, other specified factors. This revenue is recognized at a point in time when received or receivable. Revenue received during the year is related to product purchases during that same year.

Accounts receivable and rebates receivable related to revenue recognition were $575,393 and $213,633, respectively, at January 1, 2023.

The Company records gift card sales as gift card liability until the cards are redeemed or breakage is recognized. Breakage is estimated based on historical redemption patterns and recognized proportionately as redemptions occur, when it is probable that a significant reversal will not occur. Breakage income recognized was $20,981 and $16,133 for the years ended December 31, 2024 and 2023, respectively. The gift card liability was $220,017 at January 1, 2023.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Contract Assets**
Contract assets represent commissions paid directly related to the sale of a franchise. These commissions would not have been paid had the franchise not been sold. These commissions will be recognized as expense over the life of the franchise agreement in the same manner the franchise fee revenue is recognized. The stores associated with these commission payments were not open as of both years ended December 31, 2024 and 2023 and accordingly, no expense has been recognized. Contract assets were $40,000 at January 1, 2023.

**Contract Liabilities**
Contract liabilities represent remaining performance obligations under the franchise agreements. This is the remaining value of initial franchise fees attributable to operating the stores under the trademark name over the life of the related agreement plus initial franchise fees received for stores that have not yet opened. Contract liabilities were $525,882 and $667,189 at January 1, 2024 and 2023, respectively. Revenue of $283,281 and $249,945 was recognized during the years ended December 31, 2024 and 2023, respectively, attributable to the opening contract liabilities balance.

**Advertising**
The Company follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended December 31, 2024 and 2023 was $1,760,465 and $1,634,778, respectively.

**Employee Retention Credit**
Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") signed into law on March 27, 2020 and the subsequent extension of the CARES Act, the Company was eligible for a refundable employee retention credit subject to certain criteria. The Company recognized $495,669 of employee retention credit within other income (expenses) on the statements of income and retained earnings for the year ended December 31, 2023.

**Income Taxes**
The Company, an S corporation, is generally not a taxpaying entity for federal and state income tax purposes and thus, no income tax expense has been recorded in the financial statements. Income from the Company is taxed to the stockholders on their tax returns. The Company is not an S corporation for New Jersey and recognizes state income tax.

In accordance with accounting principles generally accepted in the United States of America relative to uncertainty in income taxes, the Company recognizes the income tax benefit (or liability as applicable) from an uncertain tax position when it is more likely than not that, based on technical merits, the position will be sustained upon examination, including resolutions of any related appeals or litigation process.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Leases**

The Company leases various office and warehouse facilities and certain retail store locations on behalf of franchisees. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities on the balance sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent their obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Variable lease costs are not included within the measurement of the lease liability as they are entirely variable and the difference between the portion captured within the lease liability and the actual cost will be expensed as incurred. Variable costs are contractually obligated and relate primarily to additional rents based on monthly sales volume, as well as utilities and real estate taxes that are passed on from the lessor.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Effective January 1, 2022, the Company subleases certain real estate to an affiliate under an operating lease for space within their corporate headquarters. Sublease income recognized and disclosed for that lease was $30,000 for the years ended December 31, 2024 and 2023, respectively, and is included in other income.

The Company also subleases space under a Master Lease agreement with Walmart on behalf of its franchisees. Under the terms of the agreement, the Company is the sub-landlord and each franchisee utilizing a location becomes a sub-tenant. Monthly rent payments are received by the Company from the franchisee sub-tenant monthly and remitted to Walmart. The sub-tenant unconditionally guarantees the lease at a business and personal level collectively and individually. The Company guarantees the lease if the franchisee sub-tenant defaults. For the years December 31, 2024 and 2023, rent payments of $463,514 and $423,703, respectively, are reflected in sublease income and included in other income. The rent payments paid to Walmart are included in operating expenses on the statements of income and retained earnings.

In evaluating contracts to determine if they qualify as a lease, the Company considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Leases - continued**
The Company has elected the practical expedient for private companies that are not conduit debt obligors, under ASU 2023-01, *Leases (Topic 842): Common Control Arrangement*, to use written terms and conditions to determine if a lease exists in common control arrangements and, if a lease exists, the accounting and classification for that lease.

**Expo Activities**
The Company hosts an annual expo and collects funds from vendors and franchisees to support the event. Income and related expenses are recognized in the period in which they are incurred. Any unspent amounts at year-end are carried forward for future expo-related activities. For the years ended December 31, 2024 and 2023, income related to the expo totaled $246,163 and $481,087, respectively, while related expenses were $248,532 and $372,850, respectively.

**Date of Management Evaluation of Subsequent Events**
Management has evaluated subsequent events and transactions for potential recognition or disclosure through April 18, 2025, the date on which the financial statements were available to be issued.

**Reclassification**
Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

## NOTE 2 - PRIOR PERIOD RESTATEMENT

In the course of preparing the December 31, 2024 financial statements, the Company adopted a new accounting policy for gift card breakage. Previously, the Company did not recognize breakage revenue and maintained the entire gift card balance as a liability. Management determined that the adoption of this policy constitutes a change in accounting principle, which has been applied retrospectively to all periods presented in accordance with ASC 250, *Accounting Changes and Error* Corrections. As a result of this change, the Company restated its previously issued financial statements for the year ended December 31, 2023. The following table presents the impact of the restatement:

| Balance Sheets | As Originally Reported at 12/31/23 | Adjustment | As Restated at 12/31/23 |
|---|---|---|---|
| Gift card liability | $ 743,310 | $ (427,316) | $ 315,994 |

| Statements of Income and Retained Earnings | As Originally Reported at 12/31/23 | Adjustment | As Restated at 12/31/23 |
|---|---|---|---|
| Gift card breakage income | $ - | $ 16,133 | $ 16,133 |
| Retained earnings at January 1, 2023 | $ 1,821,822 | $ 411,183 | $ 2,233,005 |
| Retained earnings at December 31, 2023 | $ 2,630,849 | $ 427,316 | $ 3,058,165 |

## NOTE 3 - NOTE RECEIVABLE

Note receivable consists of the following at December 31:

| | 2024 | 2023 |
|---|---|---|
| In 2021, the Company entered into an equipment loan for a franchisee in the amount of $19,652. The note is to be repaid in monthly installments of $453 of principal and interest at an interest rate of 5.00%. | $ 2,677 | $ 7,833 |
| Less current portion | (2,677) | (5,156) |
| | $ - | $ 2,677 |

## NOTE 4 - LINES OF CREDIT

The Company has a revolving line of credit with a maximum amount available of $350,000. The line of credit provides for interest based on the bank's prime lending rate plus 1.00%. At December 31, 2024 and 2023, the rate of interest was 8.50% and 9.50%, respectively. The line of credit is secured by the assets of the Company and is guaranteed by the Company's stockholders and affiliated companies. The line expires on August 31, 2025. There was no outstanding balance at December 31, 2024 and 2023.

The Company has a second revolving line of credit with a maximum amount available of $250,000. The line of credit provides for interest based on the bank's prime lending rate plus .75%. At December 31, 2024 and 2023, the rate of interest was 8.25% and 9.25%, respectively. The line of credit is secured by the assets of the Company and is guaranteed by the Company's stockholders and an affiliated company. There was $250,000 and $0 outstanding at December 31, 2024 and 2023, respectively. The line of credit is due on demand with no expiration date.

## NOTE 5 - LONG-TERM DEBT

Long-term debt consists of the following at December 31:

| | 2024 | 2023 |
|---|---|---|
| In March 2022, the Company received an Economic Injury Disaster Loan (the "EIDL Loan") from the SBA in the amount of $2,000,000. The term of the loan is thirty years, with interest accruing at 3.75%. The note may be repaid at any time prior to maturity with no prepayment penalties. Monthly payments of $10,298 were deferred until October 21, 2024. Payments will be applied first to accrued interest, with any remaining amounts applied to principal. A balloon payment of $151,482 will be due at maturity. | $ 2,000,000 | $ 2,000,000 |
| Less: current maturities | - | - |
| Total long-term debt | $ 2,000,000 | $ 2,000,000 |

The following is a summary of maturities of long-term debt:

| | |
|---|---|
| Year ending December 31, 2025 | $ - |
| 2026 | - |
| 2027 | - |
| 2028 | 25,406 |
| 2029 | 50,389 |
| Thereafter | 1,924,205 |
| | $ 2,000,000 |

## NOTE 5 - LONG-TERM DEBT - CONTINUED

The accrued interest at December 31, 2024 and 2023 was $169,106 and $128,708, respectively, which is included in accrued expenses on the balance sheets.

## NOTE 6 - GIFT CARD LIABILITY

As of December 31, 2024 and 2023, the gift card liability was $365,017 and $315,994, respectively. Sold gift cards will be redeemed at franchisee locations which will then be reimbursed by the Company for the value of the gift cards redeemed.

As of December 31, 2024 and 2023, an affiliate owed the Company $100,405 and $133,405, respectively, relating to the unredeemed gift card liability. These amounts are included in due from affiliate - gift card receivable on the balance sheets.

The Company records breakage for gift cards. See Note 1 for further details.

## NOTE 7 - DEFERRED CONVERSION INCOME

The Company entered into an agreement with a beverage supplier to be the exclusive beverage supplier during the term of the agreement, August 12, 2018 to August 9, 2025. The supplier provided $760,500 of funds to convert all stores to its product. The Company must abide by certain performance obligations throughout the contract period or forfeit any amounts not earned. The revenue is being recognized over the term of the agreement. The deferred amount was $66,856 and $175,499 as of December 31, 2024 and 2023, respectively. The Company recognized $108,643 of income for both years ended December 31, 2024 and 2023 and is included in total revenue.

Following is a summary of the deferred conversion income to be recognized:

| | |
|---|---|
| Year ending December 31, 2025 | $ 66,856 |
| Less current portion | (66,856) |
| Total long-term | $ - |

## NOTE 8 - MARKETABLE SECURITIES AND FAIR VALUE MEASUREMENTS

The Company's investments in marketable equity securities consist of one investment in a mutual fund. The Company recognizes net gains and losses on marketable equity securities from changes in market prices during the year as a component of earnings in the statements of income and retained earnings. See Note 1 for further discussion.

The fair market value of the marketable equity securities were $3,072,368 and $2,347,282, at December 31, 2024 and 2023, respectively. For the years ended December 31, 2024 and 2023, unrealized gains on marketable securities were $561,601 and $329,060, respectively, and there were no realized gains or losses. The cost basis at December 31, 2024 and 2023, was $2,216,485 and $2,053,000, respectively.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

*Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

*Level 2:* Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets and liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

## NOTE 8 - MARKETABLE SECURITIES AND FAIR VALUE MEASUREMENTS - CONTINUED

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2024 and 2023. There were no purchases of Level 3 investments and no transfers between levels during the years ended December 31, 2024 and 2023.

***Equity securities:*** Valued at the closing price reported in the active market in which the individual securities are traded (Level 1).

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other companies, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At December 31, 2024 and 2023, all investments were classified as Level 1 within the fair value hierarchy table.

## NOTE 9 - RETIREMENT PLAN

The Company established a qualified retirement plan under Section 401(k) of the Internal Revenue Code on November 1, 2007. Under the plan which covers substantially all employees, eligible employees can elect to defer a percentage of their wages, subject to statutory limitations. Eligible employees must be at least age 21 and have at least 500 hours and six months of service with the Company. Company profit sharing and matching contributions are discretionary. The total expense for the years ended December 31, 2024 and 2023 was $48,117 and $46,868, respectively, for employer contributions to the plan.

## NOTE 10 - LEASES

The Company leases various office and warehouse facilities and certain retail store locations on behalf of franchisees. The leases have remaining lease terms of 2 to 5 years, some of which may include options to extend the leases, and some of which may include options to terminate the leases.

The components of lease expense were as follows for the years ended December 31:

| | 2024 | 2023 |
|---|---|---|
| Operating lease expense | $ 539,578 | $ 479,105 |
| Variable lease expense | 95,581 | 130,139 |

Lease expenses are included in operating expenses on the statements of income and retained earnings.

Supplemental cash flow information related to leases were as follows for the years ended December 31:

| | 2024 | 2023 |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | $ 533,990 | $ 478,349 |
| Right-of-use assets obtained in exchange for lease liabilities: | | |
| Operating leases | $ 746,079 | $ 36,493 |

Supplemental balance sheet information related to leases is as follows for the years December 31:

| | 2024 | 2023 |
|---|---|---|
| **Operating Leases** | | |
| Operating lease right-of-use assets | $ 1,221,392 | $ 972,649 |
| Current portion - operating lease liabilities | $ 380,215 | $ 387,693 |
| Noncurrent portion - operating lease liabilities | 850,275 | 588,466 |
| Total operating lease liabilities | $ 1,230,490 | $ 976,159 |
| **Weighted Average Remaining Lease Term** | | |
| Operating leases | 3.60 years | 3.13 years |
| **Weighted Average Discount Rate** | | |
| Operating leases | 3.45% | 2.07% |

**NOTE 10 - LEASES - CONTINUED**

Maturities of lease liabilities were as follows for the years ending December 31:

| | Operating Leases |
|---|---|
| 2025 | $ 413,496 |
| 2026 | 405,092 |
| 2027 | 285,960 |
| 2028 | 183,019 |
| 2029 | 14,000 |
| Total lease payments | 1,301,567 |
| Less: imputed interest | (71,077) |
| Present value of future minimum lease payments | 1,230,490 |
| Less: current portion | (380,215) |
| | $ 850,275 |

The Company leases its headquarters in Bensalem, PA and warehouse space in Philadelphia, PA from Pretzel 98 LLC, an entity under common control, under lease agreements. The headquarters lease has a term of 5 years with annual payments of $30,000. The warehouse lease had a term of 10 years with annual payments of $4,400 and was terminated on December 31, 2023. As of December 31, 2024 and 2023, the operating lease ROU assets and operating lease liabilities related to these agreements were $188,514 and $280,093, respectively, and are included in the above lease schedule. The discount rate used to calculate the amounts for the headquarters lease is 1.92%. The total operating lease expense under these agreements were $96,000 and $100,400 for the years ended December 31, 2024 and 2023, respectively, and is included in the above lease schedule.

## NOTE 11 - RELATED PARTY TRANSACTIONS

The Company advances monies to various related parties from time-to-time. The Company expects all amounts to be repaid. No formal repayment terms exist. The balance due was $8,000 and $10,500 at December 31, 2024 and 2023, respectively.

There were $309,833 and $147,262 of accounts receivable due from affiliates at December 31, 2024 and 2023, respectively.

As of December 31, 2024 and 2023, an affiliate owed the Company relating to the unredeemed gift card liability. These amounts are included in due from affiliates - gift card receivable on the balance sheets. The amounts will be repaid as the gift cards are redeemed. See Note 6.

Soft Pretzel Franchise Systems, Inc. provides administrative services to a related party. Income related to these services was $11,700 and $10,400 for the years ended December 31, 2024 and 2023, respectively.

During the year ended December 31, 2024, an affiliate took over a lease. The leasehold improvements were written off and the loss was $47,339.

During the year ended December 31, 2023, the Company sold equipment to an affiliate for $12,000 and recognized a gain of $9,277.

The Company leases its headquarters in Bensalem, PA and warehouse space in Philadelphia, PA from a related party. The lease agreement for the warehouse space was terminated on December 31, 2023. See Note 10 for further details.

## NOTE 12 - CONTINGENCIES

The Company has entered into an agreement with An Original Soft Pretzel Factory, Inc., a corporation wholly owned by two of the shareholders who together own 85% of the Company's stock, which grants the Company the royalty free right to use the trademarked names "Philly Soft Pretzel Factory" and "Soft Pretzel Factory", which are the property of An Original Soft Pretzel Factory, Inc. The term of the agreement is year-to-year, provided however the agreement shall terminate only if the Company makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, is adjudicated bankrupt or insolvent, files or acquiesces in the appointment of a trustee or receiver for the Company. Legal counsel has not commented on any potential financial impact on the Company related to this agreement. These financial statements do not reflect any adjustments as a result of this contingency.

# EXHIBIT F
**TO**
**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**

## FRANCHISE AGREEMENT

©2026 Soft Pretzel Franchise Systems, Inc.

**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**

**FRANCHISE AGREEMENT**

**DATA SHEET**

Franchisee: _____

Effective Date: _____

Approved Location: _____

_____

Traditional Factory ☐

Non-Traditional Located Factory ☐

Format: (Full Production or Oven Ready) _____

Telephone Number: _____

Email Address: _____

Territory: _____

_____

**The terms of this Data Sheet are incorporated into the attached Franchise Agreement.**

© Soft Pretzel Franchise Systems, Inc.

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**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE AGREEMENT**

**THIS AGREEMENT** is entered into on the date written on the Data Sheet to this Agreement by and between Soft Pretzel Franchise Systems, Inc., a Pennsylvania corporation, with its principal business address at 1525 Ford Road, Bensalem, Pennsylvania 19020 (hereinafter referred to as "Franchisor", "we," "us," or "our") and the named individual(s) or entity identified on the Data Sheet (hereinafter referred to as "you" or "Franchisee").

## BACKGROUND

A. Franchisor and its principals and affiliates have expended a considerable amount of time, effort, and money to develop a system for the operation of a unique business system offering traditional "Philadelphia" style soft pretzels and other related products ("Proprietary Products") using Franchisor's proprietary recipes, preparation, and presentation methods (a "Traditional Factory"); and

B. Franchisor and/or its affiliates have also developed a system for the operation of a unique business system offering Proprietary Products in smaller and special venues generally located in a big-box retailers, such as Walmart, and supermarkets (as well as malls, airports, etc.) requiring a more concise formant utilizing modified equipment (a "Non-Traditional Factory"); and

C. Franchisor is engaged in the business of granting franchises to operate Traditional Factories and Non-Traditional Factories (collectively and interchangeably the "Factory"). Franchisor offer two Factory formats: a "Full Production" format which allows you to make and bake freshly made pretzels and other products on-site; and an "Oven Ready" format which allows you to bake premade pretzels and other products purchased from us or our designated vendors; and

D. Franchisee desires to enter into an agreement with Franchisor to obtain the right to operate a Factory (interchangeably referred to as the "Factory" or "Franchised Business") using the system developed by Franchisor or its affiliate, the distinguishing characteristics of which include proprietary recipes for traditional "Philadelphia" style soft pretzels and other related products (the "Proprietary Recipes"); uniform standards and specifications for food preparation; recognizable interior and exterior designs, décor, and color schemes; distinctive specifications for furniture, fixtures, and equipment; sales techniques; merchandising, marketing, advertising, and inventory management systems; and other standardized processes and procedures for operating Factories in the manner set forth in this Agreement and in the Operations Manual provided by Franchisor and modified from time to time (the "System"); and

E. Franchisor and its franchisees use various trade names, trademarks, and service marks including, without limitation, the marks "Philly Pretzel Factory", "Philly Soft Pretzel Factory" and "Soft Pretzel Factory" in connection with the System (the "Proprietary Marks"). The rights to all such Proprietary Marks as are now, or shall hereafter be, designated as part of the System shall be owned exclusively by Franchisor and/or its affiliates and be used for the benefit of Franchisor, its affiliate and Franchisor's franchisees to identify to the public the source of the products and services marketed thereunder; and

F. You have applied to us for a franchise to operate a Factory and such application has been approved in reliance upon all of the representations made therein; and



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G. Franchisee hereby acknowledges that adherence to the terms of this Agreement and the standards and specifications of Franchisor are essential to the operation of its Factory and to the operations of the System.

## AGREEMENT

**NOW, THEREFORE,** in consideration of the foregoing recitals, which are incorporated in this Agreement by reference, and the mutual promises, commitments and understandings contained herein, the parties hereby agree as follows:

## 1. GRANT OF FRANCHISE

1.1. **Grant and Acceptance**. You are hereby granted the right, upon the express terms and conditions contained in this Agreement, and you hereby accept, a franchise for the right to establish and operate one Philly Pretzel Factory, under the Proprietary Marks and System identified below, and the right to use the System and Proprietary Marks in the operation of your Philly Pretzel Factory. We have the right to supplement, improve or otherwise modify the System from time to time in our sole discretion, and you agree to comply with all changes which may include, without limitation, the offer and sale of new or different products and services as we may specify. The foregoing grant does not include: (i) any right to offer any services via e-commerce; (ii) any right to establish an independent website or to establish a URL incorporating the Proprietary Marks or any variation thereof; or (iii) any right to distribute, market, or implement our products or services, including Proprietary Products, in any channel of distribution not specifically identified in the relevant agreements.

1.1.1 Reservation of Rights. You expressly understand and agree that we and our affiliates shall have the right, in our sole discretion, to: (i) own and operate, and license others to own and operate, Factories at any location(s) outside your Territory under the same or different marks; (ii) purchase or acquire independent or third-party soft pretzel businesses located within the Territory, and to convert and operate these businesses as Philly Pretzel Factories, so long as we offer you right of first refusal to purchase the business; (iii) distribute, or license others to distribute products identified by the Proprietary Marks or other marks we own or license through any alternative distribution method we or our affiliates may periodically establish or license, including through the Internet, or other concepts currently in existence or as may be developed in the future; (iv) sell or license others to sell Philly Pretzel Factory products and other food and non-food products identified by the Proprietary Marks from carts or kiosks located in enclosed malls, airports, boardwalks, stadiums, amusement parks, military bases, and other closed markets within or outside your Territory; (v) sell Philly Pretzel Factory products as frozen products, identified by the Proprietary Marks, to grocery stores or other markets and/or vendors within or outside your Territory; (vi) establish other franchises, company-owned stores or channels of distribution selling or leasing similar products or services under a different trademark within or outside your Territory; (vii) acquire, be acquired by, merge or affiliate with or engage in any transaction with other businesses (whether or not these businesses are competitive), including competing franchise systems with units operating in your Territory and to convert these units to Philly Pretzel Factory businesses; (viii) exclusively own and operate, or license others to own and operate, Factories under the Proprietary Marks and System in non-traditional sites in any location within or outside your Territory, including interior rental space in department stores, big box retailers, shopping malls, airport concourses, professional sports facilities, college campuses, military installations, hotels, and casinos; (ix) use the Proprietary Marks and System, and licenses others to use the Proprietary Marks and System to engage in any other activities not expressly prohibited in this Agreement.



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1.2. **Approved Location.** You may operate the Factory only at the approved location identified in the Data Sheet (the "Location"). If we have not approved a location for you to operate the Factory as of the date that you sign this Agreement, the parties shall enter into the Site Selection Addendum attached as Exhibit "A" to this Agreement, the terms of which shall govern the parties' site selection obligations. You may not relocate the Factory without our prior written consent.

1.3 **Territory**. Except as otherwise provided in this Agreement, so long as you perform your obligations under the Franchise Agreement, we will neither establish and operate, nor license any other party to establish and operate, a Factory under the System and the Proprietary Marks within the protected area identified on the Data Sheet, the terms of which are incorporated in this Agreement by reference ("Territory"), during the term hereof. However, we and our affiliates retain all other rights, including without limitation, the right to distribute products and services as described in Section 1.1.1 and 1.4.1 hereof within the Territory. You may not solicit customers or advertise outside your Territory (see Section 7.2 hereof) or sell or deliver any soft pretzel or other products to any destination outside your Territory without our prior written consent.

1.4. **Limitation of Grant.**

1.4.1. Other Channels of Distribution. You acknowledge and agree that certain of our or our affiliates' products and services, whether now existing or developed in the future, may be distributed in your Territory by us, our affiliates or our franchisees, licensees or designees, in such manner and through such channels of distribution as we, in our sole discretion, shall determine. Such alternative channels include, but are not limited to grocery stores, supermarkets, catering services, amusement or theme parks, sports stadiums and arenas, enclosed shopping centers, institutional feeding facilities, military bases, airports, train stations and gas stations located within or outside the Territory. We reserve the right, among others, to any distribution arrangements relating thereto. You understand that this Agreement grants you no rights: (i) to distribute such products as described in this Section 1.4.1; or (ii) to share in any of the proceeds received by any such party therefrom.

1.4.2 Additional location within Territory. This Agreement grants you the right to operate one Factory at the Location identified on the Data Sheet to this Agreement. Except as explicitly set forth in this Agreement, you shall not display nor distribute your product at or from any other location, for any commercial purpose, without having first obtained our prior written consent, which may be given or withheld in our sole discretion. We have the right to condition our consent upon, among other things, your compliance with our standards and specifications as set forth in the Operations Manual or otherwise in writing, and payment of our then-current fee for an additional factory, currently $0 per location.

1.4.3. Wholesale. It is our current policy to permit you to service wholesale accounts within your designated Territory so long as: (i) the customer is located within your Territory; (ii) the products are delivered to a location within your Territory; and (iii) if the products are purchased for re-sale purposes, the re-sale location is within your Territory. You may not service a wholesale account located outside of your Territory without our prior written consent and, if the account is located within another franchisee's Territory, without the prior written consent of the franchisee. We have the right to revoke our consent and to terminate your right to service any wholesale accounts located outside your Territory at any time and for any reason, including the establishment of another Philly Pretzel Factory franchisee who's Territory encompasses the wholesale account. You are not permitted to market or solicit customers outside of your Territory without our prior written consent.



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## 2. TERM AND RENEWAL

2.1. **Term.** The term (the "Term") of this Agreement is 10 years and begins on the date we sign this Agreement.

2.2. **Renewal.** You have the right to renew this Agreement for one additional 10-year period ("Renewal Period") provided you have satisfied the following conditions before the expiration of the then-current term (unless another time period is stated):

2.2.1. You notify us in writing of your intention to renew the franchise not less than six months or more than 12 months prior to the expiration of the current term;

2.2.2. You present sufficient evidence to us of your right to remain in possession of your Factory's Location for the duration of the renewal term; or, in the event you are unable to maintain possession of the Location, you must have located an approved suitable substitute premises, and have brought such substitute premises into full compliance with our then-current System specifications and standards;

2.2.3. You complete to our satisfaction, no later than 90 days prior to the expiration of the then-current term, all maintenance, refurbishing, renovating and remodeling of your Factory premises including the equipment, fixtures, furnishings, interior and exterior signs so that the premises reflect the then-current image of a Philly Pretzel Factory. However, if, at the time you renew this Agreement there are less than 2 years outstanding on any nonrenewable lease for the Factory premises, and you certify that you will not be renewing the lease, you will not be required to perform these renovations at your existing Factory but you shall remain obligated to maintain your Factory in accordance with our standards and specifications;

2.2.4. You are not in default of any provision of this Agreement, or any other agreement between you and us or our affiliates and you have substantially complied with all such agreements during their respective terms;

2.2.5. You satisfy all monetary obligations you owe to us and/or our affiliates;

2.2.6. You have consistently operated your Factory in accordance with all existing, federal, state and local laws, regulations and ordinances, and have maintained all permits and licenses necessary for the continued operation of your Factory;

2.2.7. You execute, at the time of renewal, our then-current form of franchise agreement, the terms of which may vary materially from the terms of this Agreement and may include, without limitation, higher operating and advertising fees;

2.2.8. You pay to us a renewal fee in an amount equal to 1/2 of our then-current initial franchise fee;

2.2.9. You satisfy our then-current training requirements for renewing franchisees at your expense, as of the date of such renewal, if any; and



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2.2.10 You execute a release of any and all claims against us and our affiliates, and our respective officers, directors, agents, and employees, arising out of or related to this Agreement, or any related agreement, in the form we prescribe. This release will not be inconsistent with any applicable state statute regulating franchising.

## 3. PROPRIETARY MARKS

3.1. **Ownership**. You understand that we own all rights relating to the Proprietary Marks and that, except for your license to use them as specifically and expressly provided in this Agreement, nothing in this Agreement assigns or grants you any right, title or interest in or to the Proprietary Marks. You agree not to challenge our title or rights in or to the Proprietary Marks, or perform any act for the purpose of or with the effect of jeopardizing or diminishing the value of the Proprietary Marks. You expressly agree that any and all goodwill associated with the Proprietary Marks and our copyrighted material, including any goodwill that might be deemed to have arisen through your activities, inures directly and exclusively to our benefit. You must execute from time to time any necessary papers, documents, and assurances to effectuate the intent of this Section and fully cooperate with our or any other System franchisee in securing all necessary and required consents of any state agency or legal authority to use or register any of the Proprietary Marks.

3.2. **Our Use of the Marks**. You acknowledge and agree that we and our affiliates may use and register the Proprietary Marks as we deem advisable in our discretion including, without limitation, developing and establishing other business systems using the same or similar Proprietary Marks alone or in conjunction with other marks and granting licenses and/or franchises in connection with such business system without providing you any rights therein.

3.3. **Protection**. You must promptly notify us of any infringement of, or challenge to, the Proprietary Marks, and we will, in our discretion, take such action as we deem appropriate. We will indemnify and hold you harmless from any suits, proceedings, demands, obligations, actions or claims (including costs and reasonable attorneys' fees) for any alleged infringement under federal or state trademark law arising solely from your use of the Proprietary Marks in accordance with this Agreement, or as otherwise set forth by us in writing, if you have promptly notified us of such claim. If we undertake the defense or prosecution of any litigation pertaining to any of the Proprietary Marks, you must execute any and all documents and do such acts and things as may, in the opinion of our counsel, be necessary to carry out such defense or prosecution. We have the right to require, in our sole discretion, that you discontinue, modify, or substitute any of the Proprietary Marks in connection with any pending or threatened litigation involving your use of them so long as we indemnify you for your actual out-of-pocket costs incurred to effectuate such change.

3.4. **Authorized and Unauthorized Use.** You must use the Proprietary Marks in conjunction with the symbol "TM," "SM," or "®," as applicable, in order to indicate that the Proprietary Marks are protected under federal law. You may not use any of the Proprietary Marks in connection with the offer or sale of any unauthorized products or in any other manner which we have not explicitly authorized in writing.

3.5. **Your Name**. You may not use the Proprietary Marks or any part thereof in your corporate name or limited liability company name, or as part of any Internet domain name. Your corporate name and all fictitious names under which you propose to do business must be approved by us in writing before use. You must use your corporate or limited liability company name either alone or followed by the initials



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"D/B/A" and the business name “Philly Pretzel Factory.” You must promptly register at the office of the county in which your Factory is located, or such other public office as provided for by the laws of the state in which your Factory is located, as doing business under such assumed business name.

3.6. **Modification**. You hereby acknowledge and agree that during the term of this Agreement and all subsequent renewals hereof, we have the exclusive right to add, modify, discontinue and/or substitute the Proprietary Marks or any of them, as we deem appropriate in our sole discretion. You must discontinue use of all Proprietary Marks which we have notified you, in writing, have been modified or discontinued within 10 days of receiving written notification and, at your sole cost and expense, must begin using such additional, modified or substituted Proprietary Marks, as we specify in writing, within 10 days of receiving written notice. Nothing under this Section 3.6 will materially alter your fundamental rights under this Agreement.

## 4. CONFIDENTIAL INFORMATION

4.1 **Nondisclosure**. You acknowledge and agree that the Operations Manual, our trade secrets and copyrighted materials, methods and other techniques and know-how are our exclusive and confidential property which we provide to you in confidence ("Confidential Information"). You agree to use the Confidential Information only for the purposes and in the manner we authorize in writing, which use will inure exclusively to our benefit. Our trade secrets consist of, without limitation, product preparation and assembly techniques, sales techniques, merchandising and display techniques, Factory layout, advertising formats, accounting systems, operations systems, policies, procedures, systems, compilations of information, records, specifications, manuals and other confidential information which we or our affiliates have developed for use in the operation of Factories. You may not contest, directly or indirectly, our ownership of our trade secrets, methods or procedures or contest our right to register, use or license others to use any of such trade secrets, methods and procedures. You (including your partners, officers, directors, shareholders, as applicable), your employees, and their respective heirs, successors and assigns, are prohibited from using and/or disclosing any Confidential Information in any manner other than as we permit in writing.

4.2 **New Concepts**. If you, your employees, or principals develop any new concept, process or improvement in the operation or promotion of the Factory, you will promptly notify us and provide us with all of the information necessary to implement the improvement, without any compensation. Any such concept, process or improvement will become our sole property and we will be the sole owner of all patents, patent applications, trademarks, copyrights and other intellectual property rights related thereto. You and your principals and agents hereby assign to us any rights they may have or acquire therein, including the right to modify such concept, process or improvement, and otherwise waive and/or release all rights of restraint and moral rights therein and thereto. You and your principals and agents agree to assist us in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights. You and your principals and agents hereby irrevocably designate and appoint us as your agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process or improvement. In the event that the foregoing provisions of this Section 4.2 are found to be invalid or otherwise unenforceable, you and you principals and agents hereby grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process



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or improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe your rights therein.

## 5. FRANCHISE LOCATION

5.1. **Factory Location**. You must operate the Factory from the Location and within the Territory identified on the Data Sheet. If, at the time you sign this Agreement, you do not have a designated Location, you must sign the Site Selection Agreement attached to this Agreement as Exhibit A. Your Factory will be either a Full Production Factory or Oven Ready Factory as provided for on the Data Sheet.

5.2. **Approval of Lease**. We have the right to review, evaluate and approve your proposed lease for the Location ("Lease") prior to execution. We may condition our approval of any proposed Lease on, among other things, your execution and your landlord's execution of a Collateral Assignment of Lease (attached as Exhibit D to this Agreement) which (i) grants us the right, but not the obligation, to assume the Lease upon (a) your default on the Lease, or (b) termination, transfer or expiration of this Agreement, and (ii) authorizes and requires your landlord to disclose to us, upon our request, sales and other information you have furnished to the landlord. You must deliver an executed copy of the Lease and the Collateral Assignment of Lease to us within 15 days of execution of the Lease. The term of your Lease, together with renewal options, if any, must be not less than the initial term of this Agreement. Neither our review of the Lease nor our acceptance of the site you have selected constitutes a representation or guarantee that you will succeed at the selected Location, or an expression of our opinion regarding the terms of the Lease.

5.3. **Relocation**. You may not relocate the Factory without our prior written consent. In the event the Lease term is shorter than the term of this Agreement and the Lease cannot be renewed or extended, or you cannot continue for any reason beyond your control to occupy the Location, you must relocate your Factory to a mutually acceptable site within your Territory to complete the unexpired portion of the term of this Agreement. You must notify us in writing of your intention to relocate, pay us a non-refundable relocation fee of $0 upon request, procure a site acceptable to us within 30 days prior to closing your existing Factory, and open the new Factory for business within 180 days of closing your existing Factory. We may, in our sole discretion, allow you additional time to relocate your Factory, provided that you are actively searching for a suitable replacement Location. You are responsible for paying Royalty and other fees due under this Agreement during any transitional period. If you relocate your Factory without our prior written consent, we shall have the right to immediately terminate this Agreement.

## 6. FEES AND COSTS

6.1. **Initial Franchise Fee.** In consideration of the franchise granted to you, you must pay us an initial franchise fee of $40,000 via certified check or wire transfer in immediately available federal funds in full when you sign this Agreement. The initial franchise fee is non-refundable and deemed fully earned upon payment in consideration of administrative and other expenses we incur in granting the franchise and for our lost or deferred opportunity to franchise others.

6.2. **Royalty Fee**. You must pay us a weekly Royalty Fee equal to 6% of your "Gross Sales." "Gross Sales" includes all revenues you generate from all business conducted at or from the Factory during the preceding reporting period, including revenue derived from the sale of any products or services, merchandise, and tangible property of any nature whatsoever, whether in cash or for credit, and whether collected or uncollected. "Gross Sales" does not include the amount of any tax imposed by any federal,



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state, municipal or other governmental authority; you agree to pay such amounts as and when due. All barter and exchange transactions for which you furnish services or products in exchange for goods or services to be provided to you by a vendor, supplier or customer will be valued at the full retail value of the goods or services provided to you. You must send us signed Gross Sales reports each week on the Gross Sales for the preceding week at such time and in the form and manner we may specify, including by electronic mail. We may change the form, content, and reporting periods for the Gross Sales reports at any time upon written notice. If you fail to submit Gross Sales reports in a timely manner, then we may process an EFT (as defined below) for the subject week based on your point of sales system's records, including interest on past-due amounts.

6.3. **Manner of Payment.**

6.3.1. You shall participate in our electronic funds transfer program ("EFT") under which we automatically deduct all weekly royalty fees and other payments owed to us under this Agreement from your bank account. Before opening, you shall sign and give to us and your bank, all documents necessary to effectuate this program, including Exhibit H to this Agreement, necessary to effectuate the EFT Program and Franchisor's ability to withdraw funds from such bank account via electronic funds transfer. You shall immediately notify us of any change in your banking relationship, including changes in account numbers. We reserve the right to require you to submit all payments due to us under this Agreement in any other form or manner as we prescribe.

6.3.2. All weekly payments required under this Section 6 shall be due and deducted from your bank account at such times and in the form and manner as we designate. The royalty calculations shall be based on the reports and/or statements required under this Agreement, which must be submitted to us on or before the close of business on Friday of each week.

6.4. **Insufficient Funds/Late Fees.** If the funds in your bank account are insufficient to cover any amounts due under this Agreement on the date such funds are due, in addition to the overdue amount, we shall immediately be entitled to debit from your bank account interest on such amount from the date it was due until all past due amounts are paid, at a rate of the lesser of 18% per annum or the maximum rate permitted by law. Any late payment or underpayment of any amounts owed to us or our affiliates under this Agreement will bear interest from the due date until paid at the lesser of 18% interest per annum or the maximum rate permitted by the law of the state where your Factory is located.

6.5. **Collection Costs, Attorneys' Fees.** If you are in breach or default of any monetary or non-monetary material obligation under this Agreement or any related agreement between you and us and/or our affiliates, and we engage an attorney to enforce our rights (whether or not formal judicial proceedings are initiated), you must pay all reasonable attorneys' fees, court costs and litigation expenses we incur. If you institute any legal action to interpret or enforce the terms of this Agreement, and your claim in such action is denied or the action is dismissed, we are entitled to recover our reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

6.6. **Taxes on Payments to Us**. In the event any taxing authority, wherever located, imposes any future tax, levy or assessment on any payment you make to us, you must, in addition to all payments due to us, pay such tax, levy or assessment.



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6.7 **Technology Fee**. In addition to the fees set forth above, we reserve the right to require that you pay us or our designated vendor(s) a fee (which may be collected monthly, quarterly, or annually) associated with maintaining required computer hardware and software and any other technology used in the operation of your Factory, and such payment shall be made in the manner prescribed by us or the designated vendor(s), as applicable. If we collect this fee directly, the fee must be paid as described in Section 6.3 of this Agreement, or as we otherwise set forth in writing. We reserve the right to change the amount of the fee described in this Section as changes are made to the System's hardware, software and other computer requirements or as required by the third-party service provider(s) or by any regulatory agency.

6.8 **Failure to Operate Fee.** If Franchisee fails to operate the Factory on a day in which Franchisee is obligated to keep the Factory open, then Franchisee must pay Franchisor a Failure to Operate Fee equal to $300 per day, excluding any reasonable period for renovation or repair.

## 7. ADVERTISING

Recognizing the value of advertising and promotion, and the importance of the standardization of advertising and promotion programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

7.1. **Generally**. With regard to advertising generally for the Factory, you may place or display at the Location (interior and exterior) only the signs, emblems, lettering, logos and displays and advertising materials as we approve in writing from time to time. You must submit to us, at least 10 days prior to your use, samples of all sales, promotional and advertising materials you desire to use, including, but not limited to, social media advertisements or contests, digital advertisements, advertisements on third-party delivery platforms, email campaigns, app-push notifications, specialty and novelty items, signs, boxes, bags and other packaging which we have not previously approved. Within 10 business days of our receipt of any sample sales promotional material or advertising materials from you, we will notify you in writing of our approval or disapproval of the materials; provided, however, our failure to approve or disapprove the materials within 10 business days of receipt will be deemed a disapproval. You may not use any advertising or promotional materials for which we have not given our prior written approval.

7.2. **Territorial Advertising Restriction**. You are not permitted to solicit customers and/or advertise outside your Territory, except to the extent that you have received our prior written authorization, which may be given or withheld in our sole discretion. We may condition our authorization upon your agreement to offer System franchisees that are operating System Factories in contiguous territories the opportunity to participate in, and share the expense of, such solicitation and/or advertising. You may not advertise the Factory or any products or services offered by the Factory via the Internet without our prior written consent, which may be given or withheld in our sole discretion.

7.3. **Grand Opening Advertising**. For your grand opening marketing and advertising campaign ("Grand Opening Campaign"), you are required to spend a minimum of $5,000 ("Grand Opening Advertising Requirement") in the manner as set forth in our "Grand Opening Manual" or otherwise in writing. In addition to newspaper, direct mail, and other forms of media advertising, your Grand Opening Campaign will also include in-store promotion giveaways, including our "free pretzel per customer, no purchase necessary" promotion for a minimum of one week, along with any other in-store promotion giveaways required by us, and the purchase of the "Phil. E" mascot. You must submit to us, upon our request, evidence of your Grand Opening Campaign expenditures as described in the Grand Opening


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Manual or otherwise in writing. All advertising must be approved by us in writing prior to publication, as described in Section 7.1 above.

7.4. **System Wide Marketing Fund**. We have established a "System Wide Marketing Fund" for the common benefit of System franchisees (the "Fund"). Currently, you must contribute 2% of your weekly Gross Sales to the Fund, however, we have the right to increase your contribution requirement to 4% of your weekly Gross Sales ("Fund Contribution").

7.4.1. The Fund is administered by us and outside sources and is used, in our sole discretion, to develop, produce, and distribute national, regional, and/or local advertising and to create advertising, print ads, and public relations materials which promote, in our sole judgment, the services offered by System Franchisees. We may use the Fund to satisfy any and all costs of maintaining, administering, directing, preparing, and producing advertising for television, radio, magazine, and print media outlets, direct mailing campaigns, social and digital media advertising campaigns and gift card program. We will make a good faith effort to expend the Funds in the general best interests of the System on a System-wide basis. We are not required, under the Franchise Agreement, to spend any amount of Fund Contributions in your Territory and not all System franchisees will benefit directly or on a pro rata basis from our expenditures.

7.4.2. We have the right to reimbursement from Fund Contributions for all reasonable costs and overhead, if any, as we may incur in activities which are reasonably related to directing and implementing the Fund, including costs of personnel for creating and implementing advertising, promotional, marketing and loyalty programs. There is no requirement that the Fund be audited. Upon your written request, we will provide you with an unaudited accounting of Fund expenditures within 180 days after the end of each fiscal year. We and our affiliates are not obligated to contribute any amount to the Fund, but may do so in our sole discretion. The advertising materials are produced by us and outside sources.

7.4.3. Although we anticipate that all Fund Contributions will be spent in the fiscal year they accrue, if we do not spend all Fund Contributions by the end of each fiscal year, the remaining amounts may be carried over to be expended during the next fiscal year. We will not receive payments (other than reimbursement for expenses) for administering the Fund. We do not anticipate that any part of fund contributions will be used for advertising that is principally a solicitation for the sale of additional franchises, but we reserve the right to include a notation in any advertisement indicating "Franchises Available." Franchisor may, but is not obligated to, advance money to the Fund to pay for Fund programs. In the event that we advance monies to the Fund, we will determine, in our sole discretion, the manner and timing for the repayment to us, of some, or all, of the funds we advance. We have the right to require that advertising cooperatives be formed, changed, dissolved or merged.

7.5. **Local Advertising.**

7.5.1 In addition to the Fund Contributions described in Section 7.4 above, you must spend 3% of your Gross Sales each month on local advertising in accordance with our standards and specifications ("Local Advertising Requirement") as we may prescribe in the Operations Manual or otherwise in writing. You must spend the Local Advertisement Requirement as we prescribe in the Operations Manual or otherwise in writing, which may include, without limitation, requirements for placing a certain number and/or type(s) of media advertisements. You acknowledge and agree that your local



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advertising obligation must be expended regardless of the amount(s) spent by other System franchisees on local advertising. You may spend any additional sums you wish on local advertising. You must use only such advertising and promotional materials as have been previously approved by us. You must submit to us on a quarterly basis within 15 days following the end of each quarter, evidence of your local advertising expenditures during the preceding quarter advertising in accordance with our standards and specifications.

7.5.2 **Regional Advertising and Promotional Cooperative.** We shall have the right, in our discretion, to designate any geographical area for purposes of establishing a regional advertising and promotional cooperative ("Cooperative"), and to determine whether a Cooperative is applicable to the Factory. If a Cooperative has been established applicable to the Factory at the time Franchisee begins operating under this Agreement, you must immediately become a member of such Cooperative. If a Cooperative applicable to the Factory is established at any later time during the term of this Agreement, you must become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative begins operation. You will receive a credit for Cooperative contributions against the Local Advertising Requirement. If the Factory is within the territory of more than one Cooperative, you are required to be a member of only one such Cooperative. The following provisions will apply to each Cooperative:

7.5.2.1 Each Cooperative will be organized and governed in a form and manner, and will commence operation on a date, approved in advance by us;

7.5.2.2 We shall provide the by-laws and operating agreement governing the operation of the Cooperative, as we may amend from time to time in the Operations Manual;

7.5.2.3 All internal disputes regarding the Cooperative must be brought before us for resolution, and our determination with respect to any dispute will be final and binding upon the parties;

7.5.2.4 Each Cooperative will be organized for the exclusive purpose of developing and placing advertising materials (either internally or with the assistance of outsourced marketing firms) and conducting market research, which will be funded by contributions;

7.5.2.5 We must approve all advertising agencies retained by the Cooperative, all Cooperative advertising budgets, and will have sole ownership over advertising and promotional materials developed through the Cooperative;

7.5.2.6 No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without our prior approval. All such plans and materials shall be submitted to Franchisor in accordance with the procedure set forth in Section 7.1 hereof;

7.5.2.7 The mandatory contribution due to the Cooperative will be determined by a majority vote of the members of the Cooperative, and may exceed the Local Advertising Requirement;



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7.5.2.8 Company or affiliate owned businesses may contribute to the Cooperative encompassing their marketing area(s), once formed, in the same manner as other Cooperative members, and if such business contributes to the Cooperative, will be entitled to the same voting rights; and

7.5.2.9 Each member franchisee must submit to the Cooperative, no later than the Tuesday following the first Monday of each week, for the preceding week, its respective contribution as provided in this Agreement together with such other statements or reports as we may require or as may be required the Cooperative with our approval.

7.6 **Internet Website**.

7.6.1 We have established a website that provides information about the System and our products and services. We may use part of the monies from the Funds that we collect under this Agreement to pay or reimburse the costs associated with the development, maintenance and update of such website. We will be the web master, either directly or through a third party, and have sole discretion and control over such website.

7.6.2 We may design and provide you with a web page for the promotion of your Philly Pretzel Factory on our website. In such case, we will be the web master, either directly or through a third party, and have sole discretion and control over such web page. We will review and execute, subject to our approval, requested changes to your web page. You will not be permitted to maintain an individual website related to the Factory, or to establish a URL incorporating any variation of the "Philly Pretzel Factory" name or the Proprietary Marks, or create any profile on Facebook, MySpace, Twitter, TikTok, LinkedIn, Plaxo, YouTube or any other social media and/or networking site without our prior written approval. Any social media page that we approve must allow us to have "parent" access to the page to add, review, edit, or delete postings or other content. Your domain name for use in connection with an individual website must be approved by us prior to use. You will not violate our privacy policies as posted on the website. We may use part of the monies from the Funds that we collect under this Agreement to pay or reimburse the costs associated with the development, maintenance, and update of the website. You must also participate in any System-wide intranet system, or extranet implemented by us as described in Section 9.8 of this Agreement.

7.6.3. You acknowledge that we are the lawful, rightful, and sole owner of the Internet domain name www.phillysoftpretzelfactory.com and any other Internet domain names registered by us, and unconditionally disclaim any ownership interest in those or any similar Internet domain name. You agree not to register any Internet domain name in any class or category that contains words used in or similar to any brand name owned by us or our affiliates or any abbreviation, acronym, phonetic variation, or visual variation of those words. In the event that you violate this section, you shall be responsible for all costs incurred in transferring such domain name to us, as well as those incurred in registering a new domain name.

7.7 **Promotions Programs**. You must honor the terms of all promotional, loyalty or discount programs that we may offer to the public for System businesses, and you must comply with any pricing policies we may specify, including minimum and maximum price policies, minimum advertised price policies and unilateral price policies. You must also provide those services and other items that we specify on such terms and at such rates, including free-of-charge, as we may specify.



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## 8. SERVICES PROVIDED BY US

8.1. **Site Selection.** If you have not secured an approved site for your Factory on the date you sign this Agreement, you will execute the Site Selection Addendum attached to this Agreement as Exhibit A, in which we will designate a search area (the "Search Area") in which your Factory will be located. We or our designee will review proposed sites for the location of your Philly Pretzel Factory within the Search Area. We will use our best efforts to approve or disapprove your proposed site within 30 days from the date you submit your proposal. Final site selection must be acceptable to both you and us. Neither our, nor our designee's review and/or acceptance of a site constitute a representation or guarantee that your Factory location will be successful.

8.2. **Factory Build-Out**. You are responsible for the construction and development of the Factory. Within 30 days from the date you execute this Agreement, we will provide to you the most current specifications for the design and general layout of your Factory, including interior design, layout, fixtures, furniture, equipment, sign structures, signs, menu boards/price list boards, and other elements of our trade dress. You will be responsible for hiring architects, engineers, and contractors from our approved list to execute the build-out of your Factory.

8.3. **Training**.

8.3.1. We will provide initial tuition-free training for up to four persons including you (if you are an individual or up to two of your principals or partners if you are a corporation or partnership). We will train additional persons at a tuition rate of $1,000 per person so long as such person(s) attends training with you. You, if you are an individual (or one of your partners or shareholders if you are a partnership or corporation), must attend and complete the initial training program to our satisfaction. Notwithstanding this provision, at all times during business hours, your Factory must be supervised on-site by at least one individual who has successfully completed our initial training program.

8.3.2. Our training program is currently conducted on an as-needed basis. The initial training program will last for five continuous days at our training center located at 1525 Ford Road, Bensalem, Pennsylvania 19020 or at another location designated by us. In addition, we will provide three to five days of initial training at your Factory location. You must pay all expenses incurred during training including travel, lodging and dining expenses and your employees' salaries. We will provide you all training materials at no additional charge.

8.3.3. We reserve the right to offer, from time to time, additional training programs and/or refresher courses to you, your manager and/or your employees. You are not obligated to attend such additional training. You are responsible for the expenses of you and your manager, including transportation to and from the training site and lodging, meals, and salaries during training. The additional training programs and refresher courses will be at our then-current tuition for such training.

8.4. **Start-up and Ongoing Inventory and Supplies**. We will provide you with standards and specifications for equipment, fixtures, furniture, inventory, products, suppliers, exterior and interior signs and decorating and promotional materials, required for the Factory and standards and specifications for supplies and inventory. Specifications may include minimum standards for performance, warranties, design and appearance and local zoning, sign and other restrictions. If you operate an Oven Ready Factory, we or our designated suppliers will provide you with the necessary initial and ongoing pretzel inventory upon payment to us or the approved supplier.



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8.5 **Additional On-Site Assistance.** We, or our designee, will also provide periodic assistance after you open for business, as we deem appropriate and advisable. Subject to availability of personnel and at your reasonable request, we will make available corporate personnel to provide additional on-site or telephonic assistance (at our sole discretion) beyond the on-site initial opening assistance.

8.6. **Continuing Consultation and Advice**. In addition to the assistance rendered to you prior to opening and in connection with the grand opening, we will provide continuing consultation and advice as we deem advisable regarding merchandising and retailing, promotional materials, display, design, Factory layout, sales techniques, personnel development and other business, operational and advertising matters which directly relate to your Philly Pretzel Factory. Such assistance will be provided, at our option, by telephone, email, periodically through on-site assistance by appropriate personnel, and/or other methods.

8.7. **Operations Manual**. We will loan you one copy of our Operations Manual containing mandatory and suggested standards, operating procedures and rules, which we prescribe, as well as information relating to your obligations under this Agreement. You must operate your Factory in strict compliance with the Operations Manual, as it may be reasonably modified from time to time. The Operations Manual shall be confidential and shall, at all times, remain our property. You may not make any disclosure, duplication or other unauthorized use of any portion of the Operations Manual. The provisions of the Operations Manual constitute provisions of this Agreement as if fully set forth herein. You must ensure that your copy of the Operations Manual is current and up-to-date. If there is a dispute relative to the contents of the Operations Manual, the master copy which we maintain at our principal office will control. We reserve the right to disclose updates to the Operations Manual via electronic means, including over our website or any intranet or extranet system established in connection with the System. The standards set forth in this Operations Manual are designed to protect the System and the Proprietary Marks associated therewith, and not to control the day-to-day operation of the Franchised Business. Franchisee at all times will remain responsible for the operation of the Factory, and all activities occurring at the Factory. You must hire, train, discipline and otherwise be solely responsible for the Factory's employees. We are not responsible for, and does not direct or control the conduct of any of your employees.

8.8. **Annual Conference.** We may, in our discretion, hold an Annual Conference at a location to be selected by us. We shall determine the topics and agenda for such conference to serve the purpose among other things, of updating franchisees on new developments affecting franchisees, and exchanging information between franchisees and our personnel regarding Philly Pretzel Factory operations and programs. All expenses, including you and your employees' transportation to and from the Annual Conference, and lodging, meals, and salaries during the Annual Conference, are your sole responsibility. If you fail to attend the Annual Conference without obtaining our prior written consent, you must pay us a fee of $1,500.

8.9. **Our Ability to Withhold Services**. If you fail to pay any sums due to us or our affiliates under this Agreement or under any other Agreement between you and us or our affiliates, we can withhold any supervision, assistance or service provided to you under any provision of this Agreement.

8.10 **Delegation**. We have the right to outsource the provision of any service to be performed by us under this Agreement to an approved or designated vendor.



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## 9. OBLIGATIONS OF FRANCHISEE

9.1. **Training**. You, or at least one of your principals (if you are a partnership, corporation or limited liability company), must successfully complete our initial training program as described in Section 8.3 of this Agreement.

9.2. **Factory Layout and Construction**. Prior to commencing construction, you must comply, to our satisfaction, with the following:

9.2.1. Your Factory shall conform to our standards and specifications for appearance, layout and design. You are solely responsible for the preparation of architectural and working drawings necessary to complete construction and/or build-out at the Approved Location. You must purchase architecture and contracting services for the construction of the Factory, which meet our minimum specifications and from architects and contractors that we have approved in writing. We must approve all plans before you begin construction/build-out. We must approve all subsequent, material changes to the before such changes may be implemented.

9.2.2. At our request, you must also submit to us for approval, a site layout and working drawings adopting our then-current plans and specifications for constructing, equipping, fixturizing and furnishing the Factory at the approved site in compliance with all applicable laws, regulations and ordinances (the "Plans"). Upon approval by us, the Plans must not be materially changed or modified without our prior written consent; a change is material if it (a) affects the structural integrity of the Factory, (b) changes the appearance, location, size or quality of the Factory, (c) affects the appearance, furnishings or fixturizing of the Factory, or (d) causes the Factory to deviate from the standards then-established for the System.

9.2.3. You must employ an approved general contractor to construct the Factory and complete all improvements and you must submit to us a statement identifying the general contractor and describing its qualifications and financial responsibility.

9.2.4. You must obtain all permits, certificates and licenses required for construction of the Factory, including, without limitation, those required by applicable zoning, access, utility, sign, building, health, safety, environmental laws, ordinances, rules or regulations.

9.3. **Opening for Business**. You must commence operations of your Factory within 12 months from the date you sign this Agreement.

9.4. **Required Purchases**.

9.4.1. Compliance with Standards and Specifications. You acknowledge and agree that your obligations under this Agreement and the requirements of our Operations Manual are reasonable, necessary and desirable for the operation of your Factory and to maintain uniformity throughout the System. You agree to adhere to our standards and specifications as set forth in this Agreement and the Operations Manual and any revisions or amendments to the Operations Manual. You must use signs, furnishings, supplies, fixtures, equipment and inventory which comply with our then-current standards and specifications (including, but not limited to, specifications of product and service quality and uniformity). You shall train and instruct your employees in accordance with the Operations Manual, and shall continue such training and instruction as long as each employee is employed. The Operations Manual shall set forth



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the practices, procedures and methods to be utilized in your operation of the Factory, and we may require you to conform your practices to national programs, including but not limited to our gift card program, which we have designed and promulgated as part of the System. We have the right to change the standards and specifications applicable to the operation of a Factory. You acknowledge you may incur an increased cost to comply with such changes and agree to incur such costs as we reasonably deem necessary.

9.4.2. Designated and Approved Suppliers. Recognizing that preservation of the System depends upon product and service uniformity and the maintenance of our trade dress, we reserve the right to require you to purchase certain signs, furnishings, supplies, fixtures, equipment and inventory from approved suppliers identified in the Operations Manual or otherwise in writing. We shall have the right to require you to purchase certain items, including inventory, from us, our affiliates, an unaffiliated designated supplier, or from an approved supplier. You acknowledge that we, our affiliates, and/or a third party may be one of several, or the only, approved suppliers of any item. You further acknowledge and agree that we and/or our affiliates may have the right to realize a profit on any items that we, our affiliates or our approved suppliers supply to you.

9.4.3. Supplier Approval Process. In the event you wish to purchase any unapproved item, including inventory, and/or acquire approved item, including inventory, from an unapproved supplier, you must provide us the name, address and telephone number of the proposed supplier, a description of the item you wish to purchase, and purchase price of the item, if known. At our request, you must provide to us, for testing purposes, a sample of the item you wish to purchase. If we incur any costs in connection with testing a particular product or evaluating an unapproved supplier at your request, you or the supplier must reimburse our reasonable testing costs, regardless of whether we subsequently approve the item or supplier. Nothing in the foregoing shall be construed to require us to approve any particular supplier or item. We may base our approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier, but also indirectly to the uniformity, efficiency, and quality of operation we deem necessary or desirable in our System as a whole. We and our affiliates have the right to receive payments from suppliers because of their dealings with you and other franchisees and to use all amounts we receive without restriction (unless instructed otherwise by the supplier) for any purposes we deem appropriate. We may require you to purchase any previously unapproved product or service from our approved or designated supplier. Nothing herein will require us to approve an unreasonable number of suppliers for a given item, which approval might, in our reasonable judgment, result in higher costs or prevent the effective or economical supervision of approved suppliers. We may revoke our approval of particular products or suppliers when we determine, in our sole discretion, that such products or suppliers no longer meet our standards. Upon receipt of written notice of such revocation, you must cease purchasing products from such supplier. You must use products purchased from approved suppliers solely in connection with the operation of your Factory and not for any competitive business purpose.

9.4.4. System Suppliers. You acknowledge that we may establish business relationships, from time to time, with suppliers who may produce, among other things, certain inventory items in accordance with our proprietary standards and specifications, or unique inventory items which we have authorized and designated for use by System franchisees ("System Suppliers"). You recognize that such products are essential to the operation of the Factory and to the franchise System generally, and if you fail to pay System Suppliers, you will jeopardize your ability to receive such product(s). You also recognize that you will jeopardize the System's relationship with System Suppliers, which may result in other System franchisees' inability to obtain product(s) or to obtain product(s) only on less favorable credit terms. Accordingly, you agree to pay System Suppliers as and when due.



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9.5. **Authorized Products and Services.** You must offer and sell all products and services that we prescribe, including seasonal items, and only those products that we prescribe. You may not offer any other products for sale, rent, or lease without having received our prior written authorization. You must not sell any product or render any services in connection with your Philly Pretzel Factory which do not meet our standards and specifications. You must offer and sell all private label products which we designate for sale by System franchisees. Such items may include, without limitation, proprietary food, dessert and beverage items. You must honor the terms of all promotional or discount programs that we may offer to the public for System businesses, and you must comply with any pricing policies we may specify, including minimum and maximum price policies, minimum advertised price policies and unilateral price policies. You must also provide those services and other items we specify on such terms and at such rates, including free-of-charge, as we may specify. You must not have or use, nor permit the presence or use of, video game machines or vending machines or any like coin-operated, or electronic device or machine, other than a pay-telephone approved by us, upon the Factory Premises.

9.6. **Image**. The System was developed to distinguish the services offered by Philly Pretzel Factories from other soft pretzel stores, retail gift shops, and competing chains which offer similar products valued at different prices with less attention paid to product quality and customer service. Therefore, you acknowledge that we require you to offer products containing only the freshest ingredients, to present products to the customers in the manner we prescribe, to provide quality customer service and to otherwise conduct the Factory in such a manner which will serve to emulate and enhance the image intended by us for the System. You further acknowledge and agree that each aspect of the System is important not only to you but also to us, our affiliates and other System franchisees. Thus, it is important in order to maintain the highest operating standards and to achieve system-wide uniformity in order to increase the demand for the services rendered by our franchisees and our affiliates. You agree to comply with our standards, specifications and requirements in order to uniformly convey the distinctive image of a Philly Pretzel Factory.

9.7. **Computer Software and Hardware**. You must purchase and use any and all computer software programs ("Software") and all computer hardware necessary, including without limitation, a point of sale electronic cash register/point of sale system and payment card reader, for the efficient operation of the Software which we develop and/or designate for use by the System only from our approved suppliers. You are required to pay all third-party fees associated with required Software and other required technology, including transaction terminals, associated with the operation of the Factory. You agree to comply with the then-current Payment Card Industry Data Security Standards ("PCI DSS"), as such standards may be revised and modified by the PCI Security Standards Council (see www.pcisecuritystandards.org), or any successor organization or standards that we may reasonably specify. Your requirements include, but are not limited to, implementing any enhancement, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards. You must use our proprietary software program in the operation of your Factory according to the Operations Manual and our standards and specifications. We have the right to independently access all information collected or compiled by or in accordance with your use of the Software at any time without first notifying you. You are required to maintain high-speed broadband Internet access and an email address for purposes of communicating with us. We reserve the right to require you to update or upgrade your computer software and hardware components as we deem necessary, but not more than three times per year. Furthermore, we reserve the right to charge you an on-going technology fee to pay for certain aspects of your computer system and/or Software, which may include, without limitation, fees associated with website development or social media ("Technology Fee"). We reserve the right to designate and/or change the amount, scope, or manner of payment of the Technology



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Fee, including the party to whom payment is made, at any time upon providing reasonable notice to you. If we institute a Technology Fee, you must pay the Technology Fee as directed by us. We have the right to require you to enter into separate maintenance agreements for such computer hardware and/or Software. We reserve the right to require you to install a "systems backup solution" which backs up critical data in your computer system using an off-premises storage scheme. Notwithstanding the fact that you must buy, use and maintain the computer hardware and Software under our standards and specifications, you will have the sole and complete responsibility for: (i) the acquisition, operation, maintenance and upgrading of the computer hardware and Software; and (ii) any and all consequences that may arise if the computer hardware and Software is not properly operated, maintained and upgraded.

9.7.1. Surveillance System. You must purchase and use a camera surveillance system we develop and/or designate for use by the System only from our approved suppliers. We have the right to independently access all information collected or compiled by or in accordance with your use of the surveillance system at any time without first notifying you. We reserve the right to require you to update or upgrade your surveillance system, as we deem necessary, but not more than one time per year. We have the right to require you to enter into separate maintenance agreements for such surveillance system. Notwithstanding the fact that you must buy, use and maintain the surveillance system under our standards and specifications, you will have the sole and complete responsibility for: (i) the acquisition, operation, maintenance and upgrading of the surveillance system; and (ii) any and all consequences that may arise if the surveillance system is not properly operated, maintained and upgraded. We retain sole and exclusive ownership in all information and data collected on the surveillance system.

9.8. **Intranet.** We have developed an intranet that allows you and certain employees to: (i) view and print portions of the confidential Operations Manual; (ii) download approved local advertising materials; and (iii) communicate with us and other franchisees. You must use our intranet in the operation of your Factory according to our terms and conditions, including those related to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements, and agree to pay any fees associated with the intranet system.

9.9. **Personal Supervision**. You or a manager approved by us in writing, or one of your principals (if you are a partnership, corporation or limited liability company) must personally supervise the day-to-day operations of the Factory and must use your best efforts in the operation of the Factory. You agree to refrain from any business or advertising practice that may be injurious to the Factory or the goodwill associated with the Proprietary Marks and System.

9.10. **Operations.**

9.10.1. You must operate your Factory for at least those hours and days we specify in the Operations Manual or otherwise in writing. We reserve the right, in our sole discretion, to modify your Factory's required hours of operations. Currently, your Factory must remain open for 12 hours each weekday, 10 hours on Saturday and seven hours on Sunday. You may not deviate from our required hours of operation without our prior written consent.

9.10.2. You must maintain the Factory in a clean, safe and attractive manner and in accordance with all applicable requirements of law and the Operations Manual and otherwise operate the Factory so as to preserve, maintain and enhance the reputation and goodwill of the System. All employees engaged in the operation of your Factory during working hours must dress in conformance with our



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standards, must present a neat and clean appearance in conformance with our reasonable standards and must render competent, efficient service to the customers of the Factory.

9.10.3. You must at all times maintain such working capital as may be reasonably necessary to enable you to properly and fully carry out and perform all of your duties, obligations and responsibilities hereunder and to operate the business in a businesslike, proper and efficient manner.

9.10.4. You must at all times maintain sufficient levels of inventory to adequately meet consumer demand.

9.10.5. You will have sole authority and control over the day-to-day operations of the Factory and your employees and/or independent contractors. You agree to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Factory, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will you or your employees be deemed to be our or our affiliates' employees.

9.11. **Books and Records**. You must maintain accurate business records, reports, accounts, books and data relating to the operation of your Factory. We, or our designee, have the right, at any time during normal business hours, to inspect and/or audit your business records, to determine whether you are current with suppliers and/or otherwise are operating in compliance with the terms of this Agreement or the Operations Manual. If any audit reveals that you have understated Gross Sales by more than 5%, or if you have failed to submit timely reports and/or remittances to us for any two reporting periods in any 12-month period, in addition to all other rights and remedies we may have against you, you must pay the reasonable cost of such audit and/or inspection, including the cost of outside auditors and attorneys if we incur such costs, together with amounts due for operating, advertising and other fees as a result of such understated Gross Sales, and interest from the date when such amounts due should have been submitted.

9.12. **Financial Records and Reports.** You must maintain for at least three fiscal years from their preparation complete financial records for the operation of your Factory in accordance with generally accepted accounting principles and must provide us, at our request, with (i) a weekly sales report signed by you and in the form we specify for Gross Sales and Net Sales during the preceding calendar week indicating all monies received during the relevant period, as well as customer counts and average sales, and such other additional information which we deem necessary to properly evaluate your progress, which shall accompany your royalty and advertising fees; (ii) annual financial reports and operating statements in the form we specify, prepared by a certified public accountant or state licensed public accountant, within 90 days after the close of each of your fiscal years; (iii) state and local sales tax returns or reports and federal, state and local income tax returns for each year in which your Factory is operated, within 30 days after their timely completion; and (iv) such other reports as we may from time to time require, in the form and at the time we prescribe. To assist you in recording and keeping accurate and detailed financial records for reports and tax returns, we, at our discretion, may specify the form in which the business records are to be maintained, provide a uniform set of business records for you to use, and specify the type of cash register or other equipment to be used in connection with the Factory.

9.13. **Applicable Laws.** You must comply with all applicable federal, state and local laws, ordinances and regulations regarding the operation of your Factory, including, without limitation, labeling and packaging regulations and public health laws.



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9.14. **Independent Status**. All stationery, business cards and contractual agreements which you enter into must contain your corporate or fictitious name. You must post a notice in a conspicuous place designated by us, that you operate your Factory as an independently owned and operated franchise. At our request, you must prominently display a "Franchises Available" sign in the form and in the place we prescribe.

9.15. **Inspection**. During normal business hours and without prior notice, we have the right to enter upon your Factory premises, inspect your records, interview your employees and customers and observe the manner in which you operate your Factory.

9.16. **Changes to the System**. We have the right, in our sole discretion, to change the standards and specifications applicable to operation of the Factory from time to time, including standards and specifications for products, supplies, signs, fixtures, furnishings, inventory and equipment, by written notice to you or through changes in the Operations Manual. You recognize that you may incur an increased cost to comply with such changes, and you agree to accept and implement such changes at your own expense, which may require you to remodel, re-equip and otherwise refurbish the Factory, as if they were part of the System when this Agreement was executed, including discontinuing, modifying, or substituting any of the Proprietary Marks, provided, however, that any such change must not materially alter your fundamental rights under this Agreement.

9.17. **Pending Actions**. You must notify us, in writing, within five days of the commencement of any action, suit or proceeding and of the issuance of any order, suit or proceeding of any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of you or your Factory.

9.18 **Year Seven Factory Remodeling Requirement**. During the seventh year of the Term, you shall repair, refinish, repaint, replace, and/or otherwise redo the Factory's signs, furnishings, fixtures, equipment, decor, and any other tangible part or property of the Factory at your sole expense in the manner necessary to bring it into conformance with other franchises of the type we and our franchisees are opening at such time, provided that such expenditures shall be capped at $30,000.

9.19 **SPF Vehicle**. We may allow you to acquire and maintain a vehicle meeting our specifications, which we may change from time to time in our sole discretion, suitable for offering products to customers within your Territory. You may not operate the vehicle outside of your Territory. You shall maintain the vehicle in accordance with our standards, as they may be changed, including our then-current insurance requirements. You shall, from time to time, upon our request, submit documentation to us concerning the interior and exterior condition of your vehicle. Such documentation may consist of photographs and/or our physical inspection of the vehicle at our headquarters or other location we designate. If we deem that the vehicle is not in good physical appearance and condition or is otherwise being operated in violation of our standards, you must immediately cease operating the vehicle.

## 10. ACKNOWLEDGMENTS OF FRANCHISEE.

10.1. **Independent Contractor Status.** You are an independent contractor responsible for full control over the internal management and daily operation of your Factory, and neither we nor you are the agent, principal, partner, employee, employer or joint venturer of the other. You must not act or represent yourself, directly or by implication, as our agent, partner, employee or joint venturer, nor may you incur any obligation on our behalf or in our name. Neither this Agreement nor our course of conduct is intended,



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nor may anything in this Agreement (nor our course of conduct) be construed to state or imply that we are the employer of your employees and/or independent contractor, nor vice versa.

10.2. **Indemnification**. You and your principals agree to indemnify, defend and hold us, our affiliates and their respective shareholders, directors, officers, employees, agents, successors and assignees ("Indemnitees") harmless against and to reimburse them for all claims, obligations, liabilities and damages ("Claims"), including any and all taxes, directly or indirectly arising out of, in whole or in part: (i) the operation of your Factory, including the use, condition, or construction, equipping, decorating, maintenance or operation of the Factory premises, the sale of any products or services, and your advertising; (ii) the use of the Proprietary Marks and other Proprietary Material; (iii) the transfer of any interest in this Agreement or your Factory in any manner not in accordance with this Agreement; (iv) the infringement, alleged infringement, or any other violation or alleged violation by you or any of your principals of any patent, mark or copyright or other proprietary right owned or controlled by third parties; (v) libel, slander or any other form of defamation of us, the System, or System franchisees or developers, by you or by any of your principals; (vi) any allegation that any such losses, claims, costs, expenses, damages or liabilities were actually or allegedly caused wholly or in part through the active or passive negligence of any Franchisor Indemnitee; or (vii) any actions or omissions of employees or independent contractors of the Franchised Business or allegations that any Franchisor Indemnitee is the joint employer of Franchisee's employees. For purposes of this indemnification, "Claims" will mean and include all obligations, actual, consequential, punitive and other damages, and costs reasonably incurred in the defense of any action, including attorneys', attorney assistants' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether or not such claims exceed the amount of insurance coverage available through you to us. We will have the right to defend any such claim against it in the manner we deem appropriate or desirable in our sole discretion. Such an undertaking by us will, in no manner or form, diminish your and each of your principals' obligations to indemnify the Indemnities and to hold them harmless. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement

10.3. **Payment of Debts**. You understand that you alone are responsible for: (i) selecting, retaining and paying your employees, suppliers and taxing authorities; (ii) the payment of all invoices for the purchase of goods for use in the Factory; and (iii) determining whether, and on what terms, to obtain any financing or credit which you deem advisable or necessary to operate the Factory. You agree to pay all current obligations and liabilities to suppliers, lessor, and creditors on a timely basis. You agree to indemnify us in the event that we are held responsible for debts owed by you if we elect to pay any of your obligations, including your obligations towards any system supplier, in order to preserve the relationship between System Suppliers and System franchisees. You agree to make prompt payment of all federal, state and local taxes, including individual and corporate taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, FICA taxes, personal property and real estate taxes arising from your operation of the Factory. You agree to indemnify us in the event that we are held responsible for these taxes.

10.4. **Notice of Potential Profit**. You acknowledge and agree that we may receive a reasonable profit on all items you purchase from us, our affiliates or a third party supplier. We and/or our affiliates may from time to time receive consideration from suppliers with respect to sales of signs, furnishings, supplies, fixtures, equipment and inventory sold to you or in consideration of rights licensed to such persons. You agree that we and/or our affiliates are entitled to such profits and/or consideration.



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10.5. **Non-competition**.

10.5.1. **During the Term of This Agreement.** During the term of this Agreement, neither you, your principals, nor any member of the immediate family of you or your principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

10.5.1.1. Own, maintain, engage in, be employed by, lend money to, extend credit to or have any interest in any other business offering or licensing others to offer, in whole or in part, soft pretzel products, ice cream/water ice or other products or services offered or authorized for sale by System franchisees ("Competing Business"), provided, however, that this Section does not apply to your operation of any other Philly Pretzel Factory; or

10.5.1.2. Divert or attempt to divert any business or customer of the Factory to any Competing Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

10.5.2. **After the Term of This Agreement.** For a period of two years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither you, your principals, officers or directors nor any member of the immediate family of you or your principals, officers or directors may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

10.5.2.1. Own, maintain, engage in, be employed by, or have any interest in any other business which offers, in whole or in part, soft pretzel products or other products or services offered or authorized for sale by System franchisees at the time the Agreement is terminated, transferred or otherwise expires and is not renewed: (i) at the Factory; (ii) within the Territory; or (iii) within a radius of 10 miles of (a) the perimeter of the Territory being granted hereunder or (b) any other Philly Pretzel Factory Territory licensed by us as of the date of expiration or termination of this Agreement; or

10.5.2.2 Enter into any business competing in whole or in part with us in granting franchises or licenses to operate businesses offering soft pretzel products or other products or services offered or authorized for sale by System franchisees at the time the Agreement is terminated, transferred or otherwise expires and is not renewed; or

10.5.2.3. Solicit business from customers of your former Philly Pretzel Factory or contact any of our suppliers for any competitive business purpose nor solicit any of our employees, our affiliate or any other System franchisee to discontinue employment.

10.5.3. **Intent and Enforcement**. It is the parties' intent that the provisions of this Section 10.5 be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the non-competition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 10.5 by you, any of your principals, or any member of the immediate family of you or your principals, we shall be entitled to an injunction restraining such person from any such actual or threatened breach. You agree that in the event of the actual or threatened breach of this Section 10.5, the harm to us will be irreparable and we will have no adequate remedy at law to prevent such harm. You acknowledge



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and agree on your own behalf and on behalf of the persons who are liable under this Section 10.5 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 10.5 in no way prevent any such person from earning a living. You further acknowledge and agree that the time limitation of this Section 10.5 shall be tolled during any default under this Section.

10.5.4. **Employees.** You must require your principals, employees and members of their immediate families who have access to our Confidential Information to execute a non-competition agreement containing provisions similar to those set forth above as we, in our sole discretion, prescribes.

10.6. **Telephone**. You must obtain at your own expense one telephone line and listing, one fax line and one DSL line (or cable modem) to be used exclusively in the operation of your Factory, to be listed under the "Philly Pretzel Factory" trade name and not under your corporate, partnership, or individual name, to be used exclusively in connection with operation of your Factory. Upon the expiration, transfer or termination of this Agreement for any reason, you must cease using such telephone number and listing and assign same to us or our designee. Your Factory must be serviced by a suitable telephone system approved by us. You must answer the telephone in the manner set forth by us in the Operations Manual.

10.7. **Insurance**. You must obtain and maintain insurance in the amounts we prescribe in the Operations Manual or otherwise in writing. We reserve the right to require you to use our designated insurance vendors. We currently require our franchisees to maintain insurance with: (i) general liability coverage including premises operations, product liability, personal/advertising injury, fire/premises legal liability in an amount of at least $1,000,000 per occurrence and $2,000,000 aggregate; (ii) umbrella liability with a limit of at least $1,000,000; (iii) worker's compensation insurance as required by the laws of the state in which you operate your Factory; (iv) EPLI insurance of not less than $250,000; and (v) business automobile liability insurance with minimum combined single limits of $500,000. This insurance policy must also cover business personal property covering full replacement costs of the equipment. If your lease requires you to purchase and maintain higher insurance limits, your lease requirements will control. You must provide us with proof of coverage and name us and any subsidiary or affiliate, which we designate, as an additional insured. All insurance policies shall be issued by insurance companies with a financial rating of at least "A" status or better as rated in the most recent edition of AM Best's Insurance Reports. Our acceptance of an insurance carrier does not constitute our representation or guarantee that the insurance carrier will be capable of meeting claims during the term of the insurance policy. You agree to carry such insurance as may be required by the lease of the Location or by any of your lenders or equipment lessors. You shall add us to all insurance contracts as an additional insured under the insurance policies, the cost of which will be paid by you. No insurance policy must be subject to cancellation, termination, non-renewal or material modification, except upon at least 30 calendar days prior written notice from the insurance carrier to us. You must submit a certification of insurance which demonstrates compliance with this Section. If you fail to comply with the minimum insurance requirements set forth herein, we have the right to obtain such insurance and keep same in force and effect and you shall pay us, on demand, the premium cost thereof and administrative costs of 18% in connection with our obtaining the insurance. We have the right to increase or otherwise modify the minimum insurance requirements upon 30 days' prior written notice to you, and you shall comply with any such modification within the time specified in said notice.

## 11. SALE OR TRANSFER

11.1. **Transfer**. Your rights under this Agreement are personal, and you may not sell, transfer, assign or encumber your interest in the Factory without our prior written consent. Any unauthorized transfer by you shall be voidable by us and shall subject this Agreement to termination as specified herein.



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11.2. **Death or Disability.**

11.2.1. **Representative's Right to Continue as Franchisee**. In the event of your death, disability or incapacitation (or the death, disability or incapacitation of your principals or personal guarantors if you are a partnership, corporation or limited liability company) your legal representative (or your principals or guarantors' respective legal representative, as applicable) shall have the right to continue the operation of the Factory as franchisee under this Agreement if: (i) within 45 days from the date of death, disability or incapacity (the "45 day period"), such person has obtained our prior written approval, which may be granted or withheld in our sole discretion, and has executed our then-current franchise agreement for the unexpired term of the franchise, or has furnished a personal guarantee of any partnership, corporate or limited liability company franchisee's obligations to us and our affiliates; and (ii) such person successfully completes our training program (which we will provide at our then-current tuition rate). Such assignment by operation of law will not be deemed in violation of this Agreement, provided such heirs or legatees accept the conditions imposed by this Agreement and are acceptable to us.

11.2.2. **Factory Operation During and After 45-Day Period.** We are under no obligation to operate the Factory, or incur any obligation on behalf of any disabled or deceased franchisee, during or after the 45-day period. If necessary, you (or your legal representative, as applicable) shall appoint a previously approved acting interim manager to operate the Factory during the 45-day period. If you die, or become disabled or incapacitated during any training period, such training program shall be indefinitely suspended while we await the intentions of your personal representative. If any portion of the training program is suspended, your legal representative may be required to wait until the next available training session to complete training.

11.3. **Ownership Changes.** A sale, transfer or assignment requiring our prior written consent will be deemed to occur: (i) if you are a corporation, upon any assignment, sale, pledge or transfer of any fractional portion of your voting stock, upon any increase in the number of outstanding shares of your voting stock which results in a change of ownership, or (ii) if you are a partnership, upon the assignment, sale, pledge or transfer of any fractional partnership ownership interest, or (iii) if you are a limited liability company, upon the assignment, sale, pledge or transfer of any ownership interest. You must obtain our written consent prior to any change in your stock ownership or partnership or limited liability company ownership interests while this Agreement is in effect which will result in a sale, transfer or assignment as set forth herein. Any new partner, shareholder, or member of a limited liability company owning an interest of 10% or more will be required to personally guarantee your obligations under this Agreement. A transfer under (i) and (ii) above will not be subject to our right of first refusal as set forth in Section 11.3.1.

11.3.1. **Right of First Refusal.** If you propose to transfer this Agreement to any third party (other than a corporation as set forth in Section 11.4 hereof and except as otherwise set forth in Section 11.3) in connection with a bona fide offer from such third party, you must first offer to sell such interest to us on the same terms and conditions as offered by such third party. You must obtain from the third party and provide to us a statement in writing, signed by the third party and you, of the terms of the offer ("Letter of Intent"). If we elect not to accept the offer within a 30-day period, you have a period not to exceed 60 days to complete the transfer described in the Letter of Intent subject to the conditions for approval set forth in Section 11.3.2 hereof. You may affect no other sale or transfer of your interest in this Agreement without first complying with this Section 11. Any material change in the terms of the offer, will be deemed a new proposal subject to our right of first refusal. So long as you have obtained our prior written consent, which will not be unreasonably withheld, a transfer to an existing principal, or a transfer as a result of the death,



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disability or incapacity of a principal, in accordance with the provisions set forth in Section 11.2 of this Agreement, is not subject to our right of first refusal.

11.3.2. **Conditions for Approval.** We may condition our approval of any proposed sale or transfer of the Factory or of your interest in this Agreement upon satisfaction of the following requirements:

11.3.2.1. You must satisfy all of your accrued monetary obligations to us and our affiliates, including the value of any unredeemed gift card issued by your Factory;

11.3.2.2. You must complete, to our satisfaction, all maintenance, refurbishing, renovating and remodeling of your Factory premises including the equipment, fixtures, furnishings, interior and exterior signs so that the premises reflects the then-current image of a Philly Pretzel Factory;

11.3.2.3. You must cure all existing defaults under this Agreement, or any other agreement between you and us or our affiliates, within the period permitted for cure and have substantially complied with such agreements during their respective terms;

11.3.2.4. You and your principals (if you are a partnership, corporation or limited liability company) must execute a general release under seal, in a form satisfactory to us of any and all claims against us and our affiliates and our officers, directors, shareholders and employees, in their corporate and individual capacities; provided, however, the release will not be inconsistent with any applicable state statute regulating franchising;

11.3.2.5. You or the transferee must provide us with a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of and agreement to faithfully perform all of your obligations under this Agreement;

11.3.2.6. The transferee must demonstrate to our satisfaction that it meets our educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Agreement; however, the transferee may not be in the same business as we either as licensor, franchisor, independent operator or licensee of any other Factory, chain or network which is similar in nature or in competition with us, except that the transferee may be an existing System franchisee;

11.3.2.7. The transferee must execute our then-current franchise agreement for the unexpired term of this Agreement;

11.3.2.8. You or the transferee must pay us a transfer fee equal to ½ of our then-current initial franchise fee;

11.3.2.9. The transferee must satisfactorily complete our training program at the transferee's expense within the time frame we specify; and



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11.3.2.10. You (and your principals if you are a partnership, corporation or limited liability company), and the members of their respective families must comply with the post-termination provisions of this Agreement.

11.4. **Transfer to a Corporation or Limited Liability Company.** You may assign your rights under this Agreement to a corporation or limited liability company, provided:

11.4.1. The corporation or limited liability company is newly organized and its activities are confined to operating the franchised business;

11.4.2. You are, and at all times remain, the owner of 90% of the outstanding shares of the corporation or at least a 90% ownership interest in the limited liability company;

11.4.3. The corporation or limited liability company agrees in writing to assume all of your obligations under this Agreement by executing the Assumption and Assignment Agreement attached as Exhibit "F" to this Agreement; and

11.4.4. All stockholders of the corporation with a 10% ownership or greater in the corporation, or all members and managers of the limited liability company, as applicable, personally guarantee prompt payment and performance by the corporation of all of its obligations to us and/or its affiliates, under this Agreement and any other agreement between you and us and/or our affiliates and execute a noncompetition agreement as set forth in Section 10.5 hereof.

A transfer under this Section 11.4 is not subject to the transfer fee required under Section 11.3.2.8.

11.5. **Transfer by Us**. We have the right to sell, transfer, assign and/or encumber all or any part of our interest in this Agreement and our shareholders have the right to sell, transfer, assign and/or encumber all or any part of their interest in us.

## 12. BREACH AND TERMINATION

12.1. **Termination by Us**. We have the right to terminate this Agreement under the following circumstances:

12.1.1. **With Cause and Without Opportunity to Cure.** We have the right to terminate this Agreement without giving you advance notice or an opportunity to cure for any of the following breaches or defaults:

12.1.1.1. **Criminal Acts.** If you (or any of your principals if you are a partnership, corporation, or limited liability company), are convicted of or plead guilty or no contest to a felony or take part in any criminal misconduct relevant to the operation of your Factory.

12.1.1.2. **Fraud.** If you (or any of your principals if you are a partnership, corporation, or limited liability company) commit any fraud in the operation of your Factory.



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12.1.1.3. **Misrepresentation.** If you (or any of your principals if you are a partnership, corporation, or limited liability company) make any misrepresentation or omission in connection with your franchise application, including but not limited to any financial misrepresentation.

12.1.1.4. **Repeated Breaches.** If we send you 2 or more written notices to cure under Sections 12.1.2 or 12.1.3 of this Agreement in any 12-month period, regardless of whether or not such defaults have been cured.

12.1.1.5. **Unauthorized Inventory/ Products**. If you knowingly sell any unapproved product or purchase any inventory or product, for which we have designated or approved suppliers, from an unapproved supplier.

12.1.1.6. **Breach of Other Agreements.** If you (or any of your principals if you are a partnership, corporation, or limited liability company) materially breach any other agreement with us or any of our affiliates, or threaten any material breach of any such agreement, lease or sublease for the Factory premises, and do not cure the breach within any permitted period for cure.

12.1.1.7. **Trademark and Trade Secret Violation.** If you materially violate any provision hereof pertaining to Proprietary Marks or Confidential Information or misuse the Proprietary Marks or Confidential Information licensed hereunder.

12.1.1.8. **Violation of Health Code**. If you violate any health, safety or sanitation law, ordinance or regulation or operate the Factory in a manner that presents a health or safety hazard to customers or the general public and fail to cure the violation within 48 hours. We shall have the right to require you to close the Factory until any such violation has been completely cured.

12.1.1.9. **Breach of Lease or Sublease**. If you breach any provision of your lease or sublease for the premises of the Factory, and do not cure the breach within any permitted period for cure.

12.1.1.10. **Violation of In-term Restrictive Covenant**. If you violate the in-term restrictive covenant contained in Section 10.5.

12.1.1.11. **Voluntary Bankruptcy.** If you or your principals (if you are a corporation, partnership or limited liability company) make an assignment for the benefit of creditors, file a voluntary petition in bankruptcy, are adjudicated bankrupt or insolvent, file or acquiesce in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consent to or acquiesce in the appointment of a trustee or receiver for you or for the franchised business.

12.1.1.12. **Involuntary Bankruptcy.** If proceedings are commenced to have you or any of your principals (if you are a corporation, partnership or limited liability company) adjudicated bankrupt or to seek your reorganization under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within 60 days, or a trustee or receiver is appointed for you or for the Factory without your consent, and the appointment is not vacated within 60 days.

12.1.1.13. **Liens.** If a levy or writ of attachment or execution or any other lien is placed against you or any of your principals (if you are a corporation, partnership or limited liability



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company) or your guarantor under Section 17 hereof, or any of their respective assets, which is not released or bonded against within 30 days.

12.1.1.14. **Insolvency.** If you (or any of your principals if you are a corporation, partnership or limited liability company) are insolvent.

12.1.1.15. **Abandonment.** If you voluntarily or otherwise abandon the franchised business. The term "abandon" means any conduct which indicates a desire or intent to discontinue the Factory in accordance with the terms of this Agreement and will apply in any event if you fail to operate the Factory as a Philly Pretzel Factory for a period of 2 or more consecutive days without our prior written approval.

12.1.1.16. **Unapproved Suppliers**. You order or purchase supplies, signs, furnishings, fixtures, equipment or inventory from a supplier who is not then-currently approved by us.

12.1.1.17 **Anti-Terrorist Activities.** You fail to comply with the provisions of Section 16.11 below.

12.1.2. **With Cause After 15-Day Notice to Cure.** We have the right to terminate this Agreement upon 15 days' written notice to you, if any of the following defaults remain uncured after expiration of the 15-day cure period:

12.1.2.1. **Nonpayment.** You fail to pay as and when due any sums you owe us or any of our affiliates under this Agreement, or any of your suppliers, or under any other agreement by which you have become obligated to pay any sums to us or any of our affiliates.

12.1.2.2. **Failure to Complete Training**. If you fail to complete initial training as provided in Section 9.1.

12.1.2.3. **Failure to Open**. If you fail to commence operations of your Factory within 12 months from the date you sign this Agreement.

12.1.2.4. **Failure to Procure a Site**. If you fail to locate a mutually acceptable site within 180 days of executing the Site Addendum.

12.1.2.5. **Interruption of Service.** If you fail to maintain the prescribed hours of operation at the Factory.

12.1.2.6. **Failure to Participate in the On-Premises Supervision of Your Franchised Business**. If you (or one of your principals if you are a partnership, corporation or limited liability company), or your approved manager, fail to personally participate in the on-premises day-to-day supervision of the franchised business.

12.1.2.7. **Quality Control**. If you fail to maintain the strict quality controls reasonably required by this Agreement and/or the Operations Manual.

12.1.2.8. **Conduct Reflecting Adversely on System.** If you (or your principals if you are a corporation, partnership or limited liability company), or your approved manager,



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conduct yourself in a manner that, although not criminal, reflects adversely on the System, the Proprietary Marks, the products offered through the System, or our officers or directors.

12.1.2.9. **Unauthorized Transfer**. If you surrender or transfer control of the operation of the Factory, make any unauthorized direct or indirect assignment of the franchise or an ownership interest in franchise, or you fail or refuse to assign the franchise or the interest in a deceased or disabled controlling owner thereof, as required in this Agreement.

12.1.3. **With Cause after 30-Day Notice to Cure.** We have the right to terminate this Agreement upon 30 days' written notice to you, if you fail to perform or comply with any one or more of the terms or conditions of this Agreement or any ancillary agreements between you and us or our affiliates and such default remains uncured after expiration of the 30 day cure period.

12.2. **Cure**. If you fail to cure the alleged breach within the applicable period of time set forth in this Section 12, then this Agreement must be considered terminated as of the date stated in the default notice, the last day of the cure period. For purposes of this Agreement, your alleged breach of this Agreement will be deemed cured if both you and we agree in writing that the alleged breach has been corrected.

12.3. **Our Right to Operate the Factory in the Event of Default**. In addition to our right to terminate this Agreement, and not in lieu of such right, or any other rights we have against you, upon a failure to cure any default within the applicable cure period (if any), we may enter upon the premises of the Factory and exercise complete authority with respect to the operation of the Factory until such time as we determine that the default has been cured, and you are otherwise in compliance with this Agreement. You agree to pay us a service fee not less than $200 per day, in addition to all travel expenses reasonably incurred by our representative(s), for so long as the default exists. In the event that we undertake to operate the Factory as provided for in this Section 12.3, you agree to indemnify and hold us (and our representative(s)) harmless from and against any fines, claims, suits or proceedings resulting from our operation of the Factory.

12.4. **Nonwaiver.** Our delay in exercising or failing to exercise any right or remedy under this Agreement or our acceptance of any late or partial payment due hereunder will not constitute a waiver of any of our rights or remedies against you.

## 13. RIGHTS AND DUTIES UPON TERMINATION OR EXPIRATION

13.1. **Your Obligations.** Upon termination of this Agreement, regardless of the cause, and upon expiration and nonrenewal or transfer of this Agreement, you must:

13.1.1. Cease immediately all operations under this Agreement;

13.1.2. Pay immediately to us all unpaid fees and pay us and our affiliates all other monies owed;

13.1.3. Discontinue immediately the use of the Proprietary Marks;

13.1.4. Immediately return the Operations Manual to us and all other manuals and Confidential Information we loaned to you and immediately cease to use the Confidential Information;



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13.1.5. Immediately return all proprietary software, if any, to us or our designee.

13.1.6. Immediately cease using all telephone numbers and listings and domain names, as applicable, used in connection with the operation of the Factory and direct the transfer of all telephone numbers and domain names to us or our designee, or, if we so direct, to disconnect the numbers or cancel the domain name(s);

13.1.7. Immediately vacate the Premises if we exercise our rights under the Collateral Assignment of Lease attached as Exhibit D;

13.1.8. Promptly surrender all stationery, printed materials, signs, advertising materials and other items containing the Proprietary Marks as we direct and all items which are a part of the trade dress of the System;

13.1.9. Cease to hold yourself out as a System franchisee;

13.1.10. Take such action as must be necessary to amend or cancel any assumed name, business name or equivalent registration which contains any trade name or other Proprietary Mark licensed by us and furnish us with evidence to our satisfaction of your compliance with this obligation within 30 calendar days after the termination, expiration or transfer of this Agreement;

13.1.11. Permit us to make final inspection of your financial records, books, and other accounting records within six months of the effective date of termination, expiration, or transfer; and

13.1.12. Comply with the post-termination covenants set forth in Section 10.5 hereof, all of which must survive the transfer, termination, or expiration of this Agreement.

13.2. **Power of Attorney.** We are hereby irrevocably appointed as your attorney-in-fact to execute in your name and on your behalf all documents necessary to discontinue your use of the Proprietary Marks and the Confidential Information.

13.3. **Security Interest in Personal Property.** We shall have a security interest in any equipment, supplies and other personal property on the site, if we have not received all funds due and owing from you and if we are entitled by law to possession and a lien against such property.

## 14. OPTION TO PURCHASE PERSONAL PROPERTY.

14.1. **Option.** Upon the termination or expiration of this Agreement, we or our designee shall also have the option, but not the obligation, to purchase any equipment, including the pretzel stringing equipment, and any other personal property used in connection with operation of your Business by providing you written notice of our election within 15 days after such termination or expiration and paying you the book value for such personal property within 60 days of such notice. For purposes of this paragraph, "book value" means the amount you actually paid for the personal property less depreciation (calculated by using the straight-line depreciation method on a ten-year depreciation schedule irrespective of the depreciation method or schedule you use for accounting purposes). Notwithstanding the foregoing, to the extent that we exercise our right to purchase any personal property that is subject to a lease or finance agreement, the purchase price of such personal property shall equal the amount of your remaining obligations under the lease or finance agreement, as applicable. We shall be entitled to offset the purchase



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price by the amount of money owed by you to us for any payments necessary to acquire clear title to property or for any other debt. If we exercise our option to purchase, pending the closing of such purchase, we have the right to appoint a manager to maintain operation of the Business, or we may require that you close the Business during such period without removing any assets. You are required to maintain in force all insurance policies required under this Agreement until the date of such closing. We have the unrestricted right to assign this option to purchase the Business. We will be entitled to all customary warranties and representations in connection with our purchase of your property, including, without limitation, representations and warranties as to ownership and condition of and title to the property; liens and encumbrances on the property; validity of contracts and agreements; and liabilities affecting the property, contingent or otherwise.

14.2. **Exclusions.** We may exclude from the personal property purchased hereunder cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the Business's operation or that we have not approved as meeting standards for Philly Pretzel Factory businesses.

## 15. NOTICES

All notices, requests and reports to be given under this Agreement are to be in writing, and delivered either by hand, overnight mail, or certified mail, return receipt requested (except that regular monthly and other reports from you may be sent by regular mail), prepaid, to the following addresses (which may be changed by written notice):

Franchisee: _____

_____

Franchisor: Soft Pretzel Franchise Systems, Inc.
1525 Ford Road
Bensalem, Pennsylvania 19020

With a copy to: Lane Fisher, Esq.
Fisher Zucker LLC
21 South 21st Street
Philadelphia, PA 19103

## 16. INTERPRETATION

16.1. **Entire Agreement/Amendments.** This Agreement contains the entire agreement between the parties; nothing in this Agreement or any related agreement is intended to disclaim the representations we made in the franchise disclosure document. This agreement may not be modified except by a written document signed by both parties.

16.2. **Applicable Law; Dispute Resolution.**

16.2.1. Applicable Law. This Agreement takes effect upon its acceptance and execution by us, and shall be interpreted and construed under the laws of the Commonwealth of Pennsylvania, which laws shall prevail in the event of any conflict of law. You acknowledge that this Agreement has been



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entered into in the Commonwealth of Pennsylvania, and that you are to receive valuable and continuing services emanating from our headquarters in Pennsylvania, including but not limited to assistance, support and the development of the System. In recognition of such services and their origin, you hereby irrevocably consent to personal jurisdiction in the Commonwealth of Pennsylvania as set forth above.

16.2.2. Internal Dispute Resolution. Franchisee must first bring any claim or dispute between you and us to our President and/or Chief Executive Officer, after providing notice as set forth in Section 16.2.6 below. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

16.2.3. Mediation. At our option, all claims or disputes between you and us or our affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between you and us or our affiliates, or any of the parties' respective rights and obligations arising from such agreement, must be submitted first to mediation, in Philadelphia County, Pennsylvania, under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against us or our affiliates with respect to any such claim or dispute, you must submit a notice to us, which specifies, in detail, the precise nature and grounds of such claim or dispute. We will have a period of 60 days following receipt of such notice within which to notify you as to whether we or our affiliates elect to exercise our option to submit such claim or dispute to mediation. You may not commence any action against us or our affiliates with respect to any such claim or dispute in any court unless we fail to exercise our option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by us. We may specifically enforce our rights to mediation, as set forth under this Agreement. Each party shall bear its own cost of mediation and you shall share the mediation costs equally with us.

16.2.4 Arbitration. Except as otherwise provided in this Agreement, all disputes and claims relating to this Agreement or any other agreement entered into between the parties, the rights and obligations of the parties, or any other claims or causes of action relating to the making, interpretation, or performance of either party under this Agreement, shall be settled by arbitration in Philadelphia, Pennsylvania in accordance with the Federal Arbitration Act, and administered by the American Arbitration Association ("AAA") pursuant to the AAA Commercial Arbitration Rules, except that there shall be no class action arbitration nor a consolidation of Franchisee's proceeding with any other proceeding between Franchisor and any other person or entity. The right and duty of the parties to this Agreement to resolve any disputes by arbitration shall be governed by the Federal Arbitration Act, as amended, except that there shall be no class action arbitration nor a consolidation of Franchisee's proceeding with any other proceeding between Franchisor and any other person or entity. The following shall supplement and, in the event of a conflict, shall govern any arbitration: If the claim is for less than $30,000 then the matter shall be heard before a single arbitrator selected from the AAA list of arbitrators. If the claim, or a counterclaim, is for $30,000 or more, the matter shall be heard before a panel of three (3) arbitrators and each party shall appoint its own arbitrator, and the appointed arbitrators shall appoint a "neutral" arbitrator who shall be a member of the American Bar Association's Forum on Franchising in good standing for at least five (5) years. Each party must bear its own costs of arbitration including the fee for their respective arbitrator, provided, however, that the neutral or the single arbitrator's fee shall be shared equally by the parties. The arbitrators will be bound to the Federal Rules of Evidence and Discovery, and shall be governed by the Federal Rules of Civil Procedure. The arbitrators shall have no authority to determine class action claims or other consolidated claims and shall have no authority to amend or modify the terms of the Agreement. To the



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extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration, except to the extent such issue may have been determined in another proceeding between the parties. Judgment upon the award of the arbitrator shall be submitted for confirmation to the United States District Court for the Eastern District of Pennsylvania and, if confirmed, may be subsequently entered in any court having competent jurisdiction. This agreement to arbitrate shall survive any termination or expiration of this Agreement.

16.2.4.1. The parties shall not be required to first attempt to arbitrate a controversy, dispute, or claim through arbitration as set forth in this Section 16.2 if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating):

(a) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information;
(b) any claims pertaining to or arising out of any warranty issue;
(c) any of the restrictive covenants contained in this Agreement; or
(d) any claims to collect past due amounts owed to Franchisor or its affiliates.

16.2.5. Selection of Venue. Nothing contained in this Agreement shall prevent Franchisor from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interests. With respect to any proceeding not subject to arbitration, the parties expressly agree to the exclusive jurisdiction and venue of any court of general jurisdiction in Philadelphia, Pennsylvania and the jurisdiction and venue of the United States District Court for the Eastern District of Pennsylvania in Philadelphia, Pennsylvania. Franchisee acknowledges that this Agreement has been entered into in the Commonwealth of Pennsylvania, and that Franchisee is to receive valuable and continuing services emanating from our headquarters in Philadelphia, Pennsylvania, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Pennsylvania set forth above. The parties agree that all proceedings, whether mediation, arbitration or litigation, will be conducted on an individual, not a class-wide basis, and that any proceeding between Franchisee, Franchisee's guarantors, and Franchisor or its affiliates or employees may not be consolidated with any other proceeding between Franchisor and any other person or entity.

16.2.6. Injunctive Relief. Nothing in this Agreement shall prevent Franchisor from seeking to obtain injunctive relief, without posting a bond, against threatened conduct that will cause Franchisor loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions. If injunctive relief is granted, Franchisee's only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Franchisee expressly waives all claims for damages Franchisee incurred as a result of the wrongful issuance.

16.2.7. Third Party Beneficiaries. Our principals, agents and/or employees are express third party beneficiaries of the mediation and arbitration provision contained in this Agreement, each having



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authority to specifically enforce the right to mediate or arbitrate claims asserted against such person(s) by you. Franchisee is not a third-party beneficiary to any other agreement.

16.2.8. Prior Notice of Claims. As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, you must notify us within 30 days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

16.2.9. Limitation of Action. You further agree that no cause of action between you and us, including those arising out of or under this Agreement may be maintained by you against us unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim against us hereunder, whichever occurs sooner, and that any action not brought within this period will be barred as a claim, counterclaim, defense, or set-off. You hereby waive the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by us, including, without limitation, rescission of this Agreement, in any mediation, judicial, arbitration or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

16.2.10. Waiver of Punitive Damages. You hereby waive to the fullest extent permitted by law, any right to or claim or any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against us arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, your recovery is limited to your actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

16.3. **Construction of Language.** The language of this Agreement must be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as "you," their obligations and liabilities will be joint and several. Headings are for reference purposes and do not control interpretation. Reference to your “principals” includes your officers, directors and shareholders, if you are a corporation, your general and limited partners, if you are a partnership, and your members and managers, if you are a limited liability company. Reference to your "immediate family" includes the spouse, parent, children and siblings of you and the parents, children and siblings of your spouse.

16.4. **Binding Upon Successors**. This Agreement is binding upon and inures to the benefit of the heirs, personal representatives, and the permitted successors and assigns of you and us except to the extent explicitly provided to the contrary in this Agreement. Nothing in this Agreement is intended to confer any rights or benefits on anybody other than the parties to this Agreement and their permitted successors and assigns.

16.5. **Severability.** If any provision of this Agreement is deemed invalid or inoperative for any reason, that provision shall be deemed modified to the extent necessary to make it valid and operative or, if it cannot be so modified, it must then be severed, and the remainder of that provision will continue in full force and effect as if this Agreement had been signed with the invalid portion so modified or eliminated, provided, however, that if any part of this Agreement relating to payments to us or any of our affiliates or



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protection of the Proprietary Marks, or the Confidential Information, including the Operations Manual and our other trade secrets, is declared invalid or unenforceable, then we at our option may terminate this Agreement immediately upon written notice to you.

16.6. **Additional Documentation**. You must from time to time, subsequent to the date first set forth above, at our request and without further consideration, execute and deliver such other documentation or agreement and take such other action as we reasonably may require in order to effectuate the transactions contemplated herein. In the event that you fail to comply with the provisions of this Section, you hereby appoint us as your attorney-in-fact to execute any and all documents on your behalf, reasonably necessary to effectuate the transactions contemplated herein.

16.7. **No Right to Offset**. You may not withhold all or any part of any payment to us or any of our affiliates on the grounds of the alleged nonperformance of us or any of our affiliates or as an offset against any amount we or any of our affiliates may owe or allegedly owe you under this Agreement or any related agreements.

16.8. **Force Majeure.** Neither you, we, nor our affiliates will be liable for loss or damage or deemed to be in breach of this Agreement or any related agreement if its failure to perform its obligations is not the fault nor within the reasonable control of the person due to perform but results from, without limitation, fire, flood, natural disasters, acts of God, governmental acts or orders, or civil disorders. Any delay resulting from any such cause will extend the time of performance for the period of such delay or for such other reasonable period of time as the parties agree in writing or will excuse performance, in whole or in part, as we deem reasonable.

16.9. **State Law Applies.** If any provision of this Agreement, including but not limited to its provisions for transfer, renewal, termination, notice of termination, or cure rights, is inconsistent with any valid law or regulation of the state in which your Factory is located, then the valid law or regulation of that state applicable to the Factory must supersede any provision of this Agreement that is less favorable to you.

16.10 **Jury Trial Waiver.** WITH RESPECT TO ANY PROCEEDING NOT SUBJECT TO ARBITRATION, THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES TO THIS AGREEMENT WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE FRANCHISE AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR YOUR PURCHASE FROM FRANCHISOR OF THE FRANCHISE, OPTION AND/OR ANY GOODS OR SERVICES.

16.11 **Compliance with Anti-Terrorist Laws**. You certify that neither you nor your owners, principals, employees or anyone associated with you is listed in the Annex to Executive Order 13224. You agree not to hire or have any dealings with a person listed in the Annex. You certify that you have no knowledge or information that, if generally known, would result in you or your owners, principals, employees, or anyone associated with you being listed in the Annex to Executive Order 13224 as amended or superseded. You agree to comply with and/or assist us to the fullest extent possible in our efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, you certify, represent, and warrant that none of your property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that you and your owners or principals are not otherwise in violation of any of the Anti-Terrorism Laws. You are solely responsible for ascertaining what actions must be taken by you



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to comply with all such Anti-Terrorism Laws, and you specifically acknowledge and agree that your indemnification responsibilities as provided in Section 10.2 of this Agreement also pertain to your obligations under this Section 16.11. Any misrepresentation by you under this Section or any violation of the Anti-Terrorism Laws by you or your owners, principals or employees shall constitute grounds for immediate termination of this Agreement and any other agreement you have entered into with us or our affiliates in accordance with the terms of Section 12.1.1.17 of this Agreement. As used herein, "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority (including without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

16.12 **Uniformity**. You acknowledge that some of our present franchisees may operate under different forms of Franchise Agreements and, consequently, that our obligations and rights with respect to our various franchisees may differ materially in certain circumstances.

## 17. REPRESENTATIONS

17.1. **No Authority. NO SALESPERSON, REPRESENTATIVE OR OTHER PERSON HAS THE AUTHORITY TO BIND OR OBLIGATE US EXCEPT AN OFFICER AUTHORIZED BY US IN A WRITTEN DOCUMENT. YOU ACKNOWLEDGE THAT NO REPRESENTATIONS, PROMISES, INDUCEMENTS, GUARANTEES OR WARRANTIES OF ANY KIND WERE MADE BY OR ON BEHALF OF US WHICH HAVE LED YOU TO ENTER INTO THIS AGREEMENT. YOUR SUCCESS AS A FRANCHISEE IS LARGELY DEPENDENT UPON YOUR EFFORTS, BUSINESS JUDGMENTS, THE PERFORMANCE OF YOUR EMPLOYEES, MARKET CONDITIONS AND VARIABLE FACTORS BEYOND OUR CONTROL OR INFLUENCE. YOU ACKNOWLEDGE THAT SOME FRANCHISEES ARE MORE OR LESS SUCCESSFUL THAN OTHER FRANCHISEES AND THAT WE HAVE MADE NO REPRESENTATION THAT YOU WILL DO AS WELL AS ANY OTHER FRANCHISEE.**

17.2. **Receipt. YOU ACKNOWLEDGE RECEIPT OF OUR FRANCHISE DISCLOSURE DOCUMENT WITHIN 14 CALENDAR DAYS PRIOR TO THE EXECUTION OF THIS AGREEMENT. YOU FURTHER ACKNOWLEDGE THAT YOU RECEIVED A COMPLETED COPY OF THIS AGREEMENT, AND ALL RELATED AGREEMENTS ATTACHED TO THE FRANCHISE DISCLOSURE DOCUMENT, WITH ANY CHANGES TO SUCH AGREEMENTS UNILATERALLY AND MATERIALLY MADE BY US AT LEAST SEVEN (7) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT AND ALL RELATED AGREEMENTS WERE EXECUTED.**

17.3. **Opportunity for Review by your Advisors. YOU ACKNOWLEDGE THAT WE HAVE RECOMMENDED, AND THAT YOU HAD THE OPPORTUNITY TO OBTAIN, REVIEW OF THIS AGREEMENT AND OUR FRANCHISE DISCLOSURE DOCUMENT BY FRANCHISEE'S LAWYER, ACCOUNTANT OR OTHER BUSINESS ADVISOR PRIOR TO EXECUTION HEREOF.**



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17.4. **Execution of Agreement. EACH OF THE UNDERSIGNED PARTIES WARRANTS THAT IT HAS THE FULL AUTHORITY TO SIGN AND EXECUTE THIS AGREEMENT. IF YOU ARE A PARTNERSHIP OR CORPORATION, THE PERSON EXECUTING THIS AGREEMENT ON BEHALF OF SUCH PARTNERSHIP OR CORPORATION WARRANTS TO US, BOTH INDIVIDUALLY AND IN HIS CAPACITY AS PARTNER OR OFFICER, THAT ALL OF THE PARTNERS OF THE PARTNERSHIP OR ALL OF THE SHAREHOLDERS OF THE CORPORATION, AS APPLICABLE, HAVE READ AND APPROVED THIS AGREEMENT, INCLUDING ANY RESTRICTIONS WHICH THIS AGREEMENT PLACES UPON RIGHTS TO TRANSFER THEIR INTEREST IN THE PARTNERSHIP OR CORPORATION.**

17.5 **No Personal Liability.** You agree that fulfillment of any and all of our obligations written in this Agreement or based on any oral communications which may be ruled to be binding in a Court of Law shall be our sole responsibility and none of our agents, representatives, nor any individuals associated with us shall be personally liable to you for any reason. This is an important part of this Agreement. You acknowledge that nothing you believe you have been told by us or its representatives will be binding unless it is written in this Agreement. This is an important part of this Agreement. Do not sign this Agreement if there is any question concerning its contents or any representations made.

## 18. GUARANTEE OF PRINCIPALS AND THEIR SPOUSES

If you are a corporation, or subsequent to execution hereof, you assign this Agreement to a corporation, all shareholders of your outstanding shares and their spouses (or if you are a partnership, or subsequent to execution hereof, you assign this Agreement to a partnership, all general partners and their spouses, or if you are a limited liability company, or subsequent to execution hereof you assign this Agreement to a limited liability company, all members and managers and their spouses) hereby personally and unconditionally guarantee without notice, demand or presentment the payment of all of your monetary obligations under this Agreement and any other agreement between you and us and/or our affiliates, as if each were an original party to this or any other agreement in his or her individual capacity. All such personal guarantors further agree to be bound by the restrictions upon your activities upon transfer, termination or expiration and nonrenewal of this Agreement as if each were an original party to this Agreement in his or her individual capacity. All such personal guarantors must execute a continuing personal guarantee in the form attached to this Agreement as Exhibit B.

***Signatures appear on following page.***



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**IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES TO THIS AGREEMENT HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.**

**FRANCHISEE**:

_____ _____

Witness/Attest (Individual, Partnership or Corporation Name)

By: _____

Title: _____

By: _____

Title: _____

**PERSONAL GUARANTORS**

_____ _____

Witness

_____ _____

Witness

**FRANCHISOR:**

Attest: **SOFT PRETZEL FRANCHISE SYSTEMS, INC.**

_____ By: _____

Date: _____



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**EXHIBIT A**
**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE AGREEMENT**

**SITE SELECTION ADDENDUM**

Soft Pretzel Franchise Systems, Inc. ("we") and _____("you"), have this _____day of _____, 20____, entered into a Franchise Agreement for the operation of a retail store using our Proprietary Marks and System (the "**Factory**") and desire to supplement its terms, as set forth below. The parties therefore agree as follows:

1. Within one hundred eighty (180) days after you execute the Franchise Agreement, you shall obtain a site, at your expense, for the business franchised under the Franchise Agreement (the "Franchised Business"), which site we shall approve as hereinafter provided. The site shall be within the following territory:

_____

_____

_____ (the "Search Area").

2. Your failure to obtain a site for the **Factory** within the time required in Paragraph 1 shall constitute a default under the Franchise Agreement and this Site Selection Addendum. Time is of the essence.

3. Prior to your acquisition by lease or purchase of a site for the **Factory**, you shall submit to us, in the form we specify, a completed site review form, such other information or materials as we may reasonably require, and a letter of intent or other evidence satisfactory to us which confirms your favorable prospects for obtaining the proposed site. We shall have thirty (30) days after receipt of such information and materials from you to approve or disapprove, in our sole discretion, the site as a location for the **Factory**. No proposed site shall be deemed approved unless we have expressly approved it in writing.

4. We shall furnish to you such site selection guidelines, consultation and on-site evaluation as we deem advisable as part of our evaluation of your request for site approval. We shall not, however, provide on-site evaluation for any proposed site prior to our receipt of the information and materials required by Paragraph 3 hereof. If we deem on-site evaluation necessary and appropriate, we shall conduct up to 2 on-site evaluations at our cost. For each additional on-site evaluation (if any), you shall reimburse us for our reasonable expenses including, without limitation, the costs of travel, lodging, and meals.

5. If you will occupy the **Factory** premises under a lease, you shall, prior to the execution of the lease, submit the lease to us for our written approval. Our approval of the lease will be conditioned upon your execution of a Collateral Assignment of Lease in the form we prescribe and the inclusion of the following terms and conditions:

a. That the initial term of the lease, or the initial term together with renewal terms, shall be for not less than 5 years with the option to renew the lease for 2 5-year terms;

b. That the lessor consents to your use of such Proprietary Marks and initial signage as we may prescribe for the **Factory**;

c. That the use of the premises be restricted solely to the operation of the **Factory**;

d. That you be prohibited from subleasing or assigning all or any part of your occupancy rights or extending the term of or renewing the lease without our prior written consent;

e. That the lessor provide to us copies of any and all notices of default given to you under the lease simultaneously with your notice;

f. That we have the right to enter the premises to make modifications necessary to protect the Proprietary Marks or the System or to cure any default under the Franchise Agreement or under the lease; and

g. That we (or our designee) have the option, upon default, expiration, or termination of the Franchise Agreement, and upon notice to the lessor, to assume all of your right under the lease terms, including the right to assign or sublease.

6. You shall furnish us a copy of any executed lease within 10 days after execution thereof.

7. After we have approved a site for the **Factory** in writing and you have acquired the site in accordance with Paragraphs 4 and 5 hereof, the site shall constitute the Approved Location referred to in Section 1.2 of the Franchise Agreement.

8. You hereby acknowledge and agree that our approval of a site does not constitute an assurance, representation or warranty or any kind, express or implied, as to the suitability of the site for the **Factory** or for any other purpose. Our approval of the site indicates only that we believe the site complies with acceptable minimum criteria established by us solely for our purposes as of the time of the evaluation Both parties to this Agreement acknowledge the application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to our approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from our criteria could change thereby altering the potential of a site. Such factors are unpredictable and are beyond our control. We shall not be responsible for the failure of a site approved by us to meet your expectations as to revenue or operational criteria. You further acknowledge and agree that your acceptance of a franchise for the operation of the **Factory** at the site is based on your own independent investigation of the suitability of the site.

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

*Signatures appear on following page.*

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

Attest:

**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**

_____

By: _____

**FRANCHISEE**

_____

_____

Witness

_____

_____

Witness

**EXHIBIT B**
**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE AGREEMENT**
**PERSONAL GUARANTEE**

NOTE: IF FRANCHISEE IS A CORPORATION, EACH OF FRANCHISEE'S SHAREHOLDERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A PARTNERSHIP, EACH OF FRANCHISEE'S GENERAL PARTNERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A LIMITED LIABILITY COMPANY, EACH OF FRANCHISEE'S MEMBERS AND MANAGERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING.

## ARTICLE I
## PERSONAL GUARANTEE

The undersigned persons (individually and collectively "you") hereby represent to Soft Pretzel Franchise Systems, Inc. ("Franchisor") that you are all of the shareholders of the franchisee, or all of the general partners of the franchisee, or all of the members and managers, or the spouse of any such shareholder, general partner, or member or manager of _____ ("Franchisee"), as the case may be. In consideration of the grant by Franchisor to the Franchisee of the right to operate a Philly Pretzel Factory (the "Factory"), each of you hereby agree, in consideration of benefits received and to be received by each of you, jointly and severally, and for yourselves, your heirs, legal representatives and assigns, to be firmly bound by all of the terms, provisions and conditions of the foregoing Soft Pretzel Franchise Systems, Inc. Franchise Agreement, and any other agreement between Franchisee and Franchisor and/or its affiliates, and do hereby unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the aforesaid Franchise Agreement or other agreement between Franchisor and Franchisee, including, without limitation, any indebtedness of Franchisee arising under or by virtue of the aforesaid Franchise Agreement and that you (jointly and individually) will not permit or cause any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first obtaining the written consent of Franchisor prior to said proposed transfer, which consent must not be unreasonably withheld, and without first paying or causing to be paid to Franchisor the transfer fee provided for in said Franchise Agreement, if applicable, and without otherwise complying with the transfer provisions of the foregoing Franchise Agreement. You agree to be bound by the dispute resolution procedures set forth in the Franchise Agreement. You further agree to be bound by the in-term and post-term covenants against competition of the aforesaid Franchise Agreement.

## ARTICLE II
## CONFIDENTIALITY

During the initial and any renewal terms of the Franchise Agreement and this Guaranty, you will receive information, which Franchisor considers its trade secrets and confidential information ("Confidential Information"). You shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information and trade secrets, including, without limitation, standards and specifications for soft pretzel recipes, baking equipment and the buildout of a Philly Pretzel Factory, information about proprietary merchandise, any proprietary software Franchisor may now or in the future create, the Operations Manual, the company's copyrighted materials, price marketing mixes related to the offer and sale of Soft Pretzel products, any other goods or services offered or authorized for sale by Soft Pretzel Franchise Systems' franchisees, and methods and other techniques and know-how concerning the

operation of the Philly Pretzel Factory that may be communicated to you or of which you may become apprised by virtue of your role as a guarantor of the franchisee's obligations under the Franchise Agreement. You also acknowledge and agree that certain customer information, including (i) current customer and prospective customer names and addresses, (ii) information about credit extensions to customers, (iii) customer service purchasing histories, (iv) rates charged to customers (subsections (i) through (iv) collectively referred to as "Customer Lists"), and (v) sources of suppliers, also constitute the trade secrets and confidential proprietary information of Franchisor. Any and all information, knowledge, know-how, techniques, and other data, which Franchisor designates as confidential, will be deemed Confidential Information for purposes of this Agreement.

## ARTICLE III
## NON-COMPETITION

You acknowledge that as a participant in the Franchisor's Franchise System, you will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which Franchisor has developed. Therefore, to protect Franchisor and all Franchisor's franchisees, you agree as follows:

1) **During the Term of the Franchise Agreement and this Guaranty.** During the term of the Franchise Agreement and this Personal Guaranty, neither you, nor your principals, officers, directors, nor any members your immediate family or the immediate family of your officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

    a) Own, maintain, engage in, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any other business offering or licensing others to offer, in whole or in part, soft pretzel products, ice cream/water ice or any other goods and services offered or authorized for sale by System franchisees, provided, however, that this Section does not apply to your operation of any other Philly Pretzel Factory under the Proprietary Marks and System;

    b) Divert or attempt to divert any business or customer of the Factory to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

2) **After the Term of This Agreement.**

    a) For a period of two years after the expiration and nonrenewal, transfer or termination of the Franchise Agreement, regardless of the cause, neither you, your officers, directors, or principals, nor any member of your immediate family or the immediate family of your officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation enter into any business competing in whole or in part with Franchisor in granting franchises or licenses to operate businesses offering soft pretzel products, or any other goods or services offered or authorized for sale by System franchisees at the time the Franchise Agreement is terminated, transferred or otherwise expires and is not renewed.

b) For a period of two years after the expiration and nonrenewal, transfer or termination of the Franchise Agreement, regardless of the cause, neither you, your officers, directors, or principals, nor any member of your immediate family or the immediate family of your officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

(i) Own, maintain, engage in, be employed by, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any other business which offers, in whole or in part, soft pretzel products, or any other goods or services offered or authorized for sale by System franchisees at the time the Franchise Agreement is terminated, transferred or otherwise expires and is not renewed, (i) at the Factory's premises; (ii) within the Territory; or (iii) within a radius of ten (10) miles of the perimeter of (a) the Territory being granted hereunder or (b) any other Territory licensed by Franchisor as of the date of expiration or termination of this Agreement; or

(ii) Solicit business from customers of Franchisee's former Factory;

(iii) Contact any of Franchisor's suppliers or vendors for any competitive business purpose;

(iv) Solicit any of our employees, or the employees of Franchisor's affiliates or any other System franchisee to discontinue employment; or

(v) Enter into any business competing in whole or in part with Franchisor in granting franchises or licenses to operate businesses offering soft pretzel products or other products or services offered or authorized for sale by System franchisees at the time the Agreement is terminated, transferred or otherwise expires and is not renewed.

3) **Intent and Enforcement**. It is the parties' intent that the provisions of this Article III be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained in this Personal Guarantee shall not render any other part unenforceable. In the event of the actual or threatened breach of this Article III by you, any of your principals, or any members of their immediate family, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. You agree that in the event of the actual or threatened breach of this Article III, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. You acknowledge and agree that you have previously worked or been gainfully employed in other careers and that the provisions of this Article III in no way prevent you from earning a living. You further acknowledge and agree that the time limitation of this Article III shall be tolled during any default under the Franchise Agreement and this Guaranty.

## ARTICLE IV
## MISCELLANEOUS

1) **Acknowledgment**. You acknowledge that this Guarantee is not a franchise agreement and does not confer upon you any rights to use the Franchisor's proprietary marks or its system.

2) **Governing Law.** This Guarantee shall be deemed to have been made in and governed by the laws of the Commonwealth of Pennsylvania.

3) **Internal Dispute Resolution.** You must first bring any claim or dispute arising out of or relating to the Franchise Agreement or this Personal Guarantee to Franchisor's Chief Executive Officer and/or President. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third party. This agreement to engage in internal dispute resolution first shall survive the termination or expiration of this Agreement.

4) **Mediation.** At Franchisor's option, all claims or disputes between you and Franchisor arising out of, or in any way relating to, this Personal Guarantee or the Franchise Agreement or any other agreement by and between you and the Franchisor, or any of the parties' respective rights and obligations arising from such agreements must be submitted first to mediation, in Philadelphia, Pennsylvania, under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, you must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of 30 days following receipt of such notice within which to notify you as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. You may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party shall bear its own cost of mediation and the parties shall share the cost of mediator. This agreement to mediate at our option shall survive the termination or expiration of the Franchise Agreement.

5) **Arbitration**. Except as otherwise provided in this Agreement, all disputes and claims relating to this Personal Guarantee or any other agreement entered into between the parties, the rights and obligations of the parties, or any other claims or causes of action relating to the making, interpretation, or performance of either party under this Agreement, shall be settled by arbitration in Philadelphia, Pennsylvania in accordance with the Federal Arbitration Act, and administered by the American Arbitration Association ("AAA") pursuant to the AAA Commercial Arbitration Rules, except that there shall be no class action arbitration nor a consolidation of Franchisee's proceeding with any other proceeding between Franchisor and any other person or entity. The right and duty of the parties to this Personal Guarantee to resolve any disputes by arbitration shall be governed by the Federal Arbitration Act, as amended, except that there shall be no class action arbitration nor a consolidation of Franchisee's proceeding with any other proceeding between Franchisor and any other person or entity. The following shall supplement and, in the event of a conflict, shall govern any arbitration: If the claim is for less than $30,000 than the matter shall be heard before a single arbitrator selected from the AAA list of arbitrators. If the claim, or a counterclaim, is for $30,000 or more, the matter shall be heard before a panel of three (3) arbitrators and each party shall appoint its own arbitrator, and the appointed

arbitrators shall appoint a "neutral" arbitrator who shall be a member of the American Bar Association's Forum on Franchising in good standing for at least five (5) years. Each party must bear its own costs of arbitration including the fee for their respective arbitrator, provided, however, that the neutral or the single arbitrator's fee shall be shared equally by the parties. The arbitrators will be bound to the Federal Rules of Evidence and Discovery, and shall be governed by the Federal Rules of Civil Procedure. The arbitrators shall have no authority to determine class action claims or other consolidated claims and shall have no authority to amend or modify the terms of the Agreement. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration, except to the extent such issue may have been determined in another proceeding between the parties. Judgment upon the award of the arbitrator shall be submitted for confirmation to the United States District Court for the Eastern District of Pennsylvania and, if confirmed, may be subsequently entered in any court having competent jurisdiction. This agreement to arbitrate shall survive any termination or expiration of this Agreement.

(a) The parties shall not be required to first attempt to arbitrate a controversy, dispute, or claim through arbitration as set forth in this Section 5 if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating):

(1) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information;
(2) any claims pertaining to or arising out of any warranty issue;
(3) any of the restrictive covenants contained in this Agreement; or
(4) any claims to collect past due amounts owed to Franchisor or its affiliates.

6) **Third Party Beneficiaries.** Franchisor' officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the Franchise Agreement and this Guarantee, and the mediation and arbitration provisions contained herein, each having authority to specifically enforce the right to mediate and arbitrate claims asserted against such person(s) by you.

7) **Injunctive Relief.** Nothing contained in this Guarantee shall prevent Franchisor from applying to or obtaining from any court having jurisdiction, without bond, a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interest prior to the filing of any mediation or arbitration proceeding or pending the trial or handing down of a decision or award pursuant to any mediation or judicial proceeding conducted hereunder.

8) **Jurisdiction and Venue.** With respect to any proceeding not subject to arbitration, the parties expressly agree submit to the jurisdiction and venue of any court of general jurisdiction in Philadelphia, Pennsylvania and the jurisdiction and venue of the United States District Court for the Eastern District of Pennsylvania.

9) **Jury Trial Waiver.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES TO THIS PERSONAL GUARANTEE WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS PERSONAL GUARANTEE OR THE FRANCHISE AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR

YOUR PURCHASE FROM FRANCHISOR OF THE FRANCHISE, OPTION AND/OR ANY GOODS OR SERVICES.

10) **Waiver of Punitive Damages.** You waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which you may have against us arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, your recovery shall be limited to actual damages. If any other term of this Personal Guarantee is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

11) **Limitation on Action.** You agree that no cause of action arising out of or under this Guarantee or the Franchise Agreement may be maintained by you unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim against the Franchisor, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or set-off. Notwithstanding anything to the contrary contained herein, all actions will be conducted on an individual, not a class-wide basis, and any proceeding between you, Franchisee, and Franchisor or its affiliates or employees may not be consolidated with any other proceeding between Franchisor and any other person or entity.

12) **Attorneys' Fees**. If you are in breach or default of any monetary or non-monetary material obligation under this Guarantee or any related agreement between you and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce its rights (whether or not formal judicial proceedings are initiated), you must pay all reasonable attorneys' fees, court costs and litigation expenses Franchisor incurs. If you institute any legal action to interpret or enforce the terms of this Agreement, and your claim in such action is denied or the action is dismissed, Franchisor is entitled to recover its reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

13) **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Guarantee and the Franchise Agreement shall not be a waiver of Franchisor' right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default shall not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Guarantee shall be cumulative. Franchisor's election to exercise any remedy available by law or contract shall not be deemed a waiver or preclude exercise of any other remedy.

14) **Severability.** The parties agree that if any provisions of this Guarantee may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision shall have the meaning, which renders it valid and enforceable. The language of all provisions of this Guarantee shall be construed according to fair meaning and not strictly construed against either party. The provisions of this Guarantee are severable, and this Guarantee shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable. If any material provision of this Guarantee shall be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute

provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Guaranty.

15) **Construction of Language.** Any term defined in the Franchise Agreement which is not defined in this Guarantee will be ascribed the meaning given to it in the Franchise Agreement. The language of this Guarantee will be construed according to its fair meaning, and not strictly for or against either party. All words in this Guarantee refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

16) **Successors**. References to "Franchisor" or "the undersigned," or "you" include the respective parties' successors, assigns or transferees.

17) **No Personal Liability**. You agree that fulfillment of any and all of Franchisor's obligations written in this Guarantee or in the Franchise Agreement or based on any oral communications which may be ruled to be binding in a Court of Law shall be Franchisor's sole responsibility and none of Franchisor's agents, representatives, nor any individuals associated with Franchisor's franchise company shall be personally liable to Franchisee or you for any reason.

| **PERSONAL GUARANTORS** | **SPOUSES** |
|---|---|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

Date: _____

**EXHIBIT C**
**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE AGREEMENT**

**RESTRICTIVE COVENANT AND CONFIDENTIALITY AGREEMENT**
***(for trained employees, shareholders, officers, directors, general partners, members and managers of Franchisee)***

In consideration of my being a _____ of _____ (the "Franchisee"), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree that:

1. Franchisee has acquired the right and franchise from Soft Pretzel Franchise Systems, Inc. (the "Company") to establish and operate a Philly Pretzel Factory business (the "Business" or "Franchised Business") and the right to use in the operation of the Business the Company's trade names, trademarks and service marks (the "Proprietary Marks") and the Company's unique and distinctive format and system relating to the establishment and operation of Philly Pretzel Factory businesses (the "System"), as they may be changed, improved and further developed from time to time in the Company's sole discretion, only in the territory identified in the Franchise Agreement.

2. The Company possesses certain proprietary and confidential information relating to the operation of the System, which includes certain trade secrets and copyrighted materials, methods and other techniques and know-how (the "Confidential Information").

3. Any and all information, knowledge, know-how, and techniques which the Company specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement.

4. As _____ of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the Soft Pretzel Franchise Systems, Inc. Operations Manual (the "Manual") and other general assistance during the term of this Agreement.

5. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

6. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as _____ of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

7. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any other business which operates or licenses any other business which offers similar products and services, except a Philly Pretzel Factory Business operating under the System and Proprietary Marks.

8. Except as otherwise approved in writing by the Company, in the event I am a manager of the Franchised Business, or an officer/director/manager/partner of Franchisee that has not already executed a Personal Guaranty agreeing to be bound by the terms of the Franchise Agreement, then I further agree that I will not, for a period of two years after the expiration or termination of my employment with Franchisee for any reason:

(a) Own, maintain, engage in, be employed by, or have any interest in any other business which offers, in whole or in part, soft pretzel products or other products or services offered or authorized for sale by System franchisees at the time of the expiration or termination of my employment with Franchisee: (i) at the Factory; (ii) within the Territory; or (iii) within a radius of 10 miles of (a) the perimeter of the Territory being granted hereunder or (b) any other Philly Pretzel Factory Territory licensed by the Company at the time of the expiration or termination of my employment with Franchisee;

(b) Enter into any business competing in whole or in part with Company in granting franchises or licenses to operate businesses offering soft pretzel products or other products or services offered or authorized for sale by System franchisees at the time the expiration or termination of my employment with Franchisee; or

(c) Solicit business from customers of the Franchised Business or contact any of its suppliers for any competitive business purpose nor solicit any of its employees to discontinue employment.

9. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

10. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof, and I agree to comply forthwith with any covenant as so modified.

11. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

12. This Agreement shall be construed under the laws of the Commonwealth of Pennsylvania. The only way this Agreement can be changed is in writing signed by both the Franchisee and me.

Signature: _____
Name: _____
Address: _____
_____
Title: _____

**ACKNOWLEDGED BY FRANCHISEE**

By: _____
Name: _____
Title: _____
Date: _____

**EXHIBIT D**
**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE AGREEMENT**

## COLLATERAL ASSIGNMENT OF LEASE

**FOR VALUE RECEIVED**, the undersigned ("Assignor") hereby assigns and transfers to Soft Pretzel Franchise Systems, Inc., a Pennsylvania corporation ("Assignee"), all of Assignor's right, title and interest as tenant in, to and under that certain lease, a copy of which is attached to this Collateral Assignment of Lease as Exhibit 1 (the "Lease") respecting premises commonly known as _____. This Assignment is for collateral purposes only and except as specified herein, Assignee has no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee takes possession of the premises demised by the Lease pursuant to the terms hereof and assumes the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest in the Lease and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under the franchise agreement for a **Philly Pretzel Factory** between Assignee and Assignor (the "Franchise Agreement"), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, or upon expiration of this Agreement, Assignee has the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor will have no further right, title or interest in the Lease. Assignor hereby authorizes the Lessor to disclose to Assignee, upon its request, sales and other information furnished to the Lessor by Assignor.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it must elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days prior to the last day that the option must be exercised, unless Assignee otherwise agrees in writing. If Assignee does not otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name and place instead of Assignor for the purpose of effecting such extension or renewal.

**ASSIGNOR**:

Dated:_____ _____
SIGNED AND SEALED this __
day of _____,

Notary Public

## CONSENT AND AGREEMENT OF LESSOR

The undersigned Lessor under the Lease hereby:

(a) Agrees to notify Assignee in writing of and upon the failure of Assignor to cure any default by Assignor under the Lease;

(b) Agrees that Assignee has the right, but must not be obligated, to cure any default by Assignor under the Lease within 30 days after delivery by Lessor of notice thereof in accordance with Section (a) above;

(c) Consents to the foregoing Collateral Assignment and agrees that if Assignee takes possession of the premises demised by the Lease and confirms to Lessor the assumption of the Lease by Assignee as tenant thereunder, Lessor must recognize Assignee as tenant under the Lease, provided that Assignee cures within the 30-day period the defaults, if any, of Assignor under the Lease;

(d) Agrees that Assignee may further assign the Lease to a person, firm or corporation who must agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Lessor and upon such assignment Assignee will have no further liability or obligation under the Lease as assignee, tenant or otherwise.

DATED:_____ **LESSOR**:

_____

_____

**EXHIBIT E**
**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE AGREEMENT**

**CONDITIONAL ASSIGNMENT**
**OF FRANCHISEE'S TELEPHONE NUMBERS**

1. _____, doing business as _____ ("Assignor"), in exchange for valuable consideration provided by Soft Pretzel Franchise Systems, Inc. ("Assignee"), receipt of which is hereby acknowledged hereby conditionally assigns to Assignee all telephone numbers and listings utilized by Assignor in the operation of its **Philly Pretzel Factory** at Assignor's above-referenced address. Those numbers are as follows: _____ _____.

2. The conditional agreement will become effective automatically upon termination of Assignor's **Philly Pretzel Factory** franchise. Upon the occurrence of that condition, Assignor must do all things required by the telephone company to assure the effectiveness of the assignment of telephone numbers as if the Assignee had been originally issued such telephones, telephone numbers, telephone listings and the usage thereof.

3. Assignor agrees to pay the telephone company on or before the effective date of assignment all amounts owed for the use of the telephone number(s) including, without limitation, Yellow Pages advertising. Assignor further agrees to indemnify Assignee for any sums Assignee must pay the telephone company to effectuate this agreement, and agrees to fully cooperate with the telephone company and Assignee in effectuating this assignment.

**ASSIGNOR**:

BY: _____ Date: _____

TITLE:_____

**ASSIGNEE**:

**Soft Pretzel Franchise Systems, Inc.** Attest:

By:_____ _____

© Soft Pretzel Franchise Systems, Inc.

**EXHIBIT F**
**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE AGREEMENT**

# ASSIGNMENT AND ASSUMPTION AGREEMENT

## FORM ASSIGNMENT AND ASSUMPTION AGREEMENT

**THIS ASSIGNMENT AND ASSUMPTION AGREEMENT** (the "Assignment") is made and entered into this _____ day of _____, _____, by and between Soft Pretzel Franchise Systems, Inc., a Pennsylvania corporation ("SPF"), **[insert name of individual franchisee]** ("Assignor") and **[insert name of corporation or limited liability company]**, an entity owned and controlled by Assignor with an address at **_____.**

## BACKGROUND

A. SPF and Assignor entered into a certain Franchise Agreement dated **[insert date of Franchise Agreement]** (the "Franchise Agreement") whereby Assignor was granted the right and undertook the obligation to operate a **Philly Pretzel Factory** business at the following location **[insert location]** (the "Franchised Business");

B. Assignor has formed Assignee for the convenience and purpose of owning and operating the Franchised Business;

C. Assignor desires to assign his or her rights and obligations under the Franchise Agreement to Assignee pursuant to and in accordance with the provisions of the Franchise Agreement; and

D. SPF is willing to consent to the assignment of the Franchise Agreement to Assignee, subject to the terms and conditions of this Assignment, including without limitation, Assignor's agreement to guarantee the performance by Assignee of its obligations under the Franchise Agreement and to continue to be bound by all of the provisions of the Franchise Agreement.

## AGREEMENT

In consideration of the mutual covenants contained in this Assignment, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties agree as follows:

1. Assignor hereby assigns and transfers over to Assignee all of his or her rights, title and interest in and to the Franchise Agreement, effective as of the date of this Assignment.

2. Assignee hereby assumes all of Assignor's obligations, assignments, commitments, duties and liabilities under the Franchise Agreement, and agrees to be bound by and observe and faithfully perform all of the obligations, assignments, commitments and duties of the franchisee under the Franchise Agreement with the same force and effect as if the Franchise Agreement were originally written with Assignee as franchisee.

3. Assignor agrees that **[he or she]** shall continue to be bound by all of the terms and conditions of the Franchise Agreement, including, without limitation, all non-competition, confidentiality and indemnification obligations, and that nothing contained in this Assignment shall be deemed to relieve Assignor of any of **[his or her]** obligations contained in the Franchise Agreement. Assignor further agrees to, and by this instrument does hereby, guarantee the performance by Assignee of all of its obligations, commitments, duties and liabilities under the Franchise Agreement. Without limiting the foregoing,

Assignor irrevocably and unconditionally guarantees to SPF (i) that Assignee will pay all amounts to be paid and otherwise comply with all provisions of the Franchise Agreement and any other agreement between Assignor and SPF or its affiliates concerning the operation of the Franchised Business, and (ii) that if Assignee defaults in making any such payments or complying with any such provisions, Assignor shall pay forthwith upon demand all amounts due and owing SPF and all damages that may arise as a result of any such non-compliance.

4. In the enforcement of any of its rights against Assignor, SPF may proceed as if Assignor was the primary obligor under the Franchise Agreement. Assignor waives any right to require SPF to first proceed against Assignee or to proceed against or exhaust any security (if any) held by SPF or to pursue any other remedy available to it before proceeding against Assignor. No dealing between SPF and Assignee shall exonerate, release, discharge or in any way reduce the obligations of Assignor hereunder, in whole or in part, and in particular and without limiting the generality of the foregoing, SPF may modify or amend the Franchise Agreement, grant any indulgence, release, postponement or extension of time, waive any term or condition of the Franchise Agreement, or any obligation of Assignee, take or release any securities or other guarantees for the performance by Assignee of any of its obligations, and otherwise deal with Assignee as SPF may see fit without affecting, lessening or limiting in any way the liability of Assignor. Notwithstanding any assignment for the general benefit of creditors or any bankruptcy or other act of insolvency by Assignee and notwithstanding any rejection, disaffirmance or disclaimer of this Assignment or the Franchise Agreement, Assignor shall continue to be fully liable.

5. This Assignment is entered into in the Commonwealth of Pennsylvania and shall be construed and interpreted in accordance with its laws, which laws shall control in the event of any conflict of law.

6. This Assignment shall be binding and inure to the benefit of the parties and their respective heirs, successors and assigns.

7. Assignor and Assignee acknowledge and agree that they are bound by the dispute resolution provisions of the Franchise Agreement. Assignor and Assignee further agree that they have and will continue to have a substantial relationship with SPF at its offices in Pennsylvania and that, with the exception of SPF's right to seek injunctive relief in any appropriate jurisdiction as set forth below, any action by or against them arising out of or relating to this Assignment shall be commenced, litigated and concluded only in any state or federal court of general jurisdiction in the Commonwealth of Pennsylvania. Assignor and Assignee agree that Pennsylvania represents the most convenient forum for the parties to litigate any disputes between them. Accordingly, Assignor and Assignee irrevocably submit to the jurisdiction of such court and waive any objection they may have to either the jurisdiction or venue of such court. Assignor and Assignee further waive any objection that such court is an inconvenient forum. SPF shall have the option, at its sole discretion, of bringing any action seeking equitable relief to enforce the terms of this Assignment in any court of competent jurisdiction in order to prevent real or threatened harm, and Assignor and Assignee consent to the entry of injunctive relief, including, without limitation, temporary restraining orders and/or preliminary and permanent injunctions without the requirement of bond, according to the usual equity rules in the jurisdiction in which such relief is sought.

8. The Franchise Agreement and this Assignment shall constitute the entire integrated assignment between the parties with respect to the subject matter contained in the Franchise Agreement and

Assignment and shall not be subject to change, modification, amendment or addition without the express written consent of all the parties.

9. In the event that it becomes necessary for SPF to retain the services of legal counsel to enforce the terms of this Assignment, SPF shall be entitled to recover all costs and expenses, including reasonable attorneys', expert and investigative fees, incurred in enforcing the terms of this Assignment.

10. Each party declares that the terms of this Assignment have been completely read and are fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain, and confer with counsel. This Assignment is entered into after a full investigation by the parties, and the parties are not relying upon any statements or representations not contained in this Assignment.

11. The persons executing this Assignment on behalf of Assignee acknowledge their authority to do so.

12. The obligations of Assignor and Assignee under this Assignment are joint and several.

**I HAVE READ THE ABOVE AGREEMENT AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

**IN WITNESS WHEREOF,** the undersigned have affixed their signatures to this Assignment as of the day and date first above written.

Attest: **SOFT PRETZEL FRANCHISE SYSTEMS, INC.**

_____ By:_____

Attest: **ASSIGNOR**

_____ _____

**ASSIGNEE**

Attest:

_____ _____

**EXHIBIT G**
**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE AGREEMENT**

# NON-TRADITIONAL LOCATION ADDENDUM

© Soft Pretzel Franchise Systems, Inc.

**NON-TRADITIONAL LOCATION ADDENDUM TO SOFT PRETZEL FRANCHISE SYSTEMS, INC. FRANCHISE AGREEMENT**

This Non-Traditional Location Addendum (the "Addendum") to the Soft Pretzel Franchise Systems, Inc. Franchise Agreement is made and entered into this ____ day of _____, 20___, by and between Soft Pretzel Franchise Systems, Inc. ("SPF") and _____(the "Franchisee").

**BACKGROUND**

A. Contemporaneous with the execution of this Addendum, Franchisee has entered into a Franchise Agreement (the "Franchise Agreement") with SPF pursuant to which Franchisee obtained the right and undertook the obligation to establish and operate a Philly Pretzel Factory business (the "Franchised Business").

B. SPF has entered into a master lease agreement (the "Master Lease") with _____ _____and its affiliates (collectively, "Master Landlord"), under which SPF leased space within certain of its Master Landlord's stores for purpose of operating Franchised Businesses.

C. Franchisee wishes to locate the Franchised Business in the Master Landlord's store located at _____(the "Store").

D. Contemporaneous with the execution of the Franchise Agreement, Franchisee executed a sublease agreement with SPF (the "Sublease Agreement") wherein SPF leased space to Franchisee located within the Store (the "Non-Traditional Location").

E. The parties agree that Franchisee shall be permitted to operate a Franchised Business located in the Store, subject to the terms and conditions contained within this Addendum, the Sublease Agreement and the Franchise Agreement.

**AGREEMENT**

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises, commitments and understandings contained herein, SPF, Franchisee and Guarantors hereby agree as follows:

1. **Site Selection**. The following language is added after the last sentence of Section 1.2:

Section 1.2. **Approved Location**. You may operate the Factory only at the approved location within the Store identified in the Data Sheet (the "Location"). We will provide you with a Location within the Store. If the Store in which you are located is closed or relocated to another physical address, Master Landlord has the right to terminate the Master Lease with respect to your Non-Traditional Location. You may submit a request to SPF and Master Landlord to relocate to another of Master Landlord's stores. If you relocate your Franchised Business within an approved location that is not within another of Master Landlord's stores, this Addendum will no longer be in force and effect, except to the extent that Master Landlord imposes any post-termination or post-expiration obligations on you, and the provisions of the Franchise Agreement will control.

2. **Renewal**. Section 2.2.2 of the Franchise Agreement is amended as follows:

2.2.2 Subject to the terms and conditions of the Sublease Agreement, you must renew the term of your Sublease Agreement for the duration of the renewal term by submitting a request to SPF at least two hundred seventy (270) days prior to the expiration of your Sublease Agreement's term, and you must execute the then-current form of sublease agreement, which may contain substantially different terms; or, in the event that we do not approve your request to renew your Sublease Agreement for the Non-Traditional Location, you must have located an approved suitable substitute premises and have brought such substitute premises into full compliance with our then-current System specifications and standards. If your Sublease Agreement is terminated or the term of your Sublease Agreement expires and you are unable to obtain an approved premises within another of Master Landlord's stores, this Addendum will no longer be in force and effect, except to the extent that Master Landlord imposes any post-termination or post-expiration obligations on you, and the provisions of your then-current franchise agreement will control;

3. **Advertising.** The following language is inserted after the last sentence in Section 7.1 of the Franchise Agreement:

7.1. **Generally**. You must comply with any standards and specifications for signage, promotions and advertising set forth by Master Landlord in the Master Lease and otherwise in writing. If required by Master Landlord's then-current standards and specifications, you must submit requests to Master Landlord to use certain signage and advertising. You acknowledge and agree that you are not permitted to use the Master Landlord's trade name without Master Landlord's prior written permission and that you must comply with Master Landlord's standards for responding to media inquiries related to the Store and Master Landlord.

4. **Operations Manual**. Section 8.7 of the Franchise Agreement is supplemented as follows:

If you operate a Non-Traditional Location, will provide you with a copy of any tenant handbook provided to us by Master Landlord.

5. **Compliance with Standards and Specifications**. The following language is inserted after the last sentence of Section 9.4.1 of the Franchise Agreement.

9.4.1 You agree to comply with all standards and specifications for signs, furnishings, supplies, fixtures, equipment and inventory set forth by Master Landlord in the Master Lease or otherwise in writing. You acknowledge that you may be responsible for repairing, updating and upgrading the trade fixtures and other items in your Non-Traditional Location according to Master Landlord's then-current standards and specifications.

6. **Hours of Operations**. Section 9.10.1 is hereby deleted in its entirety and the following is inserted in its place:

9.10.1 You must operate your Factory for those hours and days specified by Master Landlord. We reserve the right to modify your Factory's required hours of operations in accordance with Master Landlord's standards and specifications. Such hours of operation must be posted in a conspicuous place.

7. **Use of Store Premises**. The following Section 9.10.6 is hereby added to the Franchise Agreement:

9.10.6 Franchisee agrees that Franchisee and its employees and contractors shall comply with all standards and specifications for use of the Store set forth by Master Landlord in the Master Lease or otherwise in writing. Franchisee further acknowledges and agrees that Franchisee and its employees and contractors may only park in those parking spots designated by Master Landlord and that vehicles parked in authorized space may be towed at the vehicle owner's expense.

8. **Insurance.** The following language is inserted after the last sentence of Section 10.7 of the Franchise Agreement.

For Non-Traditional Locations, you must maintain insurance in the amounts prescribed in the Master Lease or otherwise in writing. Currently, you must maintain insurance with: (i) worker's compensation with statutory limits and if no statutory limits, with minimum limits of $500,000 per occurrence, and Employer's liability coverage with minimum limits of $1,000,000, for each employee for bodily injury by accident and for each employee for bodily injury by disease; (ii) commercial general liability insurance with a $3,000,000 minimum limit per occurrence; and (iii) business automobile liability insurance with minimum combined single limits of $500,000. You must provide us with proof of coverage and name us and any subsidiary or affiliate, which we designate as additional insureds.

9. **Performance Requirements**.

7.1 Franchisee acknowledges and agrees that Franchisee must maintain a minimum level of annual Gross Sales in an amount greater than or equal to $200,000 (the "Minimum Gross Sales Requirement") or as otherwise required by the Master Lease.

7.2 Section 12.1.2 of the Franchise Agreement is hereby modified to provide that SPF shall have the right to terminate the Franchisee Agreement after fifteen (15) days' notice to cure if Franchisee fails to meet the Minimum Gross Sales Requirement.

10. **Master Lease**. Franchisee acknowledges and agrees that Franchisee has reviewed the Master Lease and agrees to comply with all the obligations and responsibilities of a Subtenant as set forth in the Master Lease.

11. **Defined Terms**. Terms defined in the Franchise Agreement or Master Lease and not defined in this Addendum have the meaning defined in the Franchise Agreement or Master Lease.

12. **Binding Effect**. This Addendum will inure to the benefit of, and will be binding upon, the parties hereto and their respective successors and assigns.

13. **Entire Agreement**. The Franchise Agreement and all eexhibits thereto and this Addendum constitute the entire, full, and complete agreement between the parties, and supersede any and all prior agreements. In the event of a conflict between the terms of the Franchise Agreement and the terms of this Addendum, the terms of the Addendum will control. Except as amended hereby, all the other terms and conditions of the Franchise Agreement are ratified and confirmed.

14. **Counterparts.** This Addendum may be executed in multiple counterparts by the various parties and the failure to have the signatures of all parties on a single Addendum shall not affect the validity or enforceability of any part of this Addendum against any party who executes any counterpart of the Addendum. Executed email copies of this Addendum shall be deemed to be effective as original signatures.

**I HAVE READ THE ABOVE AGREEMENT AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

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

**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**

By:_____
Name:_____
Title: _____

**FRANCHISEE**

By:_____
Name:_____
Title: _____

**EXHIBIT H**
**To**
**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE AGREEMENT**

## ELECTRONIC FUNDS WITHDRAWAL AUTHORIZATION

Bank Name : _____

ABA# : _____

Acct. No. : _____

Acct. Name : _____

Effective as of the date of the signature below, [Franchisee Name] hereby authorizes Soft Pretzel Franchise Systems, Inc. ("Company") or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to make the following payments to Company under the Franchise Agreement for the franchise located at _____: (1) all Royalty Fees; (2) all contributions to the Systemwide Fund ; and (3) all other amounts due under the Franchise Agreement or any other agreement between Company and _____. Such withdrawals shall occur on a weekly basis, or on such other schedule as Company shall specify in writing. Company is also authorized to deposit funds into the above-referenced account, electronically or otherwise. This authorization shall remain in full force and effect until terminated in writing by Company. [Franchisee Name] shall provide Company, in conjunction with this authorization, a voided check from the above-referenced account.

AGREED:

ATTEST: FRANCHISEE

_____ By: _____

Print name: _____

Its: _____

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**EXHIBIT G**
**TO**
**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**

# CONFIDENTIALITY AGREEMENT

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## CONFIDENTIALITY AGREEMENT

I, in consideration of the approval by Soft Pretzel Franchise Systems, Inc. ("SPF") to review certain confidential information including, without limitation, certain manuals and/or other information relating to the operation of a Soft Pretzel Factory franchise ("Confidential Information") before completing my contemplated purchase of such franchise, hereby agree to maintain the confidentiality of all such Confidential Information in recognition that such information is confidential and is divulged only to Soft Pretzel Franchise System franchisees. In the event that I am unable to consummate the contemplated purchase of the Philly Pretzel Factory franchise or to otherwise become a Soft Pretzel Factory System franchisee, I shall not disclose any of this information to any other person. I further represent and warrant that I shall not use such information in any other capacity except as an authorized SPF System franchisee. I hereby acknowledge that I shall not reproduce any of the Confidential Information being entrusted to me today, nor shall I make any oral or written notes regarding any of the information contained within the Confidential Information.

I acknowledge and agree that disclosure or unauthorized use of any of the Confidential Information presented to me is likely to cause SPF immediate and irreparable harm, which is not compensable in money damages. I hereby consent, in the event of my unauthorized use or disclosure of such Confidential Information, to the entry of injunctive relief in favor of SPF, including temporary restraining orders and preliminary injunctions, without the requirement of bond, under the usual equity rules.

**I HAVE READ THE ABOVE CONFIDENTIALITY AGREEMENT AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN ON THIS AGREEMENT IF I DID NOT UNDERSTAND IT AND AGREE TO BE BOUND BY ITS TERMS.**

Dated: _____ _____

[Print or Type Name of Prospective Franchisee]

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**EXHIBIT H**
**TO**
**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**

# COMPLIANCE CERTIFICATION

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## Compliance Certification

**If you are a Maryland resident, do not answer this Compliance Certification.**

**NOTICE FOR PROSPECTIVE FRANCHISEES WHO RESIDE IN, OR WHO INTEND TO OPERATE THE FRANCHISED BUSINESS IN, ANY OF THE FOLLOWING STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI (EACH A REGULATED STATE):** FOR PROSPECTIVE FRANCHISEES THAT RESIDE IN OR ARE SEEKING TO OPERATE THE FRANCHISED BUSINESS IN ANY REGULATED STATE, DO NOT COMPLETE THIS QUESTIONNAIRE OR TO RESPOND TO ANY OF THE QUESTIONS CONTAINED IN THIS QUESTIONNAIRE.

The date of my first face-to-face meeting with a Soft Pretzel Franchise Systems, Inc. Franchise Marketing Representative, Franchise Broker or any other person to discuss the possible purchase of a Franchise was _____, 20___. Franchisee's Initials _____

The date on which I received a Franchise Disclosure Document was _____, 20____. Franchisee's Initials _____

The date when I received a fully completed copy (other than signatures) of the Franchise Agreement or any other binding document I later signed was _____, 20__. Franchisee's Initials _____

The earliest date on which I signed the Franchise Agreement or any other binding document (not including the Receipt page) was _____, 20__. Franchisee's Initials _____

The earliest date on which I delivered cash, check or other consideration to the Franchise Marketing Representative, broker, Soft Pretzel Franchise Systems, Inc. ("Franchisor") or any other person or company was _____, 20__. Franchisee's Initials _____

Representations:

No promises, agreements, contracts, commitments, understandings, "side-deals", options, rights-of-first-refusal or otherwise have been made to or with me with respect to any matter (including but not limited to any representations or promises regarding advertising (television or otherwise), marketing, site location, operational assistance or otherwise) nor have I relied in any way on any such except as expressly described in the Franchise Agreement or written addendum signed by me and the President of Franchisor except as follows:

_____
_____
___.

(If none, the prospective franchisee shall write NONE in his/her own handwriting and initial same.) Franchisee's Initials _____

No oral, written or visual claim or representation, promise, agreement, contract, commitment, understanding or otherwise which contradicted, expanded upon or was inconsistent with the Disclosure Document or the Franchise Agreement was made to me by any person or entity, except as follows:_____
_____
___. (If none, the prospective franchisee shall write NONE in his/her own handwriting and initial same.) Franchisee's Initials _____

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Other than as described in Item 19 of the disclosure document, no oral, written or visual claim or representation (including but not limited to charts, tables, spreadsheets or mathematical calculations) which stated or suggested any specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained) was made to me by any person or entity, except as follows:

_____
_____. (If none, the prospective franchisee shall write NONE in his/her own handwriting and initial same.) Franchisee's Initials _____

No contingency, condition, prerequisite, prior requirement, proviso, reservation, impediment, stipulation, provision or otherwise exists with respect to any matter (including but not limited to obtaining financing, selection, purchase, lease or otherwise of a site, operational matters or otherwise) and/or with respect to my fully performing all of my obligations under the Franchise Agreement and/or any other documents to be signed by me nor have I relied in any way on any such, except as expressly contained in a writing signed by me and the President of Franchisor, except as follows:_____
_____
_____. (If none, the prospective franchisee shall write NONE in his/her own handwriting and initial same.)
Franchisee's Initials _____

I hereby understand that there will be no refunds. Franchisee's Initials _____

Except as described in Item 19 of the disclosure document, Franchisor does not make or endorse nor does it allow any marketing representative, broker or other individual to make or endorse any oral, written, visual or other claim or representation (including but not limited to charts, tables, spreadsheets or mathematical calculations) which stated or suggested any specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained) with respect to this or any other Franchise, whether made on behalf or for Franchisor, any Franchisee or other individual and expressly disclaims any such information, data or results.

In addition, Franchisor does not permit any promises, agreements, contracts, commitments, understandings, "side-deals", options, rights-of-first-refusal or otherwise or variations of, changes in or supplements to the Franchise Agreement or the existence of any contingencies or conditions to Franchisee's obligations except by means of a written Addendum signed by Franchisee and Franchisor.

If any such representations, "side-deals", contingencies or otherwise have been made by you by any person or otherwise exist, immediately inform the President of Franchisor.

The prospective franchisee understands and agrees to all of the foregoing and certifies that all of the above statements are true, correct and complete.

FRANCHISEE

Dated: _____ _____

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# EXHIBIT I
**TO**
**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**

## STATE SPECIFIC ADDENDA

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**AMENDMENT TO SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE AGREEMENT**
**REQUIRED BY THE STATE OF ILLINOIS**

Illinois law governs the Franchise Agreement.

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

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

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

Due to our financial condition, the Illinois Attorney General's Office has required us to post a surety bond. We have secured a surety bond in the amount of $105,000.00 from the Hartford Fire Insurance Company to ensure fulfillment of all of our pre-opening obligations to you under the Franchise Agreement. The surety bond is on file with the Illinois Attorney General's Office.

**Soft Pretzel Franchise Systems, Inc.**

By: _____

**Franchisee:**

By: _____
Print Name: _____
Title: _____

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**ADDENDUM TO SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**
**REQUIRED BY THE STATE OF ILLINOIS**

Illinois law governs the Franchise Agreement.

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

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

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

Due to our financial condition, the Illinois Attorney General's Office has required us to post a surety bond. We have secured a surety bond in the amount of $105,000.00 from the Hartford Fire Insurance Company to ensure fulfillment of all of our pre-opening obligations to you under the Franchise Agreement. The surety bond is on file with the Illinois Attorney General's Office.

**Soft Pretzel Franchise Systems, Inc.**

By: _____

**Franchisee:**

By: _____
Print Name: _____
Title: _____

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## INDIANA ADDENDUM TO THE FRANCHISE AGREEMENT

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF INDIANA ARE HEREBY AMENDED AS FOLLOWS:**

1. Any agreement executed in and operative within the State of Indiana shall be governed by applicable Indiana franchise laws and the right of any franchisee to institute a civil action or initiate arbitral proceedings within the State of Indiana shall not be deemed to have been abridged in any form or manner by any provisions contained in this Agreement.

2. In compliance with Indiana Code 12-2-2.7-1(9), any provisions in this Franchise Agreement relating to non-competition upon the termination or non-renewal of the Franchise Agreement shall be limited to a geographic area not greater than the Franchise Area granted in this Franchise Agreement and shall be construed in accordance with Indiana Code 23-2-2.7-1(9).

3. Indiana Code section 23-2-2.7-1(10) prohibits the choice of an exclusive forum other than Indiana.

4. Indiana Code section 23-2.2.7-1(10) prohibits the limitation of litigation. The Indiana Secretary of State has interpreted this section to prohibit provisions in contracts regarding liquidated damages. Accordingly, any provisions in the Franchise Agreement regarding liquidated damages may not be enforceable.

5. In compliance with Indiana Code 23-2-2.7-1(10), any inference contained in this Franchise Agreement to the effect that the Franchisor "is entitled" to injunctive relief shall, when applicable to a Franchise Agreement executed in and operative within the State of Indiana, hereby be deleted, understood to mean and replace the words "may seek".

6. Indiana Code section 23-2-2.5 and 23-2-2.7 supersedes the choice of law clauses of the Franchise Agreement.

7. Indiana Code section 23-2.2.7-1 makes it unlawful for a franchisor to terminate a franchise without good cause or to refuse to renew a franchise on bad faith.

8. Any reference contained in this Franchise Agreement to a prospective franchisee's "exclusive Franchise Area" shall, in any Franchise Agreement executed in and operative within the State of Indiana, hereby be deleted and replaced with the words "non-exclusive Franchise Area".

9. In compliance with Indiana Code 23-2-2.7-1(5), any requirement that the Franchisee must execute a release upon termination of this Agreement shall not be mandatory and is hereby made discretionary. However, Franchisee shall execute all other documents necessary to fully rescind all agreements between the parties under this Agreement.

10. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving and claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise. The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement.

| | |
|---|---|
| **SOFT PRETZEL FRANCHISE SYSTEMS, INC.** | **FRANCHISEE** |
| By:_____ | By:_____ |
| Name:_____ | Name:_____ |
| Title:_____ | Title:_____ |
| Date Signed:_____ | Date Signed:_____ |

**ADDENDUM TO SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**
**REQUIRED BY THE STATE OF MARYLAND**

For franchises and franchisees subject to the Maryland Franchise Registration and Disclosure Law, the following information replaces or supplements, as the case may be, the corresponding disclosures in the main body of the text of the SOFT PRETZEL FRANCHISE SYSTEMS, INC.'s Franchise Disclosure Document.

Item 17.

The Franchise Agreement provides that Soft Pretzel Franchise Systems, Inc. may terminate the Franchise Agreement if you voluntarily or involuntarily file for bankruptcy, as described in the "Summary of Cause Defined" (provision (h.)). This provision may not be enforceable under federal bankruptcy law.

The Code of Maryland Regulations Section 02.02.08.16L provide that any general release required of the franchisee as a condition of renewal, sale, assignment and/or transfer shall not apply to any release from liability under the Maryland Franchise Registration and Disclosure Law.

Section 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law requires the franchisor to file an irrevocable consent to be sued in Maryland. Accordingly, the Summary of the Choice of Forum (provision (v.)) is amended to provide that you may file a lawsuit alleging a cause of action arising under the Maryland Franchise Registration and Disclosure Law in any court of competent jurisdiction within the State of Maryland.

Section 14-227 of the Maryland Franchise Registration and Disclosure Law provides that any action brought under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

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

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**AMENDMENT TO SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE AGREEMENT**
**REQUIRED BY THE STATE OF MARYLAND**

This Amendment shall pertain to franchises sold in the State of Maryland and shall be for the purpose of complying with Maryland statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement shall be amended as follows:

The Code of Maryland Regulations section 02.02.08.16L provides that any general release required of the franchisee as a condition of renewal, sale, assignment and/or transfer shall not apply to any release from liability under the Maryland Franchise Registration and Disclosure Law. Sections 2.2.10 and 11.3.2.4 of the Franchise Agreement are amended accordingly.

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to agree to any release, estoppel or waiver of liability as a condition of purchasing a franchise. To the extent that the Franchise Agreement may require you to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law in order to purchase your franchise, it is hereby amended to state that such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

Section 14-227 of the Maryland Franchise Registration and Disclosure Law provides that any action brought under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

Section 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law requires the franchisor to file an irrevocable consent to be sued in Maryland. Accordingly, section 16.2.4 of the Franchise Agreement is amended to provide that you may file a lawsuit alleging a cause of action arising under the Maryland Franchise Registration and Disclosure Law, which is not first subject to arbitration under this agreement, in any court of competent jurisdiction within the State of Maryland.

Sections 12.1.1.11 and 12.1.1.12 of the Franchise Agreement provide that Soft Pretzel Factory Systems, Inc. may terminate you if you file a petition in bankruptcy or bankruptcy proceedings are commenced naming you as debtor. These provisions may not be enforceable under federal bankruptcy law.

Section 17 of the Franchise Agreement is hereby deleted in its entirety.

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

These amendments have been agreed to by the Parties.

***Signatures appear on the following page.***

©2026 Soft Pretzel Franchise Systems, Inc.

The parties hereto, intending to be legally bound, have hereunto executed this Amendment under seal the day and year first above written.

**Soft Pretzel Franchise Systems, Inc.**

By: _____

[This Amendment is not fully executed until signed by the President of Soft Pretzel Franchise Systems, Inc.]

**Franchisee:**

By: _____
Print Name: _____
Title: _____

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**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**
**CONTAINING ADDITIONAL INFORMATION**
**REQUIRED BY THE STATE OF NEW YORK**

**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE DISCLOSURE DOCUMENT ("FDD")**
**CONTAINS INFORMATION REQUIRED BY BOTH**
**THE FEDERAL TRADE COMMISSION AND THE STATE OF NEW YORK.**

**THIS ADDENDUM TO THE FDD CONTAINS INFORMATION**
**REQUIRED EXCLUSIVELY BY THE STATE OF NEW YORK**
**AND IS BEING PROVIDED TO YOU AT THE SAME TIME AS THE FDD.**

*** * ***

**THE INFORMATION CONTAINED HEREIN MUST BE**
**REVIEWED IN CONJUNCTION WITH THE FDD**

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**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF NEW YORK

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## STATEMENT REQUIRED BY THE STATE OF NEW YORK

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

**AMENDMENT TO SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE AGREEMENT REQUIRED BY THE STATE OF NEW YORK**

In recognition of the requirements of the New York General Business Law, Article 33, the parties to the attached **Soft Pretzel Franchise Systems, Inc.** Franchise Agreement agree as follows:

1. Paragraphs 2.2.11 and 11.3.2.4 of the Franchise Agreement with respect to your execution of a general release shall be supplemented by the following provision:

> Provided that all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the GBL of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the nonwaiver provisions of Sections 687.4 and 687.5 of New York's GBL be satisfied.

2. Paragraph 16 of the Franchise Agreement shall be supplemented to include the following provision:

> Notwithstanding the above, you shall indemnify **Soft Pretzel Franchise Systems, Inc.** and hold harmless **Soft Pretzel Franchise Systems, Inc.** from liabilities resulting from your breaches and civil wrongs only.

3. Paragraph 19.7 of the Franchise Agreement shall be supplemented to include the following provision:

> In the event of such an assignment, **Soft Pretzel Franchise Systems, Inc.** will ascertain that its assignee, in **Soft Pretzel Franchise Systems, Inc.'s reasonable** judgment, possesses the economic resources to fulfill **Soft Pretzel Franchise Systems, Inc.'s** obligations to its franchisees.

4. Paragraph 16.2.1 of the Franchise Agreement shall be supplemented by the following provision:

> However, the foregoing choice of law shall not be considered a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the New York State General Business Law.

5. The first sentence in Paragraph 16.2.7 of the Franchise Agreement shall have no further force or effect and the following shall be substituted in lieu thereof:

> Nothing contained in this Agreement shall bar either party's right to seek to obtain injunctive relief against threatened conduct that will cause a loss or damage, under the usual equity rules, including the applicable rules for seeking to obtain restraining orders and preliminary injunctions.

6. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under New York law.

7. Soft Pretzel Franchise Systems, Inc.'s termination of the Franchise Agreement because of your insolvency or bankruptcy may not be enforceable under applicable federal law (11 U.S.CA. 101 et seq.).

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**No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.**

**Soft Pretzel Franchise Systems, Inc.**

By: _____

This Amendment is not fully executed until signed by the President of Soft Pretzel Franchise Systems, Inc.

**Franchisee:**

By: _____

Print Name: _____

Title: _____

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**ADDENDUM TO SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**
**REQUIRED BY THE STATE OF NEW YORK**

In recognition of the requirements of the New York General Business Law, Article 33, Section 68O through 695, and of the Codes, Rules, and Regulations of the State of New York, Title 13, Chapter VII, Section 200.1 through 201.16 the Franchise Disclosure Document for **Soft Pretzel Franchise Systems, Inc.** for use in the State of New York shall be amended as follows:

1. Item 3 shall be supplemented by the following:

   Neither we, our predecessor, nor any person identified in Item 2 or an affiliate offering franchises under our principal trademark has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations. There are no pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

   Neither we, our predecessor, nor any person identified in Item 2 or an affiliate offering franchises under our principal trademark has been convicted of a felony or pleaded *nolo contendere* to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

   Neither we, our predecessor, any person identified in Item 2 or an affiliate offering franchises under our principal trademark is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

2. Item 4 shall be supplemented by the following:

   During the 10-year period immediately before the application for registration, neither we nor our affiliate, any predecessor, current officers or general partner has: (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after our officer or general partner held this position in the company or partnership.

3. Item 5 shall be supplemented by the following:
All franchisee fees are applied to the franchisor's general operating fund. All obligations of franchisor, whether to franchisees or otherwise, are paid out of this fund.

4. Paragraph "j" under the section labeled "assignment of contract by us" in Item 17 shall be supplemented by the following provision:

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

5. Paragraph "m" under the section in Item 17 titled "conditions for our approval of transfer" shall be supplemented as follows with respect to your execution of a general release:

Provided, however, that all rights you enjoy and any causes of action which arise in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder remain in force; it being the intent of this proviso that the nonwaiver provisions of the GBL Sections 687.4 and 687.5 be satisfied.

6. Paragraph "w" under the section labeled "Renewal, Termination" in Item 17 shall be supplemented by the following provision:

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

**No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.**

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## RHODE ISLAND ADDENDUM TO THE FRANCHISE AGREEMENT

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF RHODE ISLAND ARE HEREBY AMENDED AS FOLLOWS:**

1. Pursuant to the Rhode Island Franchise Investment Act, the choice of jurisdiction and venue provisions of this Franchise Agreement shall be governed by Section 19-28.1-14 of the Act.

2. Pursuant to Section 19-28.1-15 of the Act, any condition, stipulation or provision in this Franchise Agreement requiring a franchisee to waive compliance with or relieving a person of a duty of liability imposed by or a right provided by this Act or a rule or order under this Act is void. An acknowledgment provision, disclaimer or integration clause or a provision having a similar effect in the Franchise Agreement does not negate or act to remove from judicial review any statement, misrepresentations or action that would violate this Act or a rule or order under this Act. This section shall not affect the settlement of disputes, claims or civil lawsuits arising or brought under this Act.

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

**The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement.**

| **SOFT PRETZEL FRANCHISE SYSTEMS, INC.** | **FRANCHISEE** |
|---|---|
| By:_____ | By:_____ |
| Name:_____ | Name:_____ |
| Title:_____ | Title:_____ |
| Date Signed:_____ | Date Signed:_____ |

## RHODE ISLAND ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT

For franchises and franchisees subject to the Rhode Island statutes and regulations, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the Soft Pretzel Franchise Systems, Inc. Franchise Disclosure Document.

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

Item 17:

1. §19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in the franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. The Rhode Island Franchise Investment Act requires a franchisor to deliver a copy of a disclosure document reflecting all material changes together with a copy of all proposed agreements relating to the sale of the franchise at the earlier of: (i) the prospective franchisee's first personal business meeting with the franchisor which is held for the purpose of discussing the sale or possible sale of the franchise, or (ii) ten business days prior to the execution of an agreement or payment of any consideration relating to the franchise relationship.

**AMENDMENT TO SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT**
**REQUIRED BY THE COMMONWEALTH OF VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Soft Pretzel Franchise Systems, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

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

> Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.
>
> Pursuant to Section 13.1 - 564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

Additional Disclosure: The following statements are added to Items 17(r) and 17(w):

> Under subsection D of § 13.1-559 of the Virginia Retail Franchising Act, for all franchises located in Virginia, the franchise contract or agreement offered or entered into pursuant to terms of this chapter shall be governed by the laws of the Commonwealth of Virginia.
>
> Under subdivision A 4 of § 13.1-563 of the Virginia Retail Franchising Act ("Act"), it is unlawful to offer or enter into a franchise agreement that restricts the right of a franchisee to engage in the business of offering, selling, or distributing goods or services at retail after termination or expiration of the franchise agreement. However, subsection B of § 13.1-563 of the Act provides that if a franchisee sells a franchise at a mutually agreed upon price to a third party or back to the franchisor, such sale may include a term restricting the right of such franchisee to engage in the business of offering, selling, or distributing goods or services at retail for a period of no more than two years after such sale.

**No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.**

_____ _____

Franchisee/Date Franchisor/Date

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**EXHIBIT J**
**TO**
**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**

# SAMPLE TERMINATION AND RELEASE

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**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**TERMINATION OF FRANCHISE AGREEMENT AND RELEASE**

This Termination of Franchise Agreement and Release (the "Agreement") is made this ____ day of _____, 20__, by and between Soft Pretzel Franchise Systems, Inc., a Pennsylvania corporation with its principal offices at 1525 Ford Road, Bensalem, Pennsylvania 19020 ("Franchisor"), and _____ ("Franchisee"), and _____ ("Guarantor").

**BACKGROUND**

A. On _____, Franchisee entered into a franchise agreement (the "Franchise Agreement") with Franchisor for the right to operate a Philly Pretzel Factory franchise in the territory identified in the Franchise Agreement (the "Territory").

B. Guarantor signed the Franchise Agreement as shareholders of Franchisee, and is individually jointly and severally liable for performance thereunder.

C. Franchisor and Franchisee wish to terminate the Franchise Agreement in accordance with the terms of this Agreement.

**AGREEMENT**

In consideration of the mutual promises and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties agree as follows:

1. Payment. Franchisee shall pay Franchisor the sum of _____ in consideration of all past due royalty, advertising and other fees due to Franchisor under the Franchise Agreement through the date of this Agreement.

2. Termination. Subject to the terms and conditions contained in this Agreement, the Franchise Agreement and all rights and obligations between Franchisor and Franchisee arising from or related to the Franchise Agreement are terminated, effective as of the date of this Agreement.

3. Post-Termination Obligations. Franchisee hereby acknowledges and agrees that nothing in this Agreement is intended to release Franchisee or Guarantor from all post-termination covenants and obligations contained in the Franchise Agreement including, without limitation, those relating to confidentiality, indemnification, restrictions on competition, and Guarantor and Franchisee's obligations upon termination under Paragraph 13 of the Franchise Agreement.

4. Release by Guarantor and Franchisee. Guarantor and Franchisee, for themselves and all persons and entities claiming by, through, or under them, release, acquit and forever discharge Franchisor and its present and former officers, employees, shareholders, directors, agents, servants, representatives, affiliates, successors and assigns (the "Franchisor Releasees") from all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, costs, attorney's fees, actions or causes of action whatsoever, whether known or unknown, which they, by themselves, on behalf of, or in conjunction with any other person, persons, partnership or corporation, have, had or claim to have against the Franchisor Releasees arising out of or related to the offer or sale of the Franchised Business and the parties' rights or obligations under the Franchise Agreement.

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5. Governing Law. This Agreement shall be construed under the laws of the Commonwealth of Pennsylvania, which laws shall control in the event of any conflict of law.

6. Advice of Counsel. Each party declares that the terms of this Agreement have been completely read and fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain and confer with counsel. This Agreement is entered into after a full investigation by the parties, and the parties are not relying upon any statements or representations not embodied in this Agreement.

7. Binding Effect. This Agreement shall be for the benefit of and binding upon the parties and their respective representatives, successors and assigns.

8. Attorney's Fees. In the event that Franchisor retains the services of legal counsel to enforce the terms of this Agreement, it shall be entitled to recover all costs and expenses, including reasonable attorney's fees, incurred in enforcing the terms of this Agreement.

9. Forum. Franchisee agrees that Franchisee has and had a relationship with Franchisor at Franchisor's offices in Pennsylvania and that, with the exception of Franchisor's right to seek injunctive relief in any appropriate jurisdiction, any action by or against Franchisor arising out of or relating to this Agreement shall be commenced and concluded in the Commonwealth of Pennsylvania in accordance with the forum selection provisions of the Franchise Agreement.

10. Entire Agreement. This Agreement constitutes the entire integrated agreement of the parties with respect to subject matter contained in this Agreement, and may not be subject to any modification without the written consent of the parties.

11. Counterparts. This Agreement may be executed in multiple counterparts by the various parties and the failure to have the signatures of all parties on a single Agreement shall not affect the validity or enforceability of any part of this Agreement against any party who executes any counterpart of the Agreement. Executed facsimile copies of this Agreement shall be deemed to be effective as original signatures.

**I HAVE READ THE ABOVE AGREEMENT AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**

**Attest:**_____ **By:**_____

**FRANCHISEE**

**Witness:**_____ **By:**_____

**GUARANTOR**

**Witness:** _____ **By:**_____

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**EXHIBIT K**
**TO**
**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**

# FORM SUBLEASE AGREEMENT FOR NON-TRADITIONAL STORE LOCATIONS

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**FORM SUBLEASE AGREEMENT FOR NON-TRADITIONAL LOCATIONS**

This Sublease Agreement (this "Sublease") is made on this ____ day of _____, 20___, by and between Soft Pretzel Factory Systems, Inc., a Pennsylvania corporation located at 1525 Ford Road, Bensalem, Pennsylvania 19020 ("Sublandlord") and _____, a _____, with a principal address of _____ ("Subtenant")

WITNESSETH:

**WHEREAS,** Sublandlord has entered into a master lease agreement, effective _____ _____, a copy of which is attached hereto and incorporated herein as Exhibit A (the "Master Lease") with _____(the "Master Landlord") whereby Master Landlord has agreed to lease portions of its stores to Sublandlord for the operation of Philly Pretzel Factory outlets;

**WHEREAS,** pursuant to the Master Lease, Master Landlord and Sublandlord have executed Attachment A (as defined in the Master Lease) for that certain leased space (the "Leased Premises") within the __ _____store located at _____. A copy of Attachment A, is attached hereto and incorporated herein as Exhibit B;

**WHEREAS,** pursuant to that certain Consent to Sublease, dated _____, 20__, by and between Master Landlord and Sublandlord, Sublandlord is authorized to enter into this Sublease with Subtenant for the Leased Premises; and

**WHEREAS,** Sublandlord and Subtenant agree that the purpose of this Sublease is to allow Subtenant to operate a Philly Pretzel Factory outlet at the Leased Premises under the terms of the Master Lease and Attachment A and under the terms of that certain franchise agreement by and between Subtenant and Sublandlord dated _____, 20___ (the "Franchise Agreement").

**NOW, THEREFORE,** Sublandlord and Subtenant, in consideration of the promises, undertakings and commitments of each party to the other set forth herein, and intending to be legally bound hereby, mutually agree as follows:

**1. Acceptance of Leased Premises.** The Subtenant has inspected the Leased Premises (as identified in Attachment A attached hereto) and accepts the same as is. Subtenant acknowledges and is aware that the success or lack thereof of any particular Philly Pretzel Factory outlet within a [_____] store is unknown. The Subtenant has made its own independent determination of the viability within this particular location and is relying on no representations whatsoever as to the profitability, ease of operation, success or failure, costs to construct, of this or any other Philly Pretzel Factory outlet located within a [_____ _____]store.

**2. Term.** Sublandlord hereby subleases the Leased Premises to Subtenant for the full term set forth in Attachment A (including renewal options, if available and exercised by Sublandlord) at the rental rates set forth in Attachment A, plus all charges such as common area charges, maintenance, insurance, tax and rental escalations, as set forth in Attachment A. In the event Attachment A contains renewal options, Subtenant shall notify Sublandlord of Subtenant's desire to exercise the renewal option in writing, by certified mail or express mail courier to Sublandlord's address as set forth above, at least two hundred seventy (270) days prior to the expiration of the then-current term as set forth on Attachment A. Subtenant specifically acknowledges and agrees that Sublandlord, in its sole discretion, may decline to exercise any renewal option if Subtenant (i) is in default of any of the terms of this Sublease, the Master Lease or the

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Franchise Agreement at the time of Subtenant's notice or thereafter, (ii) has been in default of any of the terms of this Sublease, the Master Lease or the Franchise Agreement, whether or not cured, within two hundred seventy (270) days prior to the date the Subtenant must give notice to the Sublandlord, or (iii) has been in default of any of the obligations or covenants of this Sublease, the Master Lease or the Franchise Agreement, whether or not cured, more than two (2) times, during the term of this Sublease.

**3. Subtenant's Obligations; Rent Payments. (a)** Subtenant shall assume and faithfully and promptly make all payments and perform all obligations and duties imposed on Sublandlord as Tenant under the Master Lease and Attachment A pertaining to the Leased Premises or common areas used by Subtenant or its invitees, employees and agents, including without limitation any obligations with regard to (i) construction or improvement of the Leased Premises, (ii) maintenance and repair of the Leased Premises, (iii) insurance requirements, and (iv) any other payments required to be made by Sublandlord that are directly related to the Leased Premises.

**(b)** Subtenant shall not commit or suffer waste and shall not use Leased Premises for any unlawful purposes. Subtenant shall comply with all rules and regulations that Master Landlord and/or Sublandlord have made or may reasonably make in the future.

**(c)** At the termination of this Sublease, Subtenant shall surrender the Leased Premises in the condition required by Article ____, Section _____, of Attachment A, or make such payment in lieu thereof as required by Article ____, Section _____ , of Attachment A.

**(d)** Any and all payments required under this Sublease, the Master Lease and Attachment A shall be made by Subtenant in a timely manner directly to Sublandlord. All base rent, percentage rent and any additional charges shall be paid on or before the _____ day of each calendar month. At Sublandlord's option, all payments due from Subtenant hereunder shall be made by cash, bank draft, certified check, money order or electronic funds transfer directly to the order of Sublandlord or designee. Sublandlord shall assess a late fee of five percent (5%) on any overdue amounts. Additionally, any outstanding balance shall be charged interest at the maximum legal rate in the jurisdiction in which the Leased Premises is located.

**4. Security Deposit. (a)** Subtenant, contemporaneously with the execution of this Sublease, shall deposit with Sublandlord the sum of _____ Dollars ($_____) (the "Security Deposit"). Such deposit shall be held by Sublandlord, without liability for interest, as security for the faithful performance by Subtenant of all of the terms, covenants, and conditions of this Sublease by Subtenant to be kept and performed during the Term hereof. If at any time during the Term of this Sublease any of the rent shall be overdue and unpaid, or any other sum payable by Subtenant to Sublandlord or Master Landlord hereunder shall be overdue and unpaid, then Sublandlord may, but shall not be required to, appropriate and apply any portion of the Security Deposit to the payment of any such overdue rent or other sum.

**(b)** In the event of Subtenant's failure to keep and perform any of the terms, covenants and conditions of this Sublease, the Master Lease or Attachment A to be kept and performed by Subtenant, then Sublandlord, at its option, may appropriate and apply the Security Deposit, or so much thereof as may be necessary, to compensate Sublandlord for loss or damage sustained by Sublandlord due to Subtenant's default. Should the entire Security Deposit, or any portion thereof, be appropriated and applied by Sublandlord for the payment of overdue rent or other sums due and payable pursuant to this Sublease, then Subtenant shall remit to Sublandlord a sufficient amount to restore the Security Deposit to its original sum, and Subtenant's failure to do so within three (3) days of Sublandlord's request therefor shall be a default of this Sublease. Should Subtenant comply with all of the terms, covenants and conditions of this Sublease, Sublandlord shall return the Security Deposit, or balance thereof, to Subtenant at the end of the term of this Sublease.

**(c)** At any time, Sublandlord may transfer the Security Deposit to Master Landlord or to a successor-in-interest of Sublandlord's interest in this Sublease, and upon such transfer, Sublandlord shall be released from any and all further liability with respect to the Security Deposit.

**5. Indemnification; Insurance.** In addition to any indemnity and insurance provisions contained in the Master Lease, the Subtenant agrees at all times during the term of this Sublease and for such prior or further term as a Subtenant occupies or has possession of the Leased Premises, and thereafter relating to such period of occupancy, to indemnify, defend, and hold harmless Sublandlord and its affiliates, and the shareholders, officers, directors, employees, and agents of Sublandlord and its affiliates, from and against all liability, injury, loss, cost (including attorneys' fees), damage and expense in respect of any injury or death of any persons and/or damage to any property while in or around the Leased Premises and to obtain and maintain insurance in accordance with the Master Lease and the Franchise Agreement naming all such indemnified persons as additional insureds which shall be primary and non-contributory.

**6. Default. (a)** Subtenant shall be in default of this Sublease if, at any time during the term hereof, Subtenant:

(i) files a petition for bankruptcy, for reorganization or arrangement, or for appointment of a receiver or trustee; or acquiesces to a petition for bankruptcy, reorganization, arrangement, or the appointment of a receiver or trustee by a creditor; or makes an assignment for the benefit of a creditor; or fails to have dismissed, discontinued, or vacated any such petition filed against Subtenant within sixty (60) days; or

(ii) fails to perform any of its obligations under this Sublease or under the Franchise Agreement or fails to perform or observe Sublandlord's obligations and covenants contained in the Master Lease and Attachment A which Subtenant has assumed pursuant to Section 3 hereof, and such failure is not cured immediately upon notice from Sublandlord or Master Landlord.

**(b)** Upon Subtenant's default, Sublandlord may exercise any of the following remedies, either separately, independently or concurrently, in addition to all other rights and remedies now or hereafter existing at law or in equity:

(i) cure such default on behalf of Subtenant, in which event Subtenant shall reimburse Sublandlord upon demand for all sums paid and costs incurred (including reasonable attorney's fees) in curing such default, plus interest at the maximum legal rate in the jurisdiction in which the Leased Premises is located from the date such payments were made or costs incurred by Sublandlord;

(ii) terminate this Sublease and repossess the Leased Premises, without any right on the part of Subtenant to redeem, to waive the forfeiture by payment of any sum due or by performance of any condition, term or covenant broken, or to cure the default, but Subtenant shall remain liable for the balance of the rent due as provided in this Sublease;

(iii) enter upon the Leased Premises, with or without terminating this Sublease, and exercise complete authority with respect to the operation of the Philly Pretzel Factory outlet for such duration as Sublandlord determines is necessary, in its sole discretion. If Sublandlord so exercises its rights pursuant to this Section 6(b)(iii), Subtenant shall comply with its obligations to pay Sublandlord's service fee and expenses and to indemnify Sublandlord as set forth in Section 12.3 of the Franchise Agreement; and

(iv) bring an action for damages and other losses resulting from the default, including all costs and expenses incurred by Sublandlord in connection with the default.

**(c)** Subtenant acknowledges and agrees that upon Subtenant's default, Master Landlord may demand, receive and collect any monies due or thereafter falling due without in any manner affecting such default or any notice of suit, action, order or judgment related to the default. Upon termination of this Sublease, any payment made by the Subtenant to Sublandlord or Master Landlord or any court shall not: (i) reinstate,

continue or extend the term of this Sublease; (ii) effect any notice previously given to Subtenant; or (iii) operate as a waiver of the right of Sublandlord to recover possession of the Leased Premises by proper suit, action, proceeding or remedy.

**(d)** All monies collected shall be deemed to be payments made in accordance with the terms of this Sublease or applied toward any outstanding balances owed by Subtenant.

**(e)** The parties agree that trial by jury shall be waived in the event of litigation.

**(f)** Subtenant agrees to pay to Sublandlord upon demand, as additional rent, any fees, costs or charges, including attorneys' fees and legal costs, incurred by Sublandlord in enforcing any of the terms or provisions of this Sublease, including without limitation for collecting any unpaid or late rental amounts or eviction proceedings. Sublandlord may charge interest on all past due amounts at the maximum legal rate in the jurisdiction in which the Leased Premises is located.

**(g)** Sublandlord shall have, and Subtenant hereby grants to Sublandlord, a continuing security interest for all rentals and other sums of money becoming due hereunder from Subtenant, upon all equipment, supplies and other personal property at the Leased Premises, and such property shall not be removed therefrom (other than in the ordinary course of business) without the written consent of Sublandlord until all rent reserved pursuant to this Sublease, as well as any and all other sums of money then due to Sublandlord hereunder shall first have been paid and discharged.

**7. Assignment and Subletting.** Subtenant shall not assign, further sublease or otherwise transfer its interest in this Sublease or the Leased Premises with the prior written consent of Sublandlord, which consent shall be given or denied in Sublandlord's sole discretion. If Sublandlord consents to an assignment, further sublease or other transfer of Subtenant's interest in this Sublease or the Leased Premises, such consent shall not operate to release the Subtenant from its obligations under this Sublease.

**8. Right of Entry.** Sublandlord and its authorized representatives have the right to enter the Leased Premises at all reasonable times to inspect the Leased Premises, serve notices, perform any work that may be necessary by reason of the failure of Subtenant to make any repairs or perform any other work required to be performed by Subtenant, or to take other action as Sublandlord deems necessary or appropriate for the protection of its interests.

**9. Limitation of Duties.** Sublandlord shall have no duty to perform any obligations of Master Landlord pursuant to the Master Lease and shall under no circumstances be responsible for or liable to Subtenant for any default, failure, or delay on the part of Master Landlord in the performance of any obligations pursuant to the Master Lease. No such default of Master Landlord shall affect this Sublease or waive or defer the performance of any of Subtenant's obligations hereunder; provided, however, that in the event of such default or failure, Sublandlord agrees, upon written notice from Subtenant, to make request upon Master Landlord to perform its obligations pursuant to the Master Lease. In the event Subtenant wishes to engage the services of an attorney to settle any disputes arising out of the Master Lease, all fees and costs shall be borne by the Subtenant, it being understood that Sublandlord is under no obligation to bring or defend any action brought by or against the Subtenant, the Sublandlord, or Master Landlord.

**10. Subordination of Sublease.** Notwithstanding anything contained herein to the contrary, the existence of this Sublease is dependent and conditioned upon the existence of the Master Lease, and in the event of the cancellation or termination of the Master Lease for any reason, this Sublease shall be terminated without the need for further action and without liability except for obligations incurred for the period prior to termination. Any such termination shall be without liability from Sublandlord to Subtenant. If Subtenant is in default at the time this Sublease is terminated pursuant to this Section 10, the provisions hereof relating

to default shall control as to Subtenant's liability. Subtenant shall not make any agreement with Master Landlord which could modify, cancel or terminate the Master Lease or this Sublease.

**11. Transfer by Sublandlord.** In the event Sublandlord at any time during the term of this Sublease conveys all or part of its interest in this Sublease, Tenant shall attorn to and recognize the transferee of Sublandlord's interest as Sublandlord under this Sublease for the remaining balance of the term of this Sublease, subject to all the terms of this Sublease, and shall execute, acknowledge and deliver to such transferee, without charge, such instruments of attornment as may be requested.

**12. Entire Agreement.** This Sublease contains the entire agreement of the parties hereto and supersedes all prior oral or written agreements of understandings between them with respect to the matters provided for herein. This Sublease may not be changed, modified, extended, terminated, waived, or discharged, except by an instrument in writing signed by each of the Parties.

**13. Personal Liability.** This Sublease, or the attached Guaranty, must be signed by each individual who signed the Franchise Agreement as franchisee, each of whom shall be jointly and severally liable under this Sublease.

**14. Counterparts.** This Sublease may be executed in multiple counterparts, each of which shall be deemed to be an original, but all of which, together, shall constitute one and the same instrument. This Sublease may be executed by one or more parties using an electronic signature, which the parties agree shall be binding for all purposes and shall constitute an original signature. This Sublease will become effective when fully executed and delivered to by all parties whether in one or more counterparts.

**IN WITNESS WHEREOF**, the parties have executed this Sublease as of the date(s) set forth below.

Sublandlord:

Attest:

**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**

_____

By: _____
Name: _____
Title: _____
Date: _____

Subtenant:

Attest:

_____

_____

By: _____
Name: _____
Title: _____
Date: _____

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## Exhibit A – Master Lease

## Omitted

# GUARANTY OF SUBLEASE

THIS GUARANTY OF SUBLEASE is made as of the _____ day of _____, 20__ by _____ and _____, jointly and severally (collectively, "Guarantors" and each individually, a "Guarantor"), to and for the benefit of Soft Pretzel Franchise Systems, Inc., a Pennsylvania corporation ("Sublandlord").

In consideration of and to induce the execution and delivery of that certain Sublease dated _____, 20__ (the "Sublease") between Sublandlord and _____ ("Subtenant"), for a certain premises (the "Premises") as more particularly described in the Sublease, Guarantors hereby agree as follows:

1. Guarantors, and each of them, unconditionally guarantee to Sublandlord the full and punctual payment of all rents and other sums payable by Subtenant under the Sublease, and the full and punctual performance and observance of all terms, covenants and conditions on the part of Subtenant to be performed and observed under the Sublease (collectively, the "Subtenant Obligations"). Guarantors further agree to indemnify and hold Sublandlord harmless from any loss, liability, damage or expense (including reasonable attorney's fees) arising from the failure of Subtenant to perform any of the Subtenant Obligations and/or the enforcement of this Guaranty. Upon Subtenant's failure to pay or perform any Subtenant Obligations, each of the Guarantors shall pay or perform such failed Subtenant Obligations.

2. Sublandlord shall not be required to pursue any remedies that it may have against Subtenant or pursue other security or other parties as a condition to the enforcement of this Guaranty, it being intended that Guarantors' obligations hereunder shall be independent of, and in addition to, the Subtenant Obligations. It is understood and agreed that Guarantors may be joined in any action against Subtenant and that recovery may be had against Guarantors in such action, or in any independent action against each Guarantor or either of them, without Sublandlord pursuing or exhausting any remedy or claim against Subtenant. This Guaranty shall not in any way be affected or impaired by reason of Sublandlord asserting against Subtenant any rights or remedies reserved to the Sublandlord pursuant to the Sublease, or available at law or in equity.

3. Each Guarantor waives notice of any breach or default by Subtenant under the Sublease, notice of acceptance of this Guaranty, and all other suretyship defenses. The foregoing provisions shall apply, without limitation, to Sublandlord's waiver of or failure to enforce any Subtenant Obligations and/or Sublandlord's granting extensions of time of performance to Subtenant.

4. This Guaranty shall be absolute and continuing. The obligations and liability of either Guarantor shall not be discharged, released, affected or impaired by:

   (a) Bankruptcy, insolvency, reorganization, liquidation, dissolution, winding up or other proceedings affecting Subtenant, or the disaffirmance or rejection of the Sublease in such proceedings, regardless of whether any or all of the foregoing is or are done or made with or without the consent of Guarantors or Sublandlord;

   (b) Any modification, amendment or other alterations of the Sublease; any renewal or extension of the Sublease; any assignment of the Sublease; and any further sublease of all or a portion of the Premises (and Guarantors hereby consent to any and all of the foregoing); or

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(c) The cessation from any cause whatsoever of the liability of Subtenant or any other party primarily or secondarily liable under the Sublease.

The obligations and liability of each Guarantor under this Guaranty shall continue in effect until all Subtenant Obligations accruing during the Sublease term (including any renewal or extension thereof) have been fully paid, performed and/or satisfied. This Guaranty shall continue to apply during any holdover period or periodic tenancy arising subsequent to the expiration the Sublease term by operation of law or otherwise.

5. Until all Subtenant Obligations are fully satisfied and discharged, neither Guarantor: (a) shall have the right of subrogation against Subtenant by reason of such Guarantor's performance hereunder, (b) shall waive any right to enforce any remedy which such Guarantor now has, or hereafter may have against Subtenant by reason of such Guarantor's performance hereunder, and (c) subordinates any liability or indebtedness of Subtenant now or hereafter held by, or owed to Guarantors, or either of them, to the Subtenant Obligations.

6. In the event that this Guaranty shall be held ineffective or unenforceable by any court of competent jurisdiction, each Guarantor shall be deemed to be a Subtenant under the Sublease with the same force and effect as if such Guarantor were expressly named as a joint Subtenant with Subtenant.

7. This Guaranty may not be modified, discharged or terminated except by an agreement in writing signed by Guarantors and Sublandlord.

8. This Guaranty shall bind Guarantors and the heirs, personal representatives, successors and assigns of each Guarantor. This Guaranty may be freely assigned, transferred or hypothecated by Sublandlord and shall run in favor and inure to the benefit of the Sublandlord, its successors and assigns, and each subsequent holder of Sublandlord's interest under the Sublease. References to the term "Subtenant" shall be deemed to include Subtenant's heirs, personal representatives, successors and assigns.

9. This Guaranty shall be governed and construed in accordance with the law of the state in which the Leased Premises is located. Each Guarantor agrees to be subject to action brought in such state, and to waive any objection to personal jurisdiction in such action. Each Guarantor waives all rights to a trial by jury in any action related to this Guaranty.

10. If the Guarantors or either of them, consist of a legal entity other than an individual (i.e. a corporation, limited liability company, partnership, etc.), the undersigned represents and warrants that such Guarantor has the legal right and capacity to execute and perform this Guaranty. The undersigned further covenants and warrants that the undersigned is duly authorized by such Guarantor, by way of a binding resolution, action, vote or similar authority, to execute and deliver this Guaranty on behalf of such entity. Upon request, such Guarantor shall provide written evidence of such authorization to Sublandlord.

11. Each Guarantor represents and warrants that such Guarantor has the legal right and capacity to execute this Guaranty. Each of the Guarantors acknowledge that: (a) the obligations and liabilities of each individual executing this Guaranty shall be joint and several; (b) the release of any one or more of the individual Guarantors shall not in any way limit, affect or impair the obligations or liabilities of any of the other individual Guarantors; and (c) the absence of the signature of any one or more co-guarantors shall not relieve the remaining Guarantor(s) of their joint and several liability for the entire obligation created hereby.

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12. Within fifteen (15) days after Sublandlord's request, Guarantors shall execute and deliver to Sublandlord a written statement identifying this Guaranty and any amendments hereto and stating whether or not this Guaranty is in full force and effect and, if not, setting forth what reasons or legal defenses support Guarantors' claim that this Guaranty is not in full force and effect.

13. Any notice which Sublandlord may elect to send to Guarantors shall be deemed given if mailed to the last address known to Sublandlord, by registered or certified mail, return receipt requested, first class, postage prepaid; same-day couriered; or delivered via nationally recognized overnight courier. Nothing herein shall be deemed to preclude Sublandlord from obtaining service of process upon Guarantors, or either of them, in any manner permitted by the laws of the state where the Leased Premises is located.

14. Any capitalized defined term used, but not defined herein shall be give the meaning ascribed to such term in the Sublease.

WHEREFOR the following signature is made as of the day and year first above written.

Signed and acknowledged in the presence of:

_____
(Signed Witness Name)

_____
(Printed Witness Name)

**GUARANTOR:**

By: _____

SS#: _____

Address: _____
_____
_____

Phone: _____

Signed and acknowledged in the presence of:

_____
(Signed Witness Name)

_____
(Printed Witness Name)

**GUARANTOR:**

By: _____

SS#: _____

Address: _____
_____
_____

Phone: _____

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**EXHIBIT L**
**TO**
**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**

# TABLE OF CONTENTS OPERATIONS MANUAL

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PHILLY PRETZEL FACTORY

# OPERATIONS MANUAL

## Table of Contents


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**EXHIBIT M**
**to**
**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**

# STATE EFFECTIVE DATES

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## 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 |
|---|---|
| Illinois | Pending Registration |
| Indiana | Pending Registration |
| Maryland | Pending Registration |
| Michigan | June 14, 2025 |
| New York | Pending Registration |
| Rhode Island | Pending Registration |
| Virginia | Pending Registration |

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.

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**EXHIBIT N**
**TO**
**SOFT PRETZEL FRANCHISE SYSTEMS, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**

# RECEIPTS

©2026 Soft Pretzel Franchise Systems, Inc.

## RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Soft Pretzel Franchise Systems, Inc. offers you a franchise it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

**New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements or payment of any consideration that relates the franchise relationship.**

**Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or the payment of any consideration, whichever occurs first.**

If Soft Pretzel Franchise Systems, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state administrator identified in Exhibit A of this Franchise Disclosure Document.

The franchisor is Soft Pretzel Franchise Systems, Inc., located at 1525 Ford Road, Bensalem, Pennsylvania 19020. Its telephone number is 215-338-4606.

A list of the names, principal business addresses, and telephone numbers of each franchise seller offering this franchise is as follows:

1. Frank Weiss, Martin Ferrill, Greg Salzano, and Danielle Forte, Soft Pretzel Franchise Systems, Inc., located at 1525 Ford Road, Bensalem, Pennsylvania 19020. Its telephone number is 215-338-4606.

| | |
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Issuance Date: April 30, 2026.

A list of franchisor's agents registered to receive service of process is listed as Exhibit B to this Franchise Disclosure Document.

I have received a Franchise Disclosure Document with an issue date of April 30, 2026. Effective Dates for this Franchise Disclosure Document in the registration states are listed on the Effective Date Page following the State Cover Page. This Franchise Disclosure Document included the following Exhibits:

**Exhibit A – State Administrators**
**Exhibit B – Registered Agent for Service of Process**
**Exhibit C – List of Franchisees**
**Exhibit D – List of Former Franchisees**
**Exhibit E – Financial Statements**
**Exhibit F – Soft Pretzel Franchise Systems, Inc. Franchise Agreement**
- **Exhibit A – Site Selection Addendum**
- **Exhibit B – Personal Guarantee**
- **Exhibit C – Restrictive Covenant and Confidentiality Agreement**
- **Exhibit D – Collateral Assignment of Lease**
- **Exhibit E – Conditional Assignment of Franchisee's Telephone Numbers**

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**Exhibit F – Assignment and Assumption Agreement**
**Exhibit G – Non-Traditional Location Addendum**
**Exhibit H - Electronic Funds Withdrawal Authorization**
**Exhibit G – Confidentiality Agreement**
**Exhibit H – Compliance Certification**
**Exhibit I – State Specific Addenda**
**Exhibit J – Sample Termination and Release**
**Exhibit K – Sublease Agreement for Non-Traditional Locations**
**Exhibit L – Table of Contents Operations Manual**
**Exhibit M – State Effective Dates**
**Exhibit N – Receipts**

Date: _____ _____Franchisee

_____(Print Name)

_____(Telephone Number)

Complete Below for a Partnership, Corporation or Limited Liability Corporation:

Name: _____
Title: _____
Name of Company: _____
Address: _____

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Date: _____ _____Franchisee

_____(Print Name)

_____(Telephone Number)

Complete Below for a Partnership, Corporation or Limited Liability Corporation:

Name: _____
Title: _____
Name of Company: _____
Address: _____

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