

FRANCHISE DISCLOSURE DOCUMENT

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



M & T Pizza Incorporated (the “Franchisor”) is offering franchises under which the Franchisee will own and operate restaurants which specialize in serving pizza and related foods and beverages. The franchise business will be operated using the trademark and name shown above.

M & T Pizza franchises the right to operate retail restaurants under the trade names “Carbone’s Pizza” and “Carbone’s Pizzeria.” The restaurants feature pizza and offer related foods and beverages. Most of M & T Pizza ‘s franchises are involved in serving pizza for consumption on the premises and also making it available on a take-out basis. Some of the franchises offer pizza delivery services.

M & T Pizza directly operates two retail Carbone’s Pizza restaurants located in St. Paul, Minnesota and Eagan, Minnesota and sells pizza materials to its franchisees.

M & T Pizza has been offering Carbone’s Pizza and Carbone’s Pizzeria franchises for more than 50 years. M & T Pizza relies on the expertise and experience of its shareholder, Thomas M.

Carbone, who assumed the role of his father Thomas A. Carbone, who passed away in December 2017. Thomas M. Carbone worked closely with his father in the years preceding his death and is positioned to offer great continuity to the transaction and leadership.

- (1) The total investment necessary to begin operation of a Carbone Pizza franchise ranges between \$146,000.00 to \$287,000+. This includes a \$10,000 Franchise Fee for franchise agreements signed prior to 1/1/2024 and \$25,000 for franchise agreements signed on or after 1/1/2024 that must be paid to the franchisor or affiliate. Costs could be higher depending of the lease cost or purchase of a building by the Franchisee.
- (2) 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 fourteen (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.**
- (3) The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.
- (4) 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.
- (5) There may also be laws on franchising in your state. Ask your state agencies about them.
- (6) The issuance date: March 21, 2023.

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 B includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Carbone's Pizza business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be an M&T Pizza, Incorporated franchisee?	Item 20 or Exhibit C lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A and Item 23.

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

Special Risks to Consider About *This Franchise*

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

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

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

ATTACHMENT A

MINNESOTA, DEPARTMENT OF COMMERCE, FRANCHISE DIVISION, SUITE 500, 85 SEVENTH PLACE,
ST. PAUL, MINNESOTA 55101-2198

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1. THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

To simplify the language used in this Disclosure Document, “M & T Pizza” means M & T Pizza Incorporated, the corporation which is offering the franchise and is sometimes called the “franchisor.” “You” means the person who buys the franchise and is sometimes called the “franchisee.” If the franchisee is a corporation, partnership, limited liability company, or other business entity, “you” includes the franchisee’s owners.

M & T Pizza was incorporated as a Minnesota business corporation on November 4, 1977, and its principal business address is 680 East Seventh Street, St. Paul, Minnesota 55106.

M & T Pizza franchises the right to operate retail restaurants under the trade names “Carbone’s Pizza” and “Carbone’s Pizzeria.” The restaurants feature pizza and offer related foods and beverages. Most of M & T Pizza’s franchises are involved in serving pizza for consumption on the premises and also making it available on a take-out basis. Some of the franchises offer pizza delivery services.

M & T Pizza directly operates two retail Carbone’s Pizza restaurants, and it sells pizza materials to its franchisees.

The pizza restaurant business is well-established and quite competitive practically everywhere in the nation. In most communities of any size there are one or more (and in large communities, many) restaurants selling pizza and related food items. Clearly, you and other M & T Pizza franchises will have to compete with other restaurants offering similar items and performing similar services.

Pizza restaurants are subject to the same local zoning laws and other local business regulation and licensing provisions as any other type of restaurants. The zoning laws restrict where restaurants may be located and often require provision of parking and other amenities. The business regulations and licensing provisions govern size, operating conditions, hours of operation, ability to sell alcoholic beverages and other aspects of the operation of restaurants. Since these vary from community to community, you are encouraged to talk to your local city officials before making a final decision on entering into a Franchise Agreement with M & T Pizza.

M & T Pizza has been offering Carbone’s Pizza and Carbone’s Pizzeria franchises for more than 50 years. M & T Pizza relies on the expertise and experience of its shareholder, Thomas M. Carbone, who assumed the role of his father Thomas A. Carbone, who passed away in December 2017 as president of M & T Pizza. Thomas M. Carbone worked closely with his father in the years preceding his death and is positioned to offer great continuity to the transaction and leadership.

2. BUSINESS EXPERIENCE

Its President, Secretary and Treasurer: Thomas M. Carbone

Thomas M. Carbone, who succeeds his father Thomas A. Carbone provides continuity to the leadership of his late father, Thomas A. Carbone, who held his position as President of M & T Pizza Incorporated from the time it was incorporated in 1977 until his death in 2017. From 1967 to 2001 Thomas A. Carbone has also acted as an officer and General Manager of Carbone's Pizza, Inc., which operates a pizza restaurant. He was also an Officer and Director of Carbone & Sons, Inc. Thomas M. Carbone was hired as General Manager of Carbone's Pizza, Inc. in 2001 and duly elected as the corporate CEO, Secretary and Treasurer on July 20, 2018, although he had been acting in those capacities since his father's death. Thomas M. Carbone "Tommy's" duties commenced upon the death of his father. He received extensive training and worked closely with his father in the years preceding his death. Tommy's duties include management of all existing franchise operations for both Corporations, including the training of personnel in the operation of pizza restaurants operated within the M & T System and overseeing the operation of the restaurants owned by Carbone's Pizza, Inc. or operated within that System.

3. LITIGATION

No litigation has occurred is required to be disclosed in this Disclosure Document.

4. BANKRUPTCY

No person previously identified above in this Disclosure Document has been involved as a debtor in proceedings under the United States Bankruptcy Code required to be disclosed in this Item.

5. INITIAL FRANCHISE FEE

All franchisees before January 1, 2024, will pay a \$10,000 franchise fee. For franchises on or after January 1, 2024, will pay a \$25,000 franchise fee (unless the franchisee already has an existing franchise from M & T Pizza and wishes to open another franchise restaurant, in which case M & T Pizza may determine to lower or waive the fee if less training is required). M & T Pizza will require full payment of the franchise fee at the time of execution of the Franchise Agreement.

6. OTHER FEES

Name of Fee ¹	Amount	Due Date	Remarks
Royalty (continuing franchise fee)	<p>For franchises issued BEFORE 1/1/2024 4% of total Gross Sales* up to total of \$750,000 per year at which point Royalty is reduced to 3% of Gross Sales between \$1,000,001 and \$2,000,000 per year at which point Royalty is reduced to 2% of Gross Sales over \$2,000,000 per year.</p> <p>*For the above calculations Gross Sales does not include sales tax or non-food vending machine sales, discounts, liquor, beer, or wine sales.</p> <p>For franchises issued ON OR AFTER 1/1/2024 5% of total Gross Sales* up to total of \$1,000,000 per year at which point Royalty is reduced to 4% of Gross Sales between \$1,000,001 and \$2,000,000 per year at which point Royalty is reduced to 2% of Gross Sales over \$2,000,000 per year.</p> <p>*For the above calculations Gross Sales does not include sales tax or non-food vending machine sales, discounts, but does include liquor, beer and wine sales.</p>	Payable monthly on 10 th day following the month covered	Gross Sales includes all revenues from the franchise location, including liquor, beer and wine sales depending on the year of issuance of the franchise. Gross Sales do not include sales tax or use tax or discounts.

¹ Fees are imposed by and are payable to M & T Pizza. All fees are nonrefundable. Unpaid fees bear interest at the rate of eight percent (8%) per year but not to exceed the current interest rate allowed by law.

Advertising	1% of total Gross Sales up to \$2,000,000. No additional fee for Gross Sales over \$2,000,000. Gross Sales does not include sales tax or non-food vending machine sales.	Payable monthly on 10 th day following the month covered	
Transfer	\$5,000.00	Prior to consummation of transfer	Payable when you sell your franchise or your business entity or a majority interest in said entity. No charge if franchise transferred to a corporation which you control.
Audit	Cost of audit plus 8% interest on underpayment ²	Upon billing	Payable only if audit shows an understatement of at least 5% of Gross Sales for any month.
Renewal	No initial renewal fee but the current royalty and all other fees must be paid		But franchisee signs the then current form of Franchise Agreement and pays all fees prescribed thereby.

7. ESTIMATED INITIAL INVESTMENT

	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$10,000 for agreements prior to 1/1/2024 \$25,000 for agreements on or after 1/1/2024 (Note 1)	Lump sum	At signing of Franchise Agreement	M & T Pizza
Travel and Living Expenses While Training	\$1,000.00 to \$2,500.00	As incurred	During training	Hotels and restaurants
Real Estate and Improvements	(Note 2)	(Note 2)	(Note 2)	(Note 2)
Equipment	\$70,000.00 to \$200,000.00 (Note 3)	Lump sum	Prior to opening	Vendors
Signs	\$10,000.00	Lump sum	Prior to opening	Sign company
Miscellaneous Opening Costs	\$10,000.00 (Note 4)	As incurred	As incurred	Employees, suppliers, utilities, etc.
Inventory	\$10,000.00 to \$20,000 (depending on alcohol program (Note 5))	Lump sum	Prior to opening	M & T Pizza or vendors
Estimated Additional Funds - 3 months	\$20,000.00 (Note 6)	As incurred	As incurred	Employees suppliers, utilities
Total	\$291,000.00 to \$2,060,000.00+ (Note 7)	Does not include real estate costs		

Notes:

- (1) See Item 5 for the conditions under which this fee may be partly lowered or waived.

- (2) If you do not own adequate shop space, you must lease the land and building for the Carbone's Pizza Restaurant. Typical locations are in commercial areas. The typical franchise restaurant has 2,000 square feet. Rent is estimated to be between \$25,000.00 to \$50,000.00 per year depending on factors such as size, condition and location of the leased premises.
- (3) This sum is estimated and depends on the equipment you select for installation.
- (4) Includes security deposits, utility costs and incorporation fee.
- (5) This is payable to vendors including vendors distributing M & T Pizza supplies. Other items are purchased from vendors.
- (6) This estimates your initial start-up expenses or "working capital." These expenses include payroll costs. These figures are estimates, and M & T Pizza cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as how much you follow methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for the prevailing wage rate; competition; and the sales level reached during the initial period. The actual funds required during the three-month start-up period may be less (if business is good and considerable operating revenues are generated) or they could be more if operating revenues are poor. Franchisee will be required to acquire a point-of-sale (POS) system to track sales and manage financial information. where gross weekly sales from the sale of food and beverages exceed \$6,500.00 for more than six (6) consecutive weeks. M & T Pizza will supply Franchisee with a list of approved POS systems. Cost of point of sale investment is between \$5,000.00 and \$10,000.00 depending on vendor, plus a monthly fee of between \$200 to \$400.
- (7) M & T Pizza relied upon its 50 plus years' experience in the pizza restaurant business to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.
- (8) M & T Pizza does not offer direct or indirect financing to franchisees for any items.

8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Because of the unique character of Carbone's pizza, you are required to purchase from M & T Pizza all sausage, sauces and dough used in the production of flat and deep dish pizzas or purchase said ingredients from approved vendors. The reason for the requirement is that the recipes for these products are unique and original, and it is in your interest and the interest of other franchisees and of M & T Pizza that the taste, texture and other qualities of these products be as consistent as possible. M & T Pizza may realize profit from the sale of sausage, sauces and dough to you at prices above M & T Pizza's cost. It is anticipated that the price paid by you for such items will be 10% to 20% above the cost (direct and indirect) of producing such product, plus a delivery charge, if any. Under certain circumstances, for example where the distance between a franchisee's restaurant and M & T Pizza's headquarters renders it impracticable for M & T Pizza to deliver fresh sausage, sauces and dough to a franchisee, M & T Pizza will either designate a purveyor nearer to the franchisee's restaurant or, in exceptional circumstances, license its recipes to the franchisee.

It is estimated that the percentage of these required purchases from M & T Pizza to all purchases by you of operating supplies from M & T Pizza (in the course of normal operations) will be approximately 10%. Of course, you will have many other expenses than just operating supplies in the course of operating a pizza restaurant.

All items to be purchased by you, including food items, pizza boxes and other miscellaneous items are required to meet the standards and recipe maintained by M & T Pizza as amended from time to time. Such standards typically relate to the quality and appearance of products so as to promote uniformity in all franchised restaurants. Any changes in the standards will be reflected by amendment of M & T Pizza's recipes, copies of which will be sent to you. The grant or revocation of approval for a particular supplier will be communicated directly to you. Revocation will generally only occur upon failure of the supplier to meet M & T Pizza's standards.

You and other franchisees may be required to participate in soft drink group buying and advertising programs whereby M & T Pizza may enter into agreements relating to the sale of soft drink products sold by you and other franchisees in exchange for advertising support to you and other franchisees. You and other franchisees are required to participate in any group buying programs developed by M & T Pizza for food or nonfood products or equipment, if M & T Pizza develops such group buying programs. This group buying program is designed to lower the cost of goods for all franchisees.

In addition, Franchisees joining the M & T Pizza system in 2023 and following years shall use required produce suppliers according to a list of suppliers maintained by Franchisor, which list of suppliers is subject to modification as business circumstances require. Presently, the list includes the following entities: Jerry's Produce, Swanson Meats, Performance Food Group, Tri-Mark, Mainstreet Bakery. M & T Pizza reserves the right to change the list of approved product vendors.

In addition, Franchisee may not deviate from the specific ingredients, or the recipes used in the making of flat pizzas, deep dish pizzas, and sandwiches.

9. FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Item in Disclosure Document
Site selection and acquisition, lease	Section 1(b)	Items 6 and 11
Pre-opening purchases, leases	Section 9	Item 8
Site development and other pre-opening requirements	Not applicable	
Initial and ongoing training	Section 7	Item 11
Opening	Section 8	Item 11
Fees	Sections 5 and 6	Items 5 and 6
Compliance with standards and policies, Operating Manual	Sections 7, 8 and 9	Item 11
Trademarks and proprietary Information	Sections 4, 10 and 11	Items 13 and 14
Restrictions on products, services offered	Sections 8 and 9	Item 16
Warranty and customer service requirements	None	
Territorial development and sales	None	
Ongoing product, service purchases	Sections 8 and 9	Item 8
Maintenance, appearance and remodeling requirements	Section 8	Item 11
Insurance	Section 12	Items 6 and 8
Advertising	Section 6	Items 6 and 11
Indemnification	Sections 10, 13 and 21	Item 6
Owner's participation, management, staffing	Section 8	Items 11 and 15

Records, reports	Section 8	Item 6
Inspections, audits	Section 8	Items 6 and 11
Transfer	Section 14	Item 17
Renewal	Section 2	Item 17
Post-termination obligations	Section 17	Item 17
Noncompetition covenants	Sections 4 and 11	Item 17
Dispute resolution	Section 21	Item 17

10. FINANCING

M & T Pizza does not offer direct or indirect financing including any of the initial franchise fee. M & T Pizza may, if requested by the Franchisee refer the Franchisee to a list of banks which the Franchisee may contact regarding financing which the Franchisee may require. M & T Pizza does not guarantee your promissory or demand notes, leases, or any other financial obligation which the Franchisee may have with a third party, vendor, or bank.

11: FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Before you open your business, M & T Pizza will:

- (1) Designate your exclusive territory (Franchise Agreement, Section 3).
- (2) Approve the site you have selected. In fact, the site must be selected before the Franchise Agreement is signed, because the existence of a location is necessary before M & T Pizza can approve the issuance of a franchise.
- (3) Provide a reasonable amount of consultation on the type of equipment and other furnishings for your restaurant location. The extent of such consultation is strictly within M & T Pizza's discretion.
- (4) Provide training as set out in paragraph 7 of the Franchise Agreement, including instruction for a period of not less than four weeks and a minimum of 100 hours training during such four-week period at a Carbone's Pizza or Carbone's Pizzeria restaurant selected by M & T Pizza and, at M & T Pizza's sole option. Training will also include instruction in training your staff at your restaurant for a period not to exceed forty (40) hours. M & T Pizza does not charge for this training or service, but you must pay the travel and living expenses for you and your employees. All training occurs at a Carbone's Pizza restaurant in the Twin Cities area of Minnesota.

- (5) M & T Pizza will provide you with instructions on the making of pizza and related items and may provide you with copies of secret recipes (Franchise Agreement, Section 11)

(1) Disclose the franchisor's pre-opening obligations to the franchisee, including any assistance in:

(i) Locating a site and negotiating the purchase or lease of the site. If such assistance is provided, state:

- (A) Whether the franchisor generally owns the premises and leases it to the franchisee.
- (B) Whether the franchisor selects the site or approves an area in which the franchisee selects a site. If so, state further whether and how the franchisor must approve a franchisee-selected site.
- (C) The factors that the franchisor considers in selecting or approving sites (for example, general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings, and lease terms).
- (D) The time limit for the franchisor to locate or approve or disapprove the site and the consequences if the franchisor and franchisee cannot agree on a site.

Site Selection. M & T Pizza does not provide any particular assistance in selection a location for your franchise. You must have the location selected by you approved by M & T Pizza, in its sole discretion, before the Franchise Agreement will be signed. An officer of M & T Pizza may consult with you on the proposed location if you have questions, but M & T Pizza does not select the site, nor does it guarantee that any particular site will produce any particular results. Generally speaking, the best site is one in a busy commercial area within a city or community. Size of restaurant, number of seats, parking requirements and other factors vary depending upon what is available for purchase or rent and the requirements of the community in which the restaurant may be located.

(ii) Conforming the premises to local ordinances and building codes and obtaining any required permits.

This is the Franchisee's responsibility.

(iii) Constructing, remodeling, or decorating the premises.

Franchisee Latitude. The Franchisee has much latitude, and assumes primary responsibility, for constructing, remodeling, and decorating of the premises. M&T encourages the Franchisee to make the premises reflect the neighborhood "feel" or "ambiance". The Franchisee will have the opportunity to present his/her ideas for the interior design and décor to the Franchisor. The Franchisor must approve all design and décor plans prior to construction or changes to an existing space. If the Franchisee has no predetermined ideas for the design and décor of the property

specific to the neighborhood, the Franchisor will provide and approved design package to the Franchisee.

(iv) *Hiring and training employees.*

Hiring. It is the Franchisee’s responsibility to hire his employees. M&T Pizza does not assist in any way in the hiring process nor in setting compensation or employee benefits. Franchisee must comply with all State and Federal laws concerning hiring and discrimination based on race, national origin, sex, sexual orientation, etc.

Training. M & T Pizza’s training program is described in Section 7 of the Franchise Agreement and consists largely of on-site, “hands on” work in a Carbone’s Pizza restaurant in the Twin Cities area for the four-week period (not less than 100 hours as determined by M & T Pizza). The parties providing the training have all had at least several years of experience working in Carbone’s Pizza restaurants. M & T Pizza may (but need not) decide to provide you with additional training of your staff at your restaurant for a period to be determined by M & T Pizza, but not exceeding 40 hours of training time. As noted elsewhere in this Disclosure Document, all costs of attending such training (whether in the Twin Cities or at your location) will be paid for by you.

(v) *Providing for necessary equipment, signs, fixtures, opening inventory, and supplies. If any such assistance is provided, state:*

(A) Whether the franchisor provides these items directly or only provides the names of approved suppliers.

Based upon experience and a successful operation of franchises over a fifty (50) year period Franchisor has adopted and limited “approved vendor list” for franchises entering the system in calendar year 2023 and after. The “approved vendor list” has been provided to current franchisees with the requirement, that “approved vendors” be utilized. The use of an “approved vendor list” allows franchisees to benefit from negotiated contract prices which are advantages to Franchisor and franchisees. See reference to the “approved suppliers list” in Section 8 of this Franchise Offering Circular, above.

(B) Whether the franchisor provides written specifications for these items.

(C) Whether the franchisor delivers or installs these items.

(2) Disclose the typical length of time between the earlier of the signing of the franchise agreement or the first payment of consideration for the franchise and the opening of the franchisee's business. Describe the factors that may affect the time period, such as ability to obtain a lease, financing or building permits, zoning and local ordinances, weather conditions, shortages, or delayed installation of equipment, fixtures, and signs.

Time of Opening. The typical length of time between the signing of the Franchise Agreement and the opening of your restaurant ranges from two to six months, depending upon the site you select, the improvements which have to be made and the time necessary to get the required local

permits. If it takes significant time to get local building and other permits, the length of time between signing of the Franchise Agreement and the opening of the restaurant may be longer.

(3) Disclose the franchisor's obligations to the franchisee during the operation of the franchise, including any assistance in:

- (i) *Developing products or services the franchisee will offer to its customers.*

As new products are developed, or existing products modified Franchisor works with Franchisee in the development and introduction of new products.

- (ii) *Hiring and training employees.*

Hiring and training of Franchisee's employees is a matter left to the discretion and judgment of Franchisee. Key Franchisee employees are trained or retrained by the Franchisor at the request of the Franchisee. Cost of training the Franchisee's initial Key Franchisee employees is included in the initial Franchise Fee and Training Fee.

- (iii) *Improving and developing the franchised business.*

Franchisor is a small operation which prides itself on close personal ongoing contact between the Franchisor and Franchisee. Therefore, improvement and development of the Franchise business is ongoing, with considerable discretion left to the Franchisee.

- (iv) *Establishing prices.*

The establishment of prices is a matter left to the Franchisee.

- (v) *Establishing and using administrative, bookkeeping, accounting, and inventory control procedures.*

These matters are left to the discretion of the individual Franchisee. However, Franchisee is required to have a POS system to track sales for at least 6 months. Franchisor will provide Franchisee with a list of approved POS systems which Franchisee may purchase.

- (vi) *Resolving operating problems encountered by the franchisee.*

These matters are left to the discretion of the individual Franchisee.

(4) Describe the advertising program for the franchise system, including the following:

As a small personalized system Franchisor provides ongoing individual consultation with Franchisees as needed. Franchisees also often obtain mentoring from the Franchisor regarding advertising.

Generally, an advertising fee of one percent (1%) of Gross Sales up to \$2,000,000 is charged all Franchisees. There is no advertising fee on Gross Sales over \$2,000,000. Funds are collected and maintained in a separate bank account for the benefit of Franchisee Advertising. Currently the account is with U.S. Bank. Franchisor sets an annual budget based upon anticipated advertising revenues reaching the account. Franchisees meet monthly to determine advertising methods and expenditures. All Franchisees are invited to participate, and decisions are made based upon consensus of Franchisees. Presently, Franchisees utilize the services of a small and creative design firm, Sussner Design Company, Minneapolis, MN, and their staff, who have proven responsive to Franchisees' interests and direction. Franchisor reserves the right to change the design firm which it uses.

(i) *The franchisor's obligation to conduct advertising, including:*

(A) *The media the franchisor may use.*

Media use is generally selected by Franchisees as described above.

(B) *Whether media coverage is local, regional, or national.*

There is no national advertising, and most advertising is local based upon the programs established by the Franchisees as described above.

(C) *The source of the advertising (for example, an in-house advertising department or a national or regional advertising agency).*

Presently, Franchisor, with the collaboration of Franchisees utilize the services of Sussner Design Company, see above. Franchisor reserves the right to change the design services company which it uses.

(D) *Whether the franchisor must spend any amount on advertising in the area or territory where the franchisee is located.*

Franchisor does not directly fund advertising. As advertising funds are collected from Franchisee as described above. However, Franchisor mentors Franchisees through the course of monthly meetings as to advertising strategies.

(ii) *The circumstances when the franchisor will permit franchisees to use their own advertising material.*

Franchisees are permitted to and regularly use their own advertising material as may suit their particular circumstance. This is in addition to the corporate advertising fund referenced above.

(iii) *Whether there is an advertising council composed of franchisees that advises the franchisor on advertising policies. If so, disclose:*

There is no formal "advertising counsel" as such. Carbone's is a small and highly personal operation where Franchisees and Franchisor regularly meet to discuss operations and advertising. As noted above, there are quarterly meetings that direct disbursement of the Franchise Advertising Fee.

(A) *How members of the council are selected.*

Any Franchisee can participate in the quarterly meeting process. Meetings can be in person or using electronic digital means, e.g., zoom, telephone, or other remote communications.

(B) *Whether the council serves in an advisory capacity only or has operational or decision-making power.*

Franchisees' direct use of advertising funds, usually with consultation of Franchisor.

(C) *Whether the franchisor has the power to form, change, or dissolve the advertising council.*

All Franchisees participate in the advertising process—some more than others based upon individual discretion.

(iv) *Whether the franchisee must participate in a local or regional advertising cooperative. If so, state:* No Franchise is required to participate in a local or regional advertising cooperative.

(A) *How the area or membership of the cooperative is defined.*

(B) *How much the franchisee must contribute to the fund and whether other franchisees must contribute a different amount or at a different rate.*

(C) *Whether the franchisor-owned outlets must contribute to the fund and, if so, whether those contributions are on the same basis as those for franchisees.*

(D) *Who is responsible for administering the cooperative (for example, franchisor, franchisees, or advertising agency).*

(E) *Whether cooperatives must operate from written governing documents and whether the documents are available for the franchisee to review.*

(F) *Whether cooperatives must prepare annual or periodic financial statements and whether the statements are available for review by the franchisee.*

(G) *Whether the franchisor has the power to require cooperatives to be formed, changed, dissolved, or merged.*

(v) *Whether the franchisee must participate in any other advertising fund. If so, state:*

Yes. See above. A one percent (1%) of Gross Sales fee, up to \$2,000,000 of Gross Sales, is collected and distributed by Franchisees in the manner described in subsection (4) above. There is no fees for Gross Sales above \$2,000,000.

(A) *Who contributes to the fund.*

All Franchisees.

(B) *How much the franchisee must contribute to the fund and whether other franchisees must contribute a different amount or at a different rate.*

One percent (1%) of Gross Sales up to \$2,000,000 of Gross Sales and no fee for Gross Sales over \$2,000,000.

(C) *Whether the franchisor-owned outlets must contribute to the fund and, if so, whether it is on the same basis as franchisees.*

Yes and on the same basis.

(D) *Who administers the fund.*

Franchisees administer the fund.

(E) *Whether the fund is audited and when it is audited.*

The fund is not audited, however, bank records are available and budgets are regularly discussed in monthly meetings.

(F) *Whether financial statements of the fund are available for review by the franchisee.*

Annual budgets are discussed at each monthly meeting.

(G) *How the funds were used in the most recently concluded fiscal year, including the percentages spent on production, media placement, administrative expenses, and a description of any other use.*

All funds were disbursed through the monthly meeting process of Franchisees utilizing the services of Sussner Design Company, Minneapolis, MN marketing consultant and generally contractor or the design services company then currently used by Franchisor.

(vi) *If not, all advertising funds are spent in the fiscal year in which they accrue, how the franchisor uses the remaining amount, including whether franchisees receive a periodic accounting of how advertising fees are spent.*

All funds are spent and there is no accrual from year-to-year.

(vii) The percentage of advertising funds, if any, that the franchisor uses principally to solicit new franchise sales.

None, however, the effect of existing marketing efforts may have the incidental effect of soliciting interest from prospective Franchisees.

(5) Disclose whether the franchisor requires the franchisee to buy or use electronic cash registers or computer systems. If so, describe the systems generally in non-technical language, including the types of data to be generated or stored in these systems, and state the following:

Yes—Point of Sale (“PSO”) equipment is required of all Franchisees. M & T Pizza will provide Franchisee with a list of approved POS systems which the Franchisee is required to purchase.

(i) The cost of purchasing or leasing the systems.

Varies—up to the discretion of individual Franchisee.

(ii) Any obligation of the franchisor, any affiliate, or third party to provide ongoing maintenance, repairs, upgrades, or updates.

None.

(iii) Any obligations of the franchisee to upgrade or update any system during the term of the franchise, and, if so, any contractual limitations on the frequency and cost of the obligation.

It is up to the Franchisee to maintain an operating POS system.

(iv) The annual cost of any optional or required maintenance, updating, upgrading, or support contracts.

It is up to the individual Franchisee to operate the POS system.

(v) Whether the franchisor will have independent access to the information that will be generated or stored in any electronic cash register or computer system. If so, describe the information that the franchisor may access and whether there are any contractual limitations on the franchisor’s right to access the information.

POS data is used in calculating Franchise Fees and between Franchisee and Franchisor. On or before January 1, 2024, M & T Pizza will have independent direct real time access to the POS data. The Franchisee will be required to help facilitate access to the POS data. This access will be phased in over time.

(6) Disclose the table of contents of the franchisor's operating manual provided to franchisees as of the franchisor's last fiscal year-end or a more recent date. State the number of pages devoted to each subject and the total number of pages in the manual as of this date. This disclosure may be omitted if the franchisor offers the prospective franchisee the opportunity to view the manual before buying the franchise.

Franchisee does not obtain an operating manual as the system is small and many Franchisees are of longstanding.

(7) Disclose the franchisor's training program as of the franchisor's last fiscal year-end or a more recent date.

**Item 11 Table
TRAINING PROGRAM**

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The-Job Training	Column 4 Location
Making of pizzas, sandwiches and menu plus introduction to Franchise Fee and reporting system	Training is individualize and takes place both at the St. Paul, MN (or Eagan, MN) Franchisor location and on site at the Franchisee's location. The "classroom" is the actual retail space, cooking area and back office of the Franchisor, which is also an operating store in St. Paul, MN	Combined with Classroom training. See Column 2.	Franchisor has a retail store in St. Paul, MN and in Eagan, MN.

- (A) In column 1, state the subjects taught.
- (B) In column 2, state the hours of classroom training for each subject.
- (C) In column 3, state the hours of on-the-job training for each subject.
- (D) In column 4, state the location of the training for each subject.

State further:

(A) How often training classes are held and the nature of the location or facility where training is held (for example, company, home, office, franchisor-owned store).

Training is individualized as few new Franchisees move into the system and each Franchisee must be fully trained and versed in the Carbone cooking standards and method of operation. All training

is at the Franchisor's store in St. Paul, MN (or Eagan, MN) or other designated location selected by M & T Pizza.

(B) The nature of instructional materials and the instructor's experience, including the instructor's length of experience in the field and with the franchisor. State only experience relevant to the subject taught and the franchisor's operations.

Franchisees are instructed by Franchisor's principal officers and employees on an individualized hands-on basis. Franchisor has been engaged in the operation and training of the Franchise for approximately 50 years and this experience is imparted upon new Franchisees.

(C) Any charges franchisees must pay for training and who must pay travel and living expenses of the training program enrollees.

Initial training is included with the initial franchise fee. Travel and living expenses are paid by the franchisee directly to vendors, as required.

(D) Who may and who must attend training. State whether the franchisee or other persons must complete the program to the franchisor's satisfaction. If successful completion is required, state how long after signing the agreement or before opening the business the training must be completed. If training is not mandatory, state the percentage of new franchisees that enrolled in the training program during the preceding 12 months.

New Franchisees and their key employees attend training. The training system structure contemplates that Franchisees, and their key employees will train its other individual employees.

(E) Whether additional training programs or refresher courses are required.

Additional training programs or "refresher courses" are taught on an ad hoc basis. For example, when key employees are replaced by Franchisee or on an ongoing business as Franchisor and its representatives makes ongoing contact with Franchisees in this small and highly personalized system. This cost of refresher courses is born by the Franchisee.

12. TERRITORY

You will be granted an exclusive territory the outer limits of which will be a circular area whose radius is generally five (5) miles from your place of business (“Franchisee Territory”). The location and exact size of the radius of the Franchise Territory shall be negotiated between M & T Pizza and the Franchisee. In addition, any city blocks whose majority area are within the Franchisee Territory will also include the balance of the city block located outside the Franchisee Territory. An approved territory Map and written description is included as an Exhibit in all Franchise Agreements executed on and after the date of this Franchise Disclosure Document. M & T Pizza will not establish a company owned restaurant or permit another franchisee to establish a restaurant within Franchisee Territory assigned to the Franchisee without your written permission. However, to coordinate Franchisee's exclusive territory with the territories of other Franchisees, Franchisor may, in its discretion, offer you a franchise with an exclusive territory, the outer limits of which may be less than five (5) mile radius circle from your place of business or, alternatively, which overlap your territory with another Franchisee's Territory. In such case you will be provided with clear documentation as to your exclusive territory and any limitations imposed on it. Such limitations may tend to occur or be required as a condition of issuance of the franchise, suburban and urban areas of the state of issuance. The Shareholder of M & T Pizza does, however, own and control other Carbone's pizza restaurants, all of which use the name Carbone or some variation thereof and some of which use a trademark which is different from that of M & T Pizza, as set out on the cover of this Disclosure Document. For a list of outlets, *see* Item 20 below and Exhibit C attached to this Agreement.

If you have a pizza delivery service as a part of your restaurant, you may not deliver into the exclusive territory of any other M & T Pizza franchisee, although you may otherwise deliver outside of your exclusive territory. In the event territories overlap, each franchisee shall have the right to deliver to the midpoint between your business location and the neighboring franchisee's location. Such outside deliveries are on a non-exclusive basis and such outside areas are subject to being granted to new M & T Pizza franchisees in the future, at which time you may not then deliver into the exclusive territories of such new franchisees.

You do not receive the right to acquire additional franchises within your Franchise Territory without further Franchisee Agreement from M & T Pizza. You do not have the right to open or acquire additional franchises or locations outside your Franchisee Territory without further Franchisee Agreement from M & T Pizza.

There is no minimum sales (or dollar volume) quota. You maintain rights to your Franchise Territory even though the population increases in that area.

13. TRADEMARKS

M & T Pizza grants you the right to operate a restaurant under the names “Carbone's Pizza” and “Carbone's Pizzeria” incorporated into the symbol on the cover page of this Disclosure Document. These are hereafter referred to as “M & T Pizza's trade names and trademarks.” They have been in use since 1983.

M & T Pizza's trade names and trademarks are registered with the State of Minnesota. there is on file with the State of Minnesota a somewhat similar trademark which is used by one of the independent Carbone restaurants not franchised by M & T Pizza.

M & T Pizza's trade names and trademarks are not registered on the principal or supplemental register of the United States Patent and Trademark Office and no "intent to use" application or an application based upon actual use has been filed with that office. By not having a Principal register federal registration for M & T Pizza's trade names and trademarks, M & T Pizza does not have certain presumptive legal rights granted by a registration.

There are presently no effective determinations of the Patent office, the trademark administrator of this State or any court, or any pending interference, opposition, or cancellation proceeding or any pending material litigation involving M & T Pizza's trade names and trademarks. There are no current agreements which significantly limit the right of M & T Pizza to use M & T Pizza's trade names and trademarks, and, except as noted above, there are no infringing uses actually known to M & T Pizza which could materially affect your use of M & T Pizza's trade names and trademarks.

If it becomes advisable at any time in the sole discretion of M & T Pizza to modify or discontinue the use of any name or mark and/or to use one or more additional or substitute names or marks, you are obligated by the Franchise Agreement to do so, and, except as set out in the following paragraph, M & T Pizza's sole obligation in such an event will be to reimburse you for your tangible costs of complying with this obligation, such as the cost of changing signs and arranging for the printing of different boxes and napkins (but not for the cost of such printing, which would have to be done in any case).

M & T Pizza has no present reason to doubt the enforceability of M & T Pizza's trade names and trademarks in any particular trade area, and M & T Pizza will take reasonable steps to protect your rights to use them and to protect you against claims of infringement or unfair competition in their use and also to otherwise deal with the claims of anyone else to M & T Pizza's trade names and trademarks. The Minnesota Department of Commerce requires that M & T Pizza indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of M & T Pizza's trade names and trademarks infringe upon the rights of third parties. M & T Pizza does not indemnify against the consequences of your use of M & T Pizza's trade names and trademarks unless such use is in accordance with the requirements of the Franchise Agreement (including any requirement imposed by M & T Pizza to modify or discontinue the use of any name or mark and/or use one or more additional or substitute names or marks. As a condition to such indemnification, you must provide notice to M & T Pizza of any such claim within ten days and you must tender the defense of the claim to M & T Pizza. If M & T Pizza accepts the tender of the defense, M & T Pizza has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim and to determine whether to appeal a final determination of the claims.

14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

M & T Pizza owns no rights in or to any patents or copyrights which are material to the franchise.

However, Sections 4 and 11 of the Franchise Agreement relate to the proprietary information of M & T Pizza which is material to the franchise arrangement between you and M & T Pizza. Under Section 11, M & T Pizza may (but need not) agree to provide you with a nonexclusive license to use its secret recipes for the sausages, sauces and dough which give Carbone's flat and deep dish pizza their unique qualities, taste and appearance. These are hereafter collectively called the "Secret Recipes." The Secret Recipes are considered by M & T Pizza to be "Trade Secrets" within the meaning of the Uniform Trade Secrets Act, as adopted in Minnesota and a number of other states and within the meaning of other state laws and court decisions relating to trade secrets.

Under the Franchise Agreement, you agree that you will not reveal any of the Secret Recipes or any Trade Secret to other than your employees and then only as is necessary for the proper operation of your restaurant. You further agree that you will make no copies of such recipes except for the absolute minimum needed for such operation and that when not in use you will keep the Secret Recipes locked in a secure container to which only your restaurant managers or even higher level employees have access.

Under the Franchise Agreement, you agree that you will not change the Secret Recipes and will not divulge, discuss or reveal them to anyone except as permitted by the Franchise Agreement. You also agree under the Franchise Agreement that if you do divulge, discuss or reveal the Secret Recipes and M & T Pizza sues you, it can seek an injunction against you and all your affiliates and it can ask the court to award it the actual damages it sustained.

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

While M & T Pizza does not require any particular individual human (either directly as franchisee or as one of the owners of a corporation or a partnership which is the franchisee) to participate personally in the direct operation of the franchise business, M & T Pizza nevertheless strongly recommends that for the most successful operation of a restaurant, probably nothing is as important as having all or at least one of the actual owners on site as much as possible. M & T Pizza advises against any form of "absentee ownership" of a Carbone's pizza restaurant, even though it does not forbid such by any provision in the Franchise Agreement.

16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

M & T Pizza will provide you with a standard menu, and it may add items or delete items from the standard menu from time to time. You may not offer or sell any food items not authorized by M & T Pizza, but M & T Pizza will not unreasonably withhold its authorization to sell additional items if they are reasonably related to the operation of a pizza restaurant. You are required to keep your Carbone's pizza restaurant open during hours which are reasonable and usual for restaurants specializing in pizzas. These hours may be modified or decreased during a period of national or state declared emergency, for example during the COVID 19 emergency shut down. However, any modification or decrease of hours must be approved in writing by M & T Pizza. See Section 8 of the Franchise Agreement.

17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP		
Provision	Section in Franchise Agreement	Summary
a. Length of the Franchise Term	Section 2	10 years from date of signing the Franchise Agreement
b. Renewal or extension of the term	Section 2 (<i>See Note 2</i>)	If you are in good standing, you can add additional term equal to renewal term of your lease with your landlord (10 years maximum).
c. Requirements for franchisee to renew or extend	Section 2	Sign new agreement. Note the precise renewal notice time specified by Section 2(b). No new fee required.
d. Termination by franchisee	None	
e. Termination by franchisor without cause	None (<i>See Note 2</i>)	
f. Termination by franchisor with cause	Section 16 (<i>See Note 2</i>)	M & T Pizza may terminate only if you do one of the things described in Section 15
g. "Cause" defined; curable defaults	Sections 16(d) through 16(g)	You have 30 days to cure nonpayment of fees, sanitation problems, nonsubmission of reports and any other default not listed in Section 16
h. "Cause" defined; non-curable defaults	Sections 16(a) through 16(c)	Noncurable defaults: abandonment, trademark misuse and conviction of an offense directly related to the restaurant business
i. Franchisee's obligations on termination/nonrenewal	Section 17	Obligations include complete de-identification and payment of amounts due. (<i>See also "Noncompetition covenants after the franchise is terminated or expires" below.</i>)
j. Assignment of contract by franchisor		No restriction on M & T Pizza's right to assign

k. "Transfer" by you defined	Sections 14 and 15	Includes transfer of Franchise Agreement or assets or ownership change of a business entity owning the Franchise or the individual owning the business entity owning the Franchise
l. Franchisor's approval of transfer by franchisee	Section 14(b)	M & T Pizza has the right to approve all transfers but will not unreasonably withhold approval
m. Conditions for franchisor approval of transfer	Section 14(b)	New franchisee qualifies, transfer fee paid, purchase agreement approved, training arranged, release signed by you and current agreement signed by new franchisee. (<i>See also</i> "Noncompetition covenants after the franchise is terminated or expires" below.)
n. Franchisor's right of first refusal to acquire franchisee's business	Section 14(a)	M & T Pizza can match any offer for the franchisee's business
o. Franchisor's option to purchase franchisee's business	None, but <i>see</i> M & T Pizza's right described in Note 1	
p. Death or disability of franchisee or if franchisee is a business entity, the death of an owner of the entity	Section 15	Franchise may be assigned by estate to next of kin who must be a qualified person to run a business and sign a Franchise Agreement
q. Noncompetition covenants during the term of the franchise	Section 4	No involvement in competing business anywhere within Franchisee's Territory of <i>any</i> Carbone's Pizza restaurant
r. Noncompetition covenants after the franchise is terminated or expires	Section 4	No competing business for 2 years within the Franchisee's Territory of <i>any</i> Carbone's Pizza restaurant
s. Modification of the agreement	Section 24	No modifications generally but menu and operating instructions, including rules governing uniform, application of franchisees across the system subject to change
t. Integration/merger clause	Section 24	Only the terms of the franchise agreement are binding (subject to state law). Any other promises may not be enforceable.

u. Dispute resolution by arbitration or mediation	Section 18	M & T Pizza may receive an award of attorneys' fees if it sues you and wins
v. Choice of forum	None	None
w. Choice of Law	Section 19	Minnesota law applies
x. Definitions	Section 26	Definition of terms

Note 1:

These states have statutes which may supersede the Franchise Agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise:

*Arkansas [Stat. Section 70-807]
 California [Bus. & Prof. Code Sections 20000-20053]
 Connecticut [Gen. Stat. Section 42-133e, et seq.]
 Delaware [Code, tit.]
 Hawaii [Rev. Stat. Section 482E-1]
 Illinois [Rev. Stat. Chapter 121-1/2 par. 1719-1720]
 Indiana [Stat. Section 23-2-2.7]
 Iowa [Code Sections 523H.1-523H.17]
 Michigan [Stat. Section 19.854(27)]
 Minnesota [Stat. Section 80C.14]
 Mississippi [Code Section 75-24-51]
 Missouri [Stat. Section 407.400]
 Nebraska [Rev. Stat. Section 87-401]
 New Jersey [Stat. Section 56:10-1]
 South Dakota [Codified Laws Section 37-5A-51]
 Virginia [Code 13.1-557-574-13.1-564]
 Washington [Code Section 19.100.180]
 Wisconsin [Stat. Section 135.03]*

These and other states may have court decisions which may supersede the Franchise Agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise.

If the franchise is terminated, M & T Pizza may buy back inventory at fair market value.

Note 2:

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. § 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that a franchisee be given ninety (90) days' notice of termination (with sixty (60) days to cure) and one hundred eighty (180) days' notice for nonrenewal of the franchise agreement.

18. PUBLIC FIGURES

M & T Pizza does not use any public figures to promote its franchised restaurants.

19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. This disclosure document contained limited financial performance examples, as qualified below. The examples are offered for information purposes only and not as guarantees of performance. They are based upon actual performance data reported to franchisor by franchisees. Financial performance information that differs from that included in this Item 19 may be given by a franchisor only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, we ask that you report it immediately to the franchisor's management by contacting Thomas Carbone, 680 East Seventh Street, St. Paul, Minnesota 55106, telephone: (651) 771-5553, the Federal Trade Commission, and the appropriate state regulatory agencies.

FINANCIAL PERFORMANCE EXAMPLES FOR FAST CASUAL, EXPRESS AND FULL SERVICE BAR AND RESTAURANT OUTLETS BASED UPON FRANCHISEE REPORTING TO FRANCHISOR.

Consistent with industry custom usage, our primary franchise model "fast casual" is a forty—to sixty—seat, fast casual style restaurant with carry out and delivery that serves beer and wine. Franchisees also utilize an "express" model, which contemplates no—or limited—seating in store, and does not serve beer and wine. In addition, some franchisees choose to utilize a "full service" restaurant model that offers dine-in, take-out, and delivery options and may also involve sales of liquor drinks. Beer and wine licenses are granted by local governments and must be applied for by the Franchisee. M & T Pizza makes no assurances that Franchisee can obtain a license for the sale of beer and/or wine at its location.

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

From financial information provided by our franchisees we provide the following numbers, for informational purposes only and not as guarantees of performance. The following represent ranges of gross annual sales achieved by our franchisees currently in the system produced by outlets in each of the following categories. The financial performance of franchise outlets will

very depending on various factors including, but not limited to, location, managerial competence and experience, as well as other factors.

Some Franchisee outlets have earned this amount of revenue. Your individual results may differ. There is no assurance that you'll earn as much revenue as shown below.

	Annual Revenues
Fast casual	\$300,000-\$1,000,000
Express	\$300,000-\$650,000
Full-service bar/restaurant	\$600,000-\$2,500,000

The material basis and assumptions underlying the above projections include—and your future performance results are expected depend upon—among other things, the selected franchise model, your franchise business's geographic location, the extent of competition in the market area, assistance or services supplied by us as franchisor, number of turns attention to detail, effectiveness and scope of marketing efforts, personnel, the economic climate, market conditions, seasonal changes, operating expenses and taxation among other things.

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

20. OUTLETS AND FRANCHISEE INFORMATION

Systemwide Outlet Summary For Years 2018 to 2022

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2018	36	35	-1
	2019	35	36	+1
	2020	35	36	+1
	2021	36	35	-1
	2022	35	35	0
Company Owned	2018	1	1	0
	2019	1	1	0
	2020	1	1	0
	2021	1	2	+1
	2022	2	2	0
Total Outlets	2018	37	36	-1
	2019	36	37	+1
	2020	36	37	+1
	2021	37	37	0
	2022	37	36	-1

**Transfers of Outlets from Franchisees to New Owners
(other than the Franchisor)
For Years 2018 to 2022**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Minnesota	2018	0
	2019	0
	2020	0
	2021	0
	2022	2
Montana	2018	0
	2019	0
	2020	0
	2021	0
	2022	0
Wisconsin	2018	0
	2019	1
	2020	1
	2021	1
	2022	1
Total	2018	0
	2019	1
	2020	1
	2021	1
	2022	3

**Status of Franchised Outlets
For Years 2018 to 2022**

Col.1 State	Col.2 Year	Col.3 Outlets at Start of Year	Col.4 Outlets Opened	Col.5 Terminations	Col.6 Nonrenewals	Col.7 Reacquired by Franchisor	Col.8 Ceased Operations Other Reasons	Col.9 Outlets at End of Year
Minnesota	2018	30	0	0	0	0	0	30
	2019	30	2	0	0	0	1	31
	2020	31	1	0	0	0	1	31
	2021	31	0	0	0	1	2	28
	2022	28	1	0	0	0	0	29
Wisconsin	2018	6	0	0	0	0	0	6

	2019	6	0	0	0	0	0	6
	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	1	5
Montana	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Totals	2018	37	0	0	0	0	0	37
	2019	37	2	0	0	0	1	38
	2020	38	2	0	0	0	1	38
	2021	38	0	0	0	1	2	35
	2022	35	1	0	0	0	1	35

**Status of Company-Owned Outlets
For Years 2018 to 2022**

Col.1 State	Col.2 Year	Col.3 Outlets at Start of Year	Col.4 Outlets Opened	Col.5 Outlets Reacquired From Franchisee	Col.6 Outlets Closed	Col.7 Outlets Sold to Franchisee	Col.8 Outlets at End of the Year
Minnesota	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	1	0	0	2
	2022	2	0	0	0	0	2
Montana	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Wisconsin	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Totals	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	1	0	0	2
	2022	2	0	0	0	0	2

**Projected Openings as of
December 31, 2022**

Column 1	Column 2	Column 3	Column 4
State	Franchise Agreements Signed but Outlets NOT Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company Owned in the Next Fiscal Year
Minnesota	0	1	0
Wisconsin	0	0	0
Montana	0	0	0
Total	0	1	0

Attached as Exhibit C is a listing of franchise outlets by location as of _____, 2022.

21. FINANCIAL STATEMENTS

Attached as Exhibit B are the audited financial statements of M & T Pizza, Incorporated as of October 31, 2022, October 31, 2021, October 31, 2020. These financial statements have been examined by Madsen, O’Meara and Company, P.C., Certified Public Accountants, whose opinion is attached.

22. CONTRACTS

Attached as Exhibit A is a copy of the current Franchise Agreement proposed for use in this State regarding the offering of a Franchise by M & T Pizza Incorporated.

STATE EFFECTIVE DATES

The following states 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 Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

Minnesota _____, 2023.
Wisconsin _____, 2023.

23. RECEIPT (COPY 1)

THIS DISCLOSURE DOCUMENT SUMMARIZES PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF M & T PIZZA INCORPORATED OFFERS YOU A FRANCHISE, M & T PIZZA INCORPORATED MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU BY THE EARLIEST OF:

- (1) THE FIRST PERSONAL MEETING TO DISCUSS OUR FRANCHISE; OR**
- (2) TEN BUSINESS DAYS BEFORE SIGNING OF A BINDING AGREEMENT; OR**
- (3) TEN (10) BUSINESS DAYS BEFORE ANY PAYMENT TO M & T PIZZA INCORPORATED.**

YOU MUST ALSO RECEIVE A FRANCHISE AGREEMENT CONTAINING ALL MATERIAL TERMS AT LEAST FIVE BUSINESS DAYS BEFORE YOU SIGN ANY FRANCHISE AGREEMENT.

IF M & T PIZZA INCORPORATED DOES NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580, AND THE STATE OF MINNESOTA, DEPARTMENT OF COMMERCE, FRANCHISE DIVISION, SUITE 500, 85 SEVENTH PLACE, ST. PAUL, MINNESOTA 55101-2198.

M & T PIZZA INCORPORATED, 680 EAST SEVENTH STREET, ST. PAUL, MINNESOTA 55106, TELEPHONE: (651) 771-5553 IS THE ONLY FRANCHISE SELLER OFFERING THE FRANCHISE.

THE ISSUANCE DATE IS _____, 202__.

M & T PIZZA INCORPORATED AUTHORIZES THOMAS M. CARBONE, 680 EAST SEVENTH STREET, ST. PAUL, MINNESOTA 55106, TO RECEIVE SERVICE OF PROCESS FOR M & T PIZZA INCORPORATED.

I HAVE RECEIVED A DISCLOSURE DOCUMENT DATED _____, 202__. THIS DISCLOSURE DOCUMENT INCLUDED THE FOLLOWING EXHIBITS:

EXHIBIT A:	Franchise Agreement
Schedule 1 to Franchise Agreement:	Map of Franchisee's Territory
EXHIBIT B:	Financial Statements
EXHIBIT C:	List of Franchises
EXHIBIT D:	State Cover sheets

Dated: _____, 202__.

Perspective Franchisee:

Daytime Telephone

Reached at: _____

23. RECEIPT (COPY 2)

THIS DISCLOSURE DOCUMENT SUMMARIZES PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF M & T PIZZA INCORPORATED OFFERS YOU A FRANCHISE, M & T PIZZA INCORPORATED MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU BY THE EARLIEST OF:

- (1) THE FIRST PERSONAL MEETING TO DISCUSS OUR FRANCHISE; OR**
- (2) TEN BUSINESS DAYS BEFORE SIGNING OF A BINDING AGREEMENT; OR**
- (3) TEN (10) BUSINESS DAYS BEFORE ANY PAYMENT TO M & T PIZZA INCORPORATED.**

YOU MUST ALSO RECEIVE A FRANCHISE AGREEMENT CONTAINING ALL MATERIAL TERMS AT LEAST FIVE BUSINESS DAYS BEFORE YOU SIGN ANY FRANCHISE AGREEMENT.

IF M & T PIZZA INCORPORATED DOES NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580, AND THE STATE OF MINNESOTA, DEPARTMENT OF COMMERCE, FRANCHISE DIVISION, SUITE 500, 85 SEVENTH PLACE, ST. PAUL, MINNESOTA 55101-2198.

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|------------------------------------|-------------------------------|
| EXHIBIT A: | Franchise Agreement |
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| EXHIBIT B: | Financial Statements |
| EXHIBIT C: | List of Franchises |
| EXHIBIT D: | State Cover sheets |

Dated: _____, 202__.

Perspective Franchisee:

Daytime Telephone

Reached at: _____

EXHIBIT A: FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

BETWEEN

M & T PIZZA INCORPORATED

and

(hereinafter referred to as the “Franchisee”)

Street Address

City State Zip

Area Code Telephone Number

Franchise Location:

Street Address

City State Zip

Area Code Telephone Number

**M & T PIZZA INCORPORATED
FRANCHISE AGREEMENT**

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FRANCHISE AGREEMENT

THIS AGREEMENT (“Agreement”), made and entered into this ____ day of _____, 2023, by and between M & T Pizza Incorporated, a Minnesota corporation having its principal place of business at 680 East Seventh Street, St. Paul, Minnesota (hereinafter referred to as the “Franchisor”) and _____ (name), a Minnesota sole proprietorship corporation limited liability company limited liability partnership, whose principal place of business is _____ (hereinafter referred to as the “Franchisee”), and individually may be referred to as Party and jointly may be referred to as Parties,

WITNESSETH:

WHEREAS, Franchisor controls or is the owner of and desires to license to Franchisee certain trademark, trade name and service mark rights in connection with the term “Carbone’s Pizza” and “Carbone’s Pizzeria” and variations thereof (all of which are hereinafter referred to as the “Carbone Names and Marks”); and

WHEREAS, Franchisor has created and developed and desires to license to Franchisee certain skill and know-how in the sale and preparation of pizza, including the development of unique and valuable recipes and sales procedures (all of which are hereinafter referred to as the “Carbone System”); and

WHEREAS, Franchisee wishes, upon the terms and conditions set forth in this Agreement, to be assisted and trained by Franchisor to engage in the business of operating a Carbone’s Pizzeria or Pizza franchise, all in accordance with the procedures and policies approved by Franchisor, it being understood that Franchisee recognizes the importance to Franchisor and to the public of maintaining the distinctive standards, qualities and attributes of Carbone’s pizza, and Franchisee is willing to maintain such standards, qualities and attributes;

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

1. **Grant of Franchise.**
 - (a) Franchisor now grants and sells to Franchisee the right and privilege to adopt and use the Carbone System, the Carbone Names and Marks and the valuable information developed by Franchisor. For the purposes of this Agreement, the term “Carbone System” means its name, logo, intellectual property, recipes, and marketing system, used by the Franchisor.
 - (b) The location of the franchise outlet to be operated under this Agreement shall be _____ (address), and said location shall not be changed or enlarged without the prior written approval of Franchisor. See also paragraph 3, exclusive territory, and Exhibit B: Map of Franchise Territory.

2. **Term and Renewal.**

- (a) The initial term of this Franchise Agreement shall be for a period of ten (10) years, commencing on the date of signing of this Franchise Agreement, unless sooner terminated as provided in this Agreement.
- (b) Franchisee may, at its option, extend the term of the franchise granted by this Franchise Agreement for additional periods of ten (10) years provided Franchisee is not in violation of any of the terms of this Agreement and provided that Franchisee agrees to execute the then current form of Franchise Agreement if required to do so by Franchisor. This option to extend the term of the Franchise Agreement must be exercised by giving notice in writing to Franchisor in the manner prescribed by Paragraph 19 of this Franchise Agreement, which notice must be given not less than one hundred eighty (180) days and not more than three hundred sixty-five (365) days prior to the expiration of the initial ten (10) year term. Unless the failure to renew the Franchise is for good cause as defined in Minnesota Statutes § 80C.14, Subd. 3, and Franchisee has failed to correct reasons for termination as required by said Subdivision 3, Franchisor may not fail to renew the Franchise unless (1) Franchisee has been given written notice of the intention not to renew at least one hundred eighty (180) days in advance of the expiration of the Franchise; and (2) Franchisee has been given an opportunity to operate the Franchise to recover the fair market value of the Franchise as a going concern, as determined and measured from the date of the failure to renew.
- (c) Except as modified by any new Franchise Agreement required to be signed pursuant to Paragraph 2(b) of this Franchise Agreement, all of the terms and conditions of this Franchise Agreement shall remain in full force and effect during any extension or renewal period; *provided, however*, that Franchisee shall not be obligated to pay the franchise fee described in Paragraph 5(a) of this Agreement in the event of any such renewal, but shall be bound by all other terms and conditions of the Franchise Agreement, including the obligation to pay the continuing franchise fee on Gross Sales.

3. **Exclusivity of Territory.** The Franchisee shall have the exclusive territory to operate the Franchise in a circular area whose radius is generally 5 miles from the Franchisee's location (the "Franchisee's Territory") as negotiated by and between Franchisor and Franchisee. In addition, any city blocks whose majority area are within the Franchisee Territory will also include the balance of the city block located outside the Franchisee Territory. While this Agreement is in effect, Franchisor agrees not to grant additional franchises or open other Carbone's Pizzeria or Carbone's Pizza franchise outlets within the Franchisee's Territory. In the event territories overlap, Franchisee shall have the right to deliver to the midpoint between Franchisee's place of business and the neighboring franchisee's place of business. However, Franchisor may, in its sole discretion, offer franchises adjacent to your Franchisee Territory, but will not overlap into your Franchisee Territory. Such limitations will only be imposed at time of the initial issuance of your Franchise, a future renewal thereof, or upon written and mutually agreed amendment to your Franchise. Such limitations may tend to occur or be required as a condition of issuance of the franchise, suburban and urban areas of the state of issuance. Attached to and incorporated into

this Agreement by reference as Exhibit 1 is the approved territory Map and written description of Franchisee's Territory.

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

- (a) Franchisee agrees that during the initial term of this Agreement and any renewal thereof and for two (2) years following the termination of this Agreement, no "Restricted Person" will "engage" in a "Competing Business" within any "Restricted Area." As used in this Franchise Agreement, "Restricted Person" means Franchisee and any and all joint venturers with, and all partners, limited partners, associates, officers, directors and all "Principal Shareholders" of Franchisee. "Principal Shareholder" means any shareholder of Franchisee who owns or controls, directly or indirectly, or has a beneficial interest in more than five percent (5%) of Franchisee's outstanding voting stock; "to engage" means to engage directly, either individually or as a member of, consultant to, or investor in, a joint venture, partnership, limited partnership, association, or other entity, or to engage as an officer, director, employee of, consultant to or with, or shareholder of any corporation; "Competing Business" means an eat-in, or take-out, or combination eat-in/take out restaurant which serves pizza; "Restricted Area" means the area within four drivable miles of any restaurant using any of the Carbone Names and Marks (or any variation thereof), including restaurants established subsequent to the date of this Agreement (but excluding, for any Restricted Person, Carbone's Pizza or Carbone's Pizzeria restaurants established after such time as that Restricted Person shall have begun to engage in the Competing Business).
- (b) Franchisee further agrees that at no time shall any Restricted Person use any Trade Secret except as necessary for the proper operation of the Franchise pursuant to this Agreement. For the purposes of this Franchise Agreement, "use" means to use directly or indirectly, either as an individual or as a member of, consultant to, or investor in a joint venture, partnership, limited partnership, association or other entity, or to use as an officer, director, employee, consultant, or shareholder of any corporation; "Trade Secret" means information provided by (or secured from) Franchisor which (a) pertains to the preparation of pizza or other products sold at Carbone's Pizza or Carbone's Pizzeria restaurants.
- (c) Franchisee acknowledges and agrees that Franchisor's remedy at law is inadequate and that in the event of any breach or threatened breach of the provisions of Subparagraphs 4(a) and 4(b) of this Franchise Agreement, Franchisor shall be entitled to temporary and final injunctive relief in addition to any other relief allowed by law.

5. Franchise Fees.

- (a) In consideration of the Franchise granted hereby and the training, assistance and services received by Franchisee, Franchisee shall pay to Franchisor an initial fee of \$10,000 for Agreements signed prior to January 1, 2024 and Twenty-five Thousand Dollars (\$25,000.00) for Agreements signed on or after January 1, 2024, payable in full upon the execution of this Agreement. It is expressly understood and agreed

by the parties that this initial franchise fee is and shall be fully earned by Franchisor upon the signing of this Agreement and no part of said initial franchisee fee shall be refunded or forgiven to Franchisee for any reason whatsoever.

(b) **For Franchisees whose Agreements pre-date 1/1/2024 and their additional franchises:** In addition to the initial franchise fee, Franchisee shall pay to the Franchisor during the term of this Agreement and any renewals hereof, a “royalty” or continuing franchise fee equal to four percent (4%) of Gross Sales. See Definition of Gross Sales in Section 26. , The “royalty” or continuing franchise fee shall be reduced under the following circumstances.

(i) Where a Franchisee's Gross Sales are between One Million and One Dollar (\$1,000,001) and Two Million Dollars (\$2,000,000) in any calendar year then, in such case, the continuing franchise fee shall be reduced to three percent (3%) for that range of sales,

(ii) Where a Franchisee's Gross Sales exceeds Two Million Dollars (\$2,000,000) in any calendar year then, in such case, the continuing franchise fee shall be reduced to two percent (2 %) for those Gross Sales above Two Million Dollars (\$2,000,000), and

(iii) For purposes of this section, Franchisee's "Gross Sales" may be calculated so that they include total Gross Sales from multiple franchises which are wholly owned by that Franchisee, so long as ownership is in all respects identical among the franchises to be aggregated for purposes of calculation of "**For Franchisees whose Agreements are dated on or after 1/2/2024:** In addition to the initial franchise fee, Franchisee shall pay to the Franchisor during the term of this Agreement and any renewals hereof, a “royalty” or continuing franchise fee equal to five percent (5%) of Gross Sales. See Section 26 for the definition of Goss Sales. The “royalty” or continuing franchise fee shall be reduced under the following circumstances.

(i) Where a Franchisee's Gross Sales are between One Million and One Dollar (\$1,000,001) and Two Million Dollars (\$2,000,000) in any calendar year then, in such case, the continuing franchise fee shall be reduced to four percent (4%) for that range of sales;

(ii) Where a Franchisee's Gross Sales exceeds Two Million Dollars (\$2,000,000) in any calendar year then, in such case, the continuing franchise fee shall be reduced to three percent (3%) for those Gross Sales above Two Million Dollars (\$2,000,000); and

(iii) For purposes of this section, Franchisee's "Gross Sales" may be calculated so that they include total Gross Sales from multiple franchises which are wholly owned by that Franchisee, so long as ownership is in all respects identical among the franchises to be aggregated for purposes of calculation of "Gross Sales". See Section 26 for the definition of Gross Sales.

Franchisee shall keep a record of all voided sales. Said continuing franchise fee shall be paid on a weekly basis which begins on Saturday and ends on Friday. Said

weekly payment shall be computed on the basis of gross revenues received from the sale of food and beverages from all of Franchisee's Carbone's Pizzerias during each week, which amount so computed shall be due and payable on or before the first day of each week for the sales during the preceding week. Notwithstanding the foregoing, sales of beverages by Franchisee at a facility which is a "fully licensed liquor establishment" licensed to sell liquor, wine and beer, shall not be include in the calculation of gross revenues all revenues from the sale of liquor, wine and beer. **Any payment not remitted on time shall bear interest and a financial charge at the rate of eight percent (8%) per annum, until such time as it is received by Franchisor; provided, however, that if any applicable state law limits the maximum legal interest rate to a lower amount, then in that event the lower interest rate will be applicable.** Remittance of the franchise fees shall be accompanied by reports of Gross Sales and other data upon forms provided by Franchisor from time-to-time.

6. **Advertising; Advertising Fee.**

- (a) Franchisee will pay Franchisor on or before Tuesday of each week an advertising fee of one percent (1%) of Gross Sales during the preceding week. These funds shall be used by Franchisor for advertising production cost, research cost, advertising materials, talent and residual fees, advertising and market planning and all salaries, administrative and other costs that are incurred by Franchisor in administering the advertising fund. Franchisor shall have the right to waive any part of the weekly advertising fee from time to time, but any such waiver shall not be deemed to be ongoing or continual, and the fee shall be paid for any period wherein it is not specifically waived. The advertising fee shall not be applied to annual Gross Sales which exceed \$2,000,000.
- (b) Advertising fees not paid by Franchisee as required herein shall bear interest at the rate of eight percent (8%) per annum, *provided, however*, that in no event shall the rate of interest payable by Franchisee on any unpaid balance under this Agreement exceed the maximum legal rate under applicable law.
- (d) Franchisee, along with other franchisees, may be required to participate in soft drink group buying and advertising programs whereby Franchisor may enter into agreements relating to the sale of soft drink products to be sold by Franchisee and other franchisees in exchange for advertising support of Franchisee and other franchisees.

7. **Training.** Franchisor agrees to instruct Franchisee and key employees of Franchisee in the operation of Franchisee's business. Said instruction shall be at no cost to Franchisee but Franchisee shall be responsible for all travel, hotel and meal expenses for all persons attending such training. Agents of Franchisor will also, at all reasonable times advise and consult with Franchisee in connection with the operation of the Franchise and shall keep Franchisee fully advised of all new developments and improvements related to said operation. It is anticipated that Franchisee will receive instruction for a period of not less than four (4) weeks for an average of not less than 100 hours (as determined by Franchisor in its reasonable discretion), at a Carbone's Pizza or Carbone's Pizzeria restaurant selected by Franchisor. Franchisor may, at its sole option, assist Franchisee in training its staff at Franchisee's restaurant for a period to be

determined by Franchisor, but not to exceed forty (40) hours. No charge will be made to Franchisee for this additional training. M & T Pizza does not charge for this training or service, but you must pay the travel and living expenses for you and your employees. Franchisee or a representative of Franchisee will also take such further training as Franchisor shall from time to time require. Said training will be conducted at such location or locations as Franchisor shall designate. It is understood that Franchisee or the representatives of Franchisee will receive no compensation or reimbursement for any services performed or expenses incurred by Franchisee or the representatives of Franchisee during any training period or seminar.

8. **Operation of the Franchise.** In consideration of the license granted in this Agreement, Franchisee agrees with Franchisor as follows:

- (a) Franchisee shall operate a business in the franchise location designated on the cover of this Agreement maintaining sufficient supplies of products and employing sufficient help so as to operate said business at its maximum capacity and with maximum efficiency. Said business shall be conducted during hours which are reasonable and usual for restaurants specializing in pizzas. Franchisee acknowledges and agrees that Franchisor has the right to add or delete food items from the standard menu. Franchisee will not offer or sell any food items not authorized by Franchisor, which authorization will not be unreasonably withheld. Nothing in this paragraph shall be construed to require Franchisee to order supplies or to maintain a staff of employees in excess of that required to handle Franchisee's ongoing business. Franchisee shall use state-of-the-art point-of-sale cash register/sales transaction equipment as may be approved by Franchisor, which approval shall not be unreasonably withheld.
- (b) All employees of Franchisee shall, while engaged in the operation of the franchised establishment, wear uniforms conforming to such specifications as Franchisor shall from time to time designate for use by Franchisee, and said employees shall at all times during said employment present a neat and clean appearance and render competent, sober and courteous service to patrons of the franchised establishment, and only such containers, cartons, sacks, napkins, flavorings and garnishments shall be used in the dispensing and sale of products from the franchised establishment as shall comply with the specifications of selection, variety, proportion, price, appearance, quality, coloring, flavoring and other ingredients or characteristics as shall from time to time be prescribed by Franchisor in writing to Franchisee. Due to the unique characteristics of Burnett Cheese Company cheese product, Franchisees are required to purchase cheese from Burnett Cheese Company unless authorized by Franchisor, in writing, to acquire cheese from another similarly qualified vendor. Franchisee shall sell only Pepsi products.
- (c) The benefits inuring to both parties from this Agreement and the transactions contemplated by this Agreement shall be derived in significant part from the uniformity of product and menu, quality, appearance, facilities and service among all Carbone's Pizza and Carbone's Pizzeria franchises and common sources of supply of food, supplies and uniforms for all operations in the same general area. Franchisee is encouraged to purchase such signs, food and supplies from suppliers as are designated by Franchisor, but Franchisee may, so long as the quality meets

Franchisor's specifications, purchase any items (except those items specified in Paragraph 9 of this Agreement and Burnett Cheese Company as set forth above) from suppliers selected by Franchisee. It is clearly understood by Franchisee that Franchisee is not in any way or manner to tamper with any of the supplies. Any deviation whatsoever from the formulas and/or ingredients provided or specified by Franchisor shall be deemed to be a breach of this Agreement.

- (d) Franchisee shall comply with all federal, state, county and city laws, ordinances and regulations affecting the operation of the franchised establishment directly or indirectly. Franchisee shall pay on a timely basis, all Federal, State, and local taxes, worker's compensation insurance, unemployment insurance, and any other taxes fees, or coverage required by law.
- (e) Franchisee shall display the name "Carbone's Pizzeria" and the currently approved Carbone's Pizzeria logo on the franchised establishment and on any stationery used in connection therewith and shall not display thereon the name of any other product or the name of any other person unless authorized in writing by Franchisor.
- (f) Franchisee shall not obtain, use or purchase advertising of any kind relating to Carbone's products without the specific consent of Franchisor. Franchisee agrees vigorously and continuously to adopt and carry out the recommendations of Franchisor and to adhere to the advertising and promotional policies of Franchisor.
- (g) All invoices for food, supplies, ingredients or other materials purchased from Franchisor shall be payable upon demand of Franchisor made to Franchisee, and when not paid on demand all sums due on said invoices shall bear interest at the rate of ~~one~~ eight percent (8%) per annum; *provided, however*, that if any applicable state law limits the maximum legal interest rate to a lower amount, then in that event the lower interest rate will be applicable.
- (h) Franchisee will keep current all mortgage, contract or lease and rental payments and equipment installment payments related to the operation of the franchised establishment and shall advise Franchisor of any disputes or arguments that arise with reference said mortgage, contract or lease covering the premises of the franchised establishment, or to the financing, maintenance or operation of any equipment located on the premises.
- (i) The accounts, books and records of Franchisee shall be open to inspection, examination and audit by Franchisor and its authorized representatives at all reasonable times. Any such inspection, examination and audit shall be at Franchisor's cost and expense unless the same is either necessitated by Franchisee's failure to prepare and deliver its financial statements, or to keep and preserve records as required by this Franchise Agreement, or unless such inspection discloses that any such statements made and delivered by Franchisee are in error to the extent of five percent (5%) or more, in either of which event such costs and expenses shall be borne and paid by Franchisee upon demand.

- Franchisee shall, at its sole expense, acquire the Franchisor's currently specified or approved point-of-sale (POS) sales register system and utilize the system in connection with all sales of food and beverages of any kind. Sales records produced by the point-of-sale system shall be maintained by Franchisee and open to inspection, examination and audit by Franchisor and its authorized representatives at all reasonable times.
- (j) Only such vending machines as have been approved in writing may be installed on the premises of the franchised establishment by Franchisee.
- (k) Franchisee shall install and at all times use POS (point of sale software) system to track sales and manage financial information. All sales made by Franchisee shall be posted on POS hardware. POS software shall maintain daily record indicating the Gross Sales for each day. POS software shall record all voided sales. POS sales data, or any previous continuous cash register tapes, shall be maintained for each week and shall be preserved for at least five (5) years by Franchisee in a condition sufficient for Franchisor or its representative to be able easily to identify the week and year to which such POS data or cash register tapes relate during any examination of Franchisee's records pursuant to this Agreement. On the first day of each week or at such other intervals as may be designated by Franchisor, Franchisee shall furnish Franchisor with a full and complete operating statement for the previous week, or for such other periods as may be designated by Franchisor if intervals other than weekly statements are called for. Said statements shall be in such form as Franchisor shall require. In addition thereto, Franchisee shall furnish Franchisor with a financial statement for each quarter and annually in such form as Franchisor shall require and shall further provide such other and additional financial statements as might be demanded from time to time by Franchisor. All operating records shall be in accordance with Franchisor's accounting system. Franchisor shall have independent direct access to all POS data and Franchisee will assist to facilitate this access.
- (l) Franchisor's officers and agents may inspect the premises upon which the franchised establishment is located at all reasonable times to assure Franchisor that the terms of this Franchise Agreement are being kept in all respects.
- (m) Franchisee will not grant discounts on the sale of its products without the written consent of Franchisor.
- (n) Franchisee will not sell or loan supplies to any other person, business entity or establishment, except another Carbone's Pizza establishment and then only with the consent of Franchisor.
- (o) During the term of this Agreement, and all extensions to the Agreement, Franchisee agrees to only use recipes supplied to Franchisee by the Franchisor in making flat pizza, deep dish pizza, and sandwiches and to abide to all the requirements of paragraph 11, below.

9. **Purchase of Supplies.** Franchisee shall purchase from Franchisor or Franchisor-designed preferred vendors all and use only Carbone's branded sausage and pizza dough, as well as only Gangi Bros Tomato Puree and Carbone's Pizza Sauce packets for the pizza sauce used in the preparation of flat pizza and deep dish pizza (Distributed by Jerry's Produce, Co. and Swanson Meats, Inc. and may include others as designed by Franchisor). Franchisee shall purchase and sell exclusively Pepsi products and shall purchase cheese products exclusively from the Burnett Cheese Company unless authorized, in writing, by Franchisor to acquire cheese from another similarly qualified vendor. Franchisee understands that it is not in any way or manner to tamper with any food products purchased from Franchisor. Any such tampering or any deviation whatsoever from the recipes provided by Franchisor shall be a breach of this Agreement. In addition, Franchisees joining the M & T Pizza system in 2020 and following years shall use required produce vendors according to a list of vendors maintained by Franchisor, which list of vendors is subject to modification as business circumstances require. Presently, the list includes the following entities: Jerry's Produce, Swanson Meats, Performance Food Group, Tri-Mark, Mainstreet Bakery. Franchisor reserves the right to change the list of approved preferred vendors.

10. **Use of Name; Changing Name; Indemnification Against Infringement Suits.**

- (a) Franchisee, in the conduct of Franchisee's business, agrees to use only the name "Carbone's Pizzeria. Franchisee shall identify Franchisee's franchised establishment as a member of the "Carbone's Franchise System," as defined above, unless state law requires other or additional identification, in which event any additional abbreviated or modified form of the name of Franchisee must be approved by Franchisor in writing prior to any such use. Franchisee agrees that Franchisee will make no use, direct or indirect, of the names "Carbone's Pizzeria" or "Carbone's Pizza" in connection with any other business, that Franchisee will not authorize or attempt to authorize the use of the names "Carbone's Pizzeria" or "Carbone's Pizza" in any other area and that Franchisee will not permit any other person, firm or corporation to use the names "Carbone's Pizzeria" or "Carbone's Pizza."
- (b) Franchisee shall not use or cause to be used any other trademark or logo in any advertising or promotion without the prior written approval of Franchisor.
- (c) If it becomes advisable at any time in the sole discretion of Franchisor to modify or discontinue the use of any name or mark and/or use one or more additional or substitute names or marks, Franchisee is obligated to do so and (except as set out in the following subparagraph) the sole obligation of Franchisor in such event will be to reimburse Franchisee for Franchisee's tangible costs (such as changing signs) of complying with this obligation.
- (d) Pursuant to a requirement of the Minnesota Department of Commerce, Franchisor shall indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that such franchisees' use of Franchisor's trademark infringes trademark rights of the third party. Franchisor will not indemnify against the consequences of Franchisee's use of Franchisor's trademark except in accordance with the requirements of provisions the Franchise Agreement (including any requirement imposed by Franchisor to modify or discontinue the use

of any name or mark and/or use one or more additional or substitute names or marks). As a condition to such indemnification, Franchisee must provide notice to Franchisor of any such claim within ten (10) days and tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim and to determine whether to appeal a final determination of the claim.

11. Secret Recipes, Formulas, Process and Methods.

- (a) Franchisor owns or controls secret recipes for the sausages, sauces and dough which give Carbone's flat and deep dish pizzas their uniquely appealing quality, appearance and taste (hereinafter referred to as the "Secret Recipes"). Franchisor may, under certain circumstances and in Franchisor's sole and unfettered discretion, agree to provide Franchisee with and grant Franchisee a nonexclusive license to use, the Secret Recipes. Franchisee further acknowledges and agrees that the Secret Recipes constitute "trade secrets" within the meaning of Paragraph 4 of this Agreement, within the meaning of the Uniform Trade Secrets Act, as adopted by the State of Minnesota (Minn. Stat. Ch. 325C) and within the meaning of any trade secrets act of any state reasonably similar in scope and application to the Uniform Trade Secrets Act. Franchisee further agrees that Franchisee will not reveal the Secret Recipes to anyone other than the employees of Franchisee and then only as is necessary for the proper operation of the franchised establishment. Franchisee agrees that no copies of the Secret Recipes shall be made except for the absolute minimum number necessary for the efficient operation of the franchised establishment and that when not in use all copies of the Secret Recipes will be locked in a secure container to which only restaurant managers or higher-level employees have access. Franchisee further agrees that prior to revealing any part of the Secret Recipes to any employee Franchisee will obtain from that employee a signed agreement, in form acceptable to Franchisor, whereby that employee shall agree to maintain the secrecy of the Secret Recipes.
- (b) Franchisee shall not attempt to change the Secret Recipes in any fashion, and Franchisee agrees to keep all formulas, processes and methods disclosed by Franchisor to Franchisee hereunder secret and shall not divulge, discuss or reveal information to any person except as is necessary to disclose such information to employees in the course of their employment(c) Franchisee acknowledges and agrees that any breach of Subparagraphs (a) or (b) of this Paragraph 11 will damage Franchisor in a manner which will not be readily susceptible to calculation; accordingly, Franchisee agrees that the disclosure of the Secret Recipes may cause Franchisor irreparable harm and that accordingly injunctive relief (directed against Franchisee and any of Franchisee's officers, directors, shareholders, partners, joint venturers, affiliates, agents, employees, or former agents or employees) may be sought by Franchisor to prevent such irreparable damages.

12. Insurance. Franchisee shall, during the term of this Agreement or any extension or renewal thereof, secure and keep in force at Franchisee's own expense, the following insurance coverage: workers' compensation insurance as required by law; comprehensive general liability

insurance in the amount of not less than One Million Dollars (\$1,000,000.00) for each occurrence of bodily injury and not less than Seventy-Five Thousand Dollars (\$75,000.00) for each instance of property damage; fire, wind, storm and extended coverage insurance insuring the full replacement cost of any and all buildings (if owned by Franchisee), improvements, furniture, furnishings and equipment contained within the premises where the franchised establishment is located. Such policies shall name Franchisor as an additional insured and shall contain an endorsement that no such policy shall be cancelled, amended, terminated, or modified at any time without fifteen (15) days' prior written notice to Franchisor. In addition, with respect to any such insurance procured directly by Franchisee and as to which Franchisor is a named party, Franchisee agrees to furnish Franchisor with a copy of all insurance policies and with proof that such insurance is in "full force and effect.

13. **Indemnification.** Franchisee shall indemnify Franchisor and hold it harmless from all judgments, damages, actions, causes of action, claims, demands or rights including a reasonable sum for attorneys' fees incurred by Franchisor arising out of any act or occurrence on Franchisee's premises, unless Franchisor is liable through its own direct negligence.

14. **Transfer of Franchise.**

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

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

Any such Franchisor-approved transferee to whom Franchisee has transferred his, her, or its interest shall agree in writing with Franchisor to take such interest subject to all of the terms, conditions, restrictions and agreements contained in the then

current Franchise Agreement, or such transfer shall not be permitted and shall be null and void.

- (b) In the event of any transfer of Franchise and in consideration of the grant of Franchise transfer and the training, other administrative expenses, assistance, and services received by Franchisee in connection with such transfer, the successor Franchisee shall pay to Franchisor an initial fee of Five Thousand Dollars and No Cents (\$5,000) payable in full upon execution of Franchise Agreement.
- (c) Franchisor, if it does not exercise its rights of first refusal, will not unreasonably withhold consent to the transfer of Franchisee's interest, but if any of the following conditions are not satisfied (without particular limitation to the following list) Franchisor shall be deemed to have reasonable grounds for withholding such consent:
 - (1) Franchisor must be satisfied that the prospective purchaser has sufficient business qualifications and will comply with Franchisor's then current training requirements;
 - (2) The prospective purchaser must be willing to execute such agreements as are being required of Franchisor's new franchisees at the time of the transfer;
 - (3) The transferring Franchisee shall not be in default in the payment of any financial obligations hereunder; and
 - (4) In addition to a Transfer Fee of \$5,000, the transferring Franchisee shall reimburse Franchisor for its outlays and expenses necessitated by such assignment or transfer, including, but not limited to, the cost of training a new franchisee, which expenses are agreed by the parties to be Two Thousand Dollars (\$2,000.00).
- (d) For the purposes of this Franchise Agreement, if Franchisee is a corporation or a partnership, any event which results in a cumulative change in ownership of the interests in the equity securities of Franchisee or the partnership interests of Franchisee of more than fifty percent (50%) of such ownership (counting all such changes from the date the Franchise was granted to Franchisee) shall be deemed a transfer giving rise to all of the rights which Franchisor has or may have upon any such transfer.
- (e) Notwithstanding the above, if the Franchisee is an individual and during the life of Franchisee, the following transfers of the individual's interest in the business entity owning the Franchise shall be permitted without the consent of the Franchisor: (i) transfers during said individual's lifetime to a Grantor Trust of which he or she is both the Settlor and primary beneficiary, (ii) transfers by a Grantor Trust to the individual who as Settlor created the Grantor Trust, (iii) transfers by said individual to his or her spouse either outright, in joint tenancy or to the trustee of a trust for the primary benefit of said individual's spouse and him/herself, provided that the spouse

sign the Franchise Agreement and personal guarantees required by the Franchisor in its sole discretion.

Any references in this Franchise Agreement to the Ownership Interests held by the Franchisee shall refer also to any Ownership Interest held by a Grantor Trust established by such Franchisee as if such Ownership Interest was held by the grantor Franchisee in his or her individual capacity, the Franchisee's spouse, or the trustee of the trust for the Franchisee's spouse, where appropriate. All references to a Franchisee in this Agreement shall apply to a Franchisee in his or her individual capacity and to the trustee of a Grantor Trust, to the trustee of the trust for the Franchisee or his or her spouse, or the Franchisee's spouse, where appropriate.

15. **Transfer of Deceased Franchisee's Interest.** If Franchisees is/are a natural person, upon his or her (or their) deaths, the rights of Franchisees may pass to the legatees or next-of-kin of Franchisees (1) meets the present qualifications and financial standards required of the franchisees of the Franchisor and (2) if such legatees or next-of-kin agree in writing to assume the obligations of Franchisees under this Agreement and to execute and abide by the then current form of Franchise Agreement as well and sign any personal guarantees required by the Franchisor in its sole discretion.

16. **Termination.** Franchisor may terminate the Franchise Agreement on the happening of any one of the following events:

- (a) voluntary abandonment of the franchise relationship by Franchisee;
- (b) conviction of Franchisee (or of a principal officer, director, principal shareholder, or partner of Franchisee) or entry by any of the same of a plea of guilty or of no contest in a court of competent jurisdiction of an offense directly related to the business covered by the Franchise Agreement;
- (c) any action of Franchisee which substantially impairs the good will associated with Franchisor's trade name, trademark or other commercial symbol (including but not limited to the Carbone Names and Marks, as defined in the Franchise Agreement) if Franchisee has not terminated such action within twenty-four (24) hours after receipt of written notice demanding that franchisee terminate such action and cure the default caused thereby;
- (d) material breach of the terms and conditions of the Franchise Agreement other than a failure to make payments;
- (e) failure to comply with other reasonable and material requirements of Franchisor.
- (f) bankruptcy or insolvency of Franchisee or an assignment for the benefit of Franchisee's creditors.
- (g) failure of Franchisee to make payment to Franchisor of any franchise fees or other amounts (including interest) due to Franchisor pursuant to the terms of the Franchise Agreement.

Termination for the events described in items (a) through (c) shall occur immediately upon receipt of written notice. Termination for the events described in items (d) through (g) shall occur if Franchisee is given written notice stating the reasons for termination and Franchisee shall fail to correct the conditions complained of within sixty (60) days after mailing of the written notice. Termination for the events described in items (a) through (g) takes place at the end of ninety (90) days following such notice.

17. **Procedures Upon Termination.** Upon termination of this Agreement for any reason whatsoever, all rights and privileges granted by Franchisor hereunder shall immediately cease and shall revert to Franchisor, and in such event, Franchisee shall immediately pay to Franchisor all moneys owed to Franchisor, regardless of when due, without offset or reduction of any kind whatsoever. Furthermore, Franchisee shall immediately cease to use, by advertising or otherwise, the names “Carbone’s Pizzeria” or “Carbone’s Pizza” and any and all other trademarks, trade names, marks, styles, signs, or logos of or relating to Franchisor. Franchisee shall immediately return to Franchisor all forms, advertising matter, bulletins, procedures and manuals which shall be in the possession of Franchisee or the employees or representatives of Franchisee, and none of the same shall retain any copies thereof. Franchisee shall in every manner otherwise refrain from performing any act or thing that would indicate that Franchisee is a franchisee of Franchisor. Upon termination for whatever reason, Franchisor shall be free, without any obligations whatsoever to Franchisee, to resell the franchise herein upon such terms and conditions as Franchisor shall desire, and Franchisor shall receive all proceeds of such a resale. If Franchisee is terminated by Franchisor, Franchisor at the option of Franchisee shall purchase all usable merchandise with Franchisor’s name, trademark trade name, or the Carbone Names and Marks, all of which shall be repurchased by Franchisor at the fair wholesale market value thereof. Franchisee agrees that Franchisor may be irreparably harmed by in a manner not readily compensated by money damages by any violation by Franchisee of the provisions and requirements of this section of the Franchise Agreement, and accordingly Franchisor shall be entitled to receive injunctive relief from a court of competent jurisdiction to enforce the obligations of Franchisee hereunder, in addition to any other rights which Franchisor may have at law or in equity under this Franchise Agreement.

18. **Dispute Resolution.** In the event that a dispute shall ever arise between the Parties, the Parties agree to act in good faith to attempt to resolve such dispute. In consideration for the mutual promises of each Party, the Parties agree that the following procedure shall be used to resolve any dispute between the Parties:

18.1.1 The President of M&T Pizza [and/or one other designated representative of the Company] shall meet with the Franchisee, if the Franchisee is an individual or the Franchisee is a business entity, then the President, Manager, or Partner of the Franchisee and one (1) other person designated representative the Franchisee within ten (10) days of a written request by either Party for such a meeting. The Party requesting the meeting shall set forth in detail the nature of the dispute.

18.1.2 Within the period outlined above, the Parties shall meet and attempt in good faith to resolve the dispute.

18.1.3 If the dispute is not resolved through the foregoing meeting, the Parties agree to submit their dispute to mediation in **Ramsey or Hennepin** County, Minnesota, with a

mutually agreed upon mediator. The Party requesting resolution of an issue will submit the names of three qualified mediators to the other Party who shall have the right to select one mediator to mediate. The procedure developed by the mediator shall control the mediation proceeding. It is acknowledged that the Parties intend to expedite the resolution of any such dispute through the mediation process. Each Party shall pay one-half of the costs of the mediation and their own attorney fees and costs.

18.1.4 If the Parties are unable to resolve their dispute through mediation, the matter shall be submitted to arbitration in **Ramsey or Hennepin** County, Minnesota, under the Rules of the American Arbitration Association with a three (3) panel arbitrator to be established, none of which shall be the previous mediator, with each Party choosing one (1) member of the panel and the remaining third party chosen by the two (2) arbitrators previously selected. Each Party shall pay one-half of the cost of the arbitration and their own attorney fees and costs, if any. The decision of the arbitrators shall be final.

19. **Governing Law and Partial Invalidity.** This Agreement shall be accepted in and be construed in accordance with the laws of the State of Minnesota. If all or any portion of this Agreement shall be held to violate any law, regulation or ordinance of the United States of America or any state or municipality, such provision—and only such provision to the most limited extent possible—shall be deemed to be of no force and effect, and the balance of this Agreement shall be enforced as if no such provision had been included in this Agreement.

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

21. **Notice.** Whenever notice is required under the terms and provisions of this Agreement, that notice shall be deemed effective as of the date of mailing by certified mail, return receipt requested, to:

If to Franchisor at:

M & T Pizza Incorporated
680 East Seventh Street
St. Paul, Minnesota 55106

With a copy to:

John H. Daniels, Jr.
Willeke & Daniels
201 Ridgewood Avenue
Minneapolis, MN 55403

If to Franchisee at:

With a copy to:

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

23. **Compliance with Federal and State Law.** All foregoing provisions of this Agreement (and of any amendment hereto) to the contrary notwithstanding, to the extent that the provisions of this Franchise Agreement provide for periods of notice which are less than those required by applicable law from time to time in effect, or provide for termination, cancellation, nonrenewal or the like other than in accordance with applicable law, such provisions shall, to the extent such are not in accordance with applicable law, not be effective, and Franchisor shall comply with the minimum notice or other minimum requirements prescribed by applicable Federal and state law from time to time in effect in connection with each of these matters including, but not limited to, taxation, non-discrimination, and whistle blower, laws, statutes, and regulations.

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

25. **Entire Agreement.** **THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT OF THE PARTIES, AND NO PRIOR AGREEMENTS AND NO MODIFICATION OR TERMINATION OF THIS AGREEMENT SHALL BE BINDING UNLESS SET OUT IN WRITING AND EXECUTED BY ALL PARTIES HERETO.**

26. **Small Business Administration Addendum.** Attached hereto as Appendix A and incorporated herein by reference is document stylized as Addendum to Franchise Agreement. The purpose of the Addendum is to acknowledge that Franchisee is applying for financing from a lender in which funding is provided with the assistance of the U.S. Small Business Administration ("SBA"). SBA requires the execution of Appendix A as a condition of Franchisee's obtaining SBA assisted financing. Franchisor and Franchisee herein specifically agree that Appendix A, Addendum to Franchise Agreement, is intended to address circumstances pertaining to change of ownership, for sale of assets, covenants and employment unique to the present transaction and Franchisee's application for funding provided with the assistance of the SBA. The foregoing notwithstanding, Franchisee's option to extend the term of the Franchise granted by this Franchise Agreement for additional period of ten (10) years granted pursuant to Section 2(b) and (c) above shall not extend to Appendix A and Franchisor shall not be obligated to accommodate U.S. Small Business Administration assisted loans in any renewal transaction.

27. **Definitions.** The following definitions shall apply to this Franchise Agreement:

27.1 Carbone System. The term "Carbone System" means its name, logo, intellectual property, recipes, and marketing system, used by the Franchisor.

27.2 Gross Sales. The term "Gross Sales" shall have the following meanings:

27.2.1 For franchises issued BEFORE 1/1/2024: "Gross Sales: shall include all sales of food and beverages less sales tax, non-food vending machine sales, discounts and sales of liquor, beer, and wine.

27.2.2 For franchises issued ON or AFTER 1/1/2024: Gross Sales: shall include all sales of food and beverages, including sales of liquor, beer, and wine, less sales tax, non-food vending machine sales, and discounts.

27.3 Franchisee Territory. The term “Franchisee Territory” shall mean circular area whose radius is generally five (5) miles from your place of business. The location and exact size of the radius of the Franchise Territory shall be negotiated between M & T Pizza and the Franchisee. In addition, any city blocks whose majority area are within the Franchisee Territory will also include the balance of the city block located outside the Franchisee Territory.

IN WITNESS WHEREOF, the parties have executed this Franchise Agreement in the manner appropriate to each as of the day and year first above written.

M & T PIZZA INCORPORATED
(Franchisor)

Franchisee:

By _____
Thomas M. Carbone
Its President, Secretary and
Treasurer

By _____
Its _____

Personal Guarantee

For Corporate

I/we, the undersigned, is/are the sole/shareholder(s) in _____ [Name of Corporation] which is entering into a franchise agreement with M&T Pizza Incorporated to operate a pizza restaurant under the name Carbone's Pizza. In consideration of M&T Pizza Incorporated entering into the franchise agreement with [Name of Corporation], I/w personally and unconditionally guarantee the performance of [Name of Corporation] obligations under the franchise agreement, including, but not limited to, all fees and costs.

For Limited Liability Company

I/we, the undersigned, is/are the sole/member(s) in _____ [Name of Limited Liability Company] which is entering into a franchise agreement with M&T Pizza Incorporated to operate a pizza restaurant under the name Carbone's Pizza. In consideration of M&T Pizza Incorporated entering into the franchise agreement with [Name of Limited Liability Company], I/w personally and unconditionally guarantee the performance of [Name of Limited Liability Company] obligations under the franchise agreement, including, but not limited to, all fees and costs.

For Limited Liability Partnership

We, the undersigned, are the partners in _____ [Name of Limited Liability Partnership] which is entering into a franchise agreement with M&T Pizza Incorporated to operate a pizza restaurant under the name Carbone's Pizza. In consideration of M&T Pizza Incorporated entering into the franchise agreement with [Name of Limited Liability Partnership], I/w personally and unconditionally guarantee the performance of [Name of Limited Liability Partnership] obligations under the franchise agreement, including, but not limited to, all fees and costs.

For an Individual Franchisee

I/we, the undersigned, is/are know _____ [Name of individual Franchisee] who is entering into a franchise agreement with M&T Pizza Incorporated to operate a pizza restaurant under the name Carbone's Pizza. In consideration of M&T Pizza Incorporated entering into the franchise agreement with [Name of individual Franchisee], I/we personally and unconditionally guarantee the performance of [Name of individual Franchisee]'s obligations under the franchise agreement, including, but not limited to, all fees and costs.

Dated: _____

Signature of Individual Franchisee or business
entity officer

Dated: _____

Signature of Individual Franchisee or business
entity officer

Dated: _____

Signature of Individual Franchisee or business
entity officer

Appendix A
SBA Financing Form used by Franchisee
(attach if appropriate)

**EXHIBIT 1 TO FRANCHISE AGREEMENT:
MAP OF FRANCHISEE'S TERRITORY**

EXHIBIT B: FINANCIAL STATEMENTS

Dated _____

EXHIBIT C: LIST OF FRANCHISEES

	City	Address	Telephone
1	Billings, MT 59102	3925 Grand Avenue	(406) 281-8431
2	Bloomington, MN 55425	1834 E. Old Shakopee Rd.	(952) 888-5663
3	Burkhardt, WI 54016	1106 Co. Rd. A	(715) 386-5885
4	Burnsville, MN 55337	12930 Harriet Avenue South	(952) 746-8890
5	Centerville, MN 55038	1861 Main St.	(651) 653-7755
6	Coon Rapids, MN 55433	8525 Cottonwood St. NW	(763) 717-0327
7	Cottage Grove, MN 55016	7155 Jorgensen Ln. S.	(651) 459-6666
8	Edina, MN 55410	3724 W. 50th St.	(612) 920-0400
9	Faribault, MN 55021	1525 Division Street West	(507) 384-3463
10	Forest Lake, MN 55025	810 S. Lake St.	(651) 464-7570
11	Hastings, MN 55033	1290 North Frontage Rd.	(651) 438-8787
12	Hudson, WI 54016	207 Second Street	(715) 386-8228
13	Inver Grove Heights, MN 55076	6432 Cahill Ave.	(651) 450-7832
14	Lakeville, MN 55044	7670 160th St. W.	(952) 997-2900
15	Lexington, MN 55014	9200 Lexington Ave.	(763) 786-1113
16	Long Lake, MN 55356	2069 W Wayzata Blvd	(763) 296-2010
17	Mahtomedi, MN 55115	960 Mahtomedi Ave.	(651) 426-5222
18	Maplewood, MN 55109	2655 White Bear Ave.	(651) 770-0075
19	Minneapolis, MN 55407	4705 Cedar Ave. S.	(612) 724-0063
20	Mound, MN 55364	2155 Commerce Blvd.	(952) 495-1600
21	New Prague, MN 56071	825 1st Street Southeast	(952) 758-5522
22	Northfield, MN 55057	620 South Water Street	(507) 645-2300
23	Oakdale, MN 55119	705 Century Ave. N.	(651) 501-0822
24	Prescott, WI 54021	1120 U.S. Highway 10	(715) 262-4315
25	River Falls, WI 54022	1025 S. Main Street	(715) 426-7847
26	Roberts, WI 54023	110 W. Main St.	(715) 749-9000
27	Rochester, MN 55901	2723 Commerce Drive NE	(507) 516-8200
28	Rosemount, MN 55068	14550 S. Robert Trail	(651) 322-1333
29	Savage, MN 55378	4046 Co. Road 42	(952) 746-6656
30	St. Anthony, MN 55421	2700 – 39 th Ave NE, Ste A114	(651) 300-3555
31	St. Paul Park, MN 55071	301 Broadway Ave	(651) 459-3380
32	Stillwater, MN 55082	5988 Osgood Ave. N.	(651) 439-0004
33	West St. Paul, MN 55118	55 E. Wentworth Ave.	(651) 457-8383
34	White Bear Lake, MN 55110	1350 Highway 96 East	(651) 429-7609
35	Woodbury, MN 55129	2070 Eagle Creek Lane	(651) 436-9999

Form A – Uniform Franchise Registration Application

UNIFORM FRANCHISE REGISTRATION APPLICATION

File No.: F-7321
(insert file number of immediately preceding filing of Applicant)

State: Minnesota

Fee: \$400.00

APPLICATION FOR (Check only one):

INITIAL REGISTRATION OF AN OFFER OF SALE OF FRANCHISES

RENEWAL APPLICATION OR ANNUAL REPORT

PRE-EFFECTIVE AMENDMENT

POST-EFFECTIVE MATERIAL AMENDMENT

- 1. Full legal name of Franchisor: M & T Pizza Incorporated**
- 2. Name of the franchise offering: Carbone's Pizzeria and Carbone's Pizza**
- 3. Franchisor's principal business address: 680 East Seventh Street, St. Paul, Minnesota 55106**
- 4. Name and address of Franchisor's agent in this State authorized to receive service of process:**

MN Commissioner of Commerce, 85 7th Place East, Suite 500, St. Paul, MN 55101
- 5. The states in which this application is or will be shortly on file: Minnesota, Wisconsin & Montana**

6. Name, address, telephone and facsimile numbers, and e-mail address of person to whom communications regarding this application should be directed:

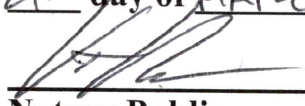
John H. Daniels, Jr., Esq., 201 Ridgewood Ave, Minneapolis, MN 55403, 612-870-4000, 612-870-0689, j.danielsjr@gmail.com

Certification

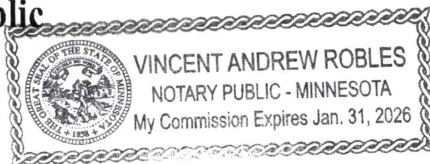
I certify and swear under penalty of law that I have read and know the contents of this application, including the Franchise Disclosure Document with an issuance date of March 21, 2023, attached as an exhibit, and that all material facts stated in all those documents are accurate and those documents do not contain any material omissions. I further certify that I am duly authorized to make this certification on behalf of the Franchisor and that I do so upon my personal knowledge.

Signed at Merak & M^T US Bank^R Express March 21st, 2023

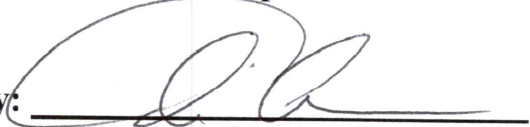
Subscribed and sworn before me this 21st day of MARCH, 2023.



Notary Public



Franchisor:
M & T Pizza Incorporated

By: 

Name: Thomas M. Carbone
Title: President, Secretary & Treasurer

Form B – Franchisor’s Costs and Sources of Funds

FRANCHISOR’S COSTS AND SOURCE OF FUNDS

1. Disclose the Franchisor’s total costs for performing its pre-opening obligations to provide goods or services in connection with establishing each franchised business, including real estate, improvements, equipment, inventory, training and other items stated in the offering:

Category	Costs
Real Estate	_____
Improvements	_____
Equipment	_____
Inventory	_____
Training	<u>\$2,500.00</u>
Other (describe)	
_____	_____
_____	_____
_____	_____
Totals	<u><u>\$2,500.00</u></u>

2. State separately the sources of all required funds:

DESCRIPTION	CARBONE'S PIZZERIA
Remodeling Expense	Variable
Initial Franchise Fee Payable To Franchisor	\$ 5,000.00
Travel And Living Expense While Training	\$ 1,000.00 to \$2,500.00
Equipment	\$40,000.00 to \$100,000.00
Initial Inventory	\$ 5,000.00
Sign	\$ 5,000.00
Miscellaneous Opening Costs	\$ 5,000.00
Working Capital (Estimated Minimum)	\$20,000.00
 Total Initial Cash Investment	 \$79,000.00 to \$140,500.00

Form C – Uniform Franchise Consent to Service of Process

UNIFORM FRANCHISE CONSENT TO SERVICE OF PROCESS

M & T Pizza Incorporated, a corporation organized under the laws of Minnesota (the “Franchisor”), irrevocably appoints the officers of the States designated below and their successors in those offices, its attorney in those States for service of notice, process or pleading in an action or proceeding against it arising out of or in connection with the sale of franchises, or a violation of the franchise laws of that State, and consents that an action or proceeding against it may be commenced in a court of competent jurisdiction and proper venue within that State by service of process upon this officer with the same effect as if the undersigned was organized or created under the laws of that State and had lawfully been served with process in that State. We have checked below each state in which this application is or will be shortly on file, and provided a duplicate original bearing an original signature to each state.

- California: Commissioner of Corporations
North Dakota: Securities Commissioner
Hawaii: Commissioner of Securities
Rhode Island: Director, Department of Business Regulation
Illinois: Attorney General
South Dakota: Director of the Division of Securities
Indiana: Secretary of State
Virginia: Clerk, Virginia State Corporation Commission
Maryland: Securities Commissioner
Washington: Director of Financial Institutions
X Minnesota: Commissioner of Commerce
X Wisconsin: Administrator, Division of Securities, Department of Financial Institutions
New York: Secretary of State

Please mail or send a copy of any notice, process or pleading served under this consent to:

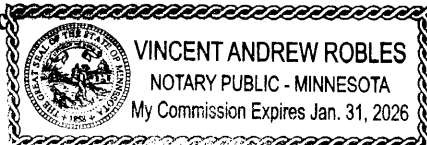
Thomas M. Carbone
M & T Pizza Incorporated, 680 East Seventh Street, St. Paul, MN 55106
w/copy to: John H. Daniels, Jr., Esq., Willeke & Daniels
201 Ridgewood Avenue, Minneapolis, MN 55403

Dated: MARCH 21, 2023 Franchisor: M & T Pizza Incorporated

Subscribed and sworn before me this 21st day of MARCH, 2023.

[Signature]

Notary Public



[Signature]

By

Thomas M. Carbone
Its President, Secretary and Treasurer

Form D — Franchise Seller Disclosure Form

FRANCHISE SELLER DISCLOSURE FORM

1. List who will solicit, offer or sell franchises for the Franchisor in this state:

- A. Name: Thomas M. Carbone**
- B. Business address and telephone number: M & T Pizza Incorporated, 680 East Seventh Street, St. Paul, MN 55106**
- C. Present employer: M & T Pizza Incorporated**
- D. Present title: President, Secretary and Treasurer**
- E. Employment during the past five years. For each employment, state the name of the employer, position held, and beginning and ending dates: M & T Pizza Incorporated, President, Secretary and Treasurer: for the past five years, and more, Mr. Carbone has been active in the Carbone's system. He began as a general manager of Carbone's Pizza, Inc. in 2001.**

2. State whether the person identified in 1 above:

- A. Has an administrative, criminal or material civil action pending against that person alleging a violation of franchise, antitrust or securities law, or alleging fraud, unfair or deceptive practices, or any comparable allegations?**

YES		NO	X
-----	--	----	---

If you answered "yes", please provide:

- 1. Names of the parties:**
 - 2. Forum, nature and current status of the pending action:**
 - 3. Case or proceeding identification number:**
- B. Had during the 10-year period immediately before the disclosure document's issuance date been convicted of or pleaded nolo contendere to a felony charge; or been held liable in a civil action involving an alleged violation of a franchise, antitrust or securities law, or allegations of fraud, unfair or deceptive practices, or comparable allegations?**

YES		NO	X
-----	--	----	---

If you answered "yes", please provide:

1. Names of the parties:
2. The forum:
3. Case or proceeding identification number:

C. Is subject to a currently effective injunction or restrictive order or decree resulting from a pending or concluded action brought by a public agency and relating to the franchise, or to a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law.

YES		NO	X
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If you answered "yes", please provide:

4. Names of the person:
5. Public agency or court:
6. Case or proceeding identification number:

Consent of Accountant

DSB Rock Island consents to the use in the Franchise Disclosure Document issued by M&T Pizza, Inc ("Franchisor") our report dated May 26, 2022 relating to the financial statements of the Franchisor for the period ending October 31, 2020.

Denise L. CPA
Name & Title

3-23-22
Date

M & T Pizza, Inc.

Financial Statements

Years Ended October 31, 2019 and 2018

M & T Pizza, Inc.

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Independent Auditor's Report

To the Stockholder:

M & T Pizza, Inc.
680 East Seventh Street,
St. Paul, MN 55106

Report on the Financial Statements

We have audited the accompanying financial statements of M & T Pizza, Inc., (a corporation) which comprise the balance sheets as of October 31, 2019 and 2018, and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of M & T Pizza, Inc., as of October 31, 2019 and 2018, and the results of its operations, cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

Madsen, O'Meara and Company P.C.

Madsen, O'Meara and Company, P.C.

Bloomington, Minnesota

May 19, 2020

M & T Pizza, Inc.
Balance Sheets
October 31, 2019 and 2018

Assets	<u>2019</u>	<u>2018</u>
Current Assets		
Cash	\$ 305,354	\$ 89,225
Accounts Receivable (net of allowance for doubtful accounts of \$44,460 and \$44,460 at October 31, 2019 and 2018, respectively)	68,023	77,420
Notes Receivable	<u>106,832</u>	<u>42,332</u>
Total Current Assets	<u>480,209</u>	<u>208,977</u>
Property and Equipment		
Equipment & Fixtures	53,317	53,317
Leasehold Improvements	6,116	6,116
Vehicles and other equipment	26,625	26,625
Less: Accumulated Depreciation	<u>(75,520)</u>	<u>(69,280)</u>
Net Property and Equipment	<u>10,538</u>	<u>16,778</u>
 Total Assets	 <u>\$ 490,746</u>	 <u>\$ 225,755</u>

M & T Pizza, Inc.
Balance Sheets
October 31, 2019 and 2018

Liabilities and Stockholder's Equity

	<u>2019</u>	<u>2018</u>
Current Liabilities		
Account payable-Carbone Pizza	78,599	20,062
Accrued income taxes	67,712	19,103
Current portion of Long-Term Debt	15,403	11,978
Total Current Liabilities	<u>161,714</u>	<u>51,143</u>
 Long-Term Debt		
Long-term debt (net of current portion)	1,092	4,517
Total Long-Term Debt	<u>1,092</u>	<u>4,517</u>
 Other Liabilities		
Deferred income taxes	-	590
Total Other Liabilities	<u>-</u>	<u>590</u>
 Total Liabilities	<u>162,806</u>	<u>56,250</u>
 Stockholder's Equity		
Common stock: par value \$1; 25,000 shares authorized; 2,500 shares issued and outstanding	2,500	2,500
Treasury stock	(34,556)	(34,556)
Retained earnings	359,997	201,561
Total Stockholder's Equity	<u>327,941</u>	<u>169,505</u>
 Total Liabilities and Stockholder's Equity	<u>\$ 490,746</u>	<u>\$ 225,755</u>

M & T Pizza, Inc.
Statements of Income and Retained Earnings
For the Fiscal Years Ended October 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenues		
Sales	\$ 211,971	\$ 1,105,952
Cost of Goods	<u>(188,315)</u>	<u>(1,402,722)</u>
Gross Income (Loss)	23,656	(296,770)
Franchise royalties	627,800	761,312
Franchise fee	<u>2,500</u>	<u>-</u>
Total Net Revenues	<u>653,956</u>	<u>464,542</u>
Operating Expenses		
Automobile	-	6,380
Bad debt	-	39,460
Consulting fee	91,000	89,905
Depreciation	6,240	11,174
Director fee	36,000	36,000
Insurance	27,454	32,557
Legal and accounting	34,695	21,350
Repair and maintenance	-	5,000
Management fee	177,600	123,600
Miscellaneous	3,283	777
Office supplies	160	188
Rent	<u>60,000</u>	<u>60,000</u>
Total Operating Expenses	<u>436,433</u>	<u>426,392</u>
Income from operations	217,523	38,150
Other Income	<u>5,455</u>	<u>9,351</u>
Income Before Provision for Income Taxes	222,978	47,501
Provision for Income Taxes	<u>64,542</u>	<u>26,970</u>
Net Income	158,436	20,531
Retained Earnings - Beginning	201,561	181,030
Retained Earnings - Ending	<u>\$ 359,997</u>	<u>\$ 201,561</u>

M & T Pizza, Inc.
Statements of Cash Flows
For the Fiscal Years Ended October 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flow from Operating Activities		
Net Income	\$ 158,436	\$ 20,531
Adjustments to reconcile Net Income to net cash provided by (used in) operating activities:		
Depreciation and Amortization	6,240	11,174
Changes in assets:		
(Increase) decrease in:		
Accounts receivable	9,397	(50,685)
Accounts receivable-related party	-	2,452
Prepaid income taxes	-	441
Increase (Decrease) in:		
Accounts payable-other	58,537	19,822
Deferred taxes	(590)	(1,233)
Accrued expenses	48,609	17,336
Net Cash (Used In) Provided by Operating Activities	<u>280,629</u>	<u>19,838</u>
 Cash Flow from Investing Activities		
Note receivable proceeds	(68,500)	(44,632)
Note receivable repayments	4,000	2,300
Net Cash Provided by Investing Activities	<u>(64,500)</u>	<u>(42,332)</u>
 Cash Flow from Financing Activities		
Notes payable repayments	-	(8,505)
Purchase of treasury stock	-	(34,556)
Net Cash Used in Financing Activities	<u>-</u>	<u>(43,061)</u>
 Net (Decrease) Increase in Cash and Cash Equivalents	216,129	(65,555)
 Cash and Cash Equivalents at Beginning of Period	<u>89,225</u>	<u>154,780</u>
 Cash and Cash Equivalents at End of Period	<u>\$ 305,354</u>	<u>\$ 89,225</u>

Supplemental Disclosures of Cash Flow Information:

Income taxes paid	\$ 13,976	\$ 10,426
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M & T Pizza, Inc.
Notes to Financial Statements
October 31, 2019 and 2018

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The company operates in the food service industry. Revenues earned are derived primarily from restaurant royalties, franchise fees, and wholesale supplies.

Definition of Cash

The company considers all demand deposits and savings accounts to be cash equivalents for purposes of the Statement of Cash Flows.

The company maintains its cash accounts in a commercial bank located in St. Paul, Minnesota. The total cash balance is secured by the Federal Deposit Insurance Corporation (FDIC).

Depreciation

Depreciation is computed on improvements, equipment and fixtures over their estimated useful lives by the straight-line and double declining methods. Lives used are: seven years for equipment and fixtures; and, thirty-one-and-one-half, thirty-nine and forty years for leasehold improvements.

Trade Accounts Receivable

Trade and other accounts receivables are recorded net of an allowance for expected losses. The allowance is estimated from historical performance.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from these estimates and assumptions.

Subsequent Events

Subsequent events were evaluated through May 19, 2020, which is the date the financial statements were available to be issued.

M & T Pizza, Inc.
Notes to Financial Statements
October 31, 2019 and 2018

NOTE 2 - SIGNIFICANT GROUP CONCENTRATION OF CREDIT RISK

The company's receivables, from its pizza franchises located in Minnesota, Wisconsin, and Montana, were \$112,483 and \$121,880 at October 31, 2019 and 2018, respectively. The company holds the franchise rights.

NOTE 3 -RELATED PARTY TRANSACTIONS

Transactions with an affiliated corporation Carbone's Pizza, Inc., which has the same shareholder as the company, total \$425,915 and \$1,586,322 , respectively, for the fiscal years ended October 31, 2019 and 2018, are as follows:

	2019	2018
Purchases	\$188,315	\$ 1,402,722
Management Fee	177,600	123,600
Rent	60,000	60,000
Total	<u>\$ 425,915</u>	<u>\$ 1,586,322</u>

The company has a payable of \$78,359 and \$19,822 from the affiliated corporation at October 31, 2019 and 2018, respectively. The account is interest free and due within 30 days.

The company paid a director fee to its shareholders of \$36,000 and \$27,000 for the fiscal years ended October 31, 2019 and 2018, respectively.

The company paid a consulting fee to its majority shareholder of \$91,000 and \$89,905 for the fiscal years ended October 31, 2019 and 2018, respectively.

M & T Pizza, Inc.
Notes to Financial Statements
October 31, 2019 and 2018

NOTE 4 - INCOME TAXES

The following is a reconciliation of pre-tax financial statement income to statutory taxable income:

	2019	2018
Pre-tax financial income	\$ 222,978	\$ 47,501
Nondeductible expense	24	3,061
(Decrease)Increase of allowance	-	39,460
Book/tax depreciation differenc	3,035	5,059
State taxable income	226,037	95,081
State income tax	(21,636)	(9,623)
Federal taxable income	<u>\$ 204,401</u>	<u>\$ 85,458</u>

The provision for income taxes as shown on the Statements of Income and Retained Earnings consist of the following:

	2019	2018
Current income taxes	\$ 43,036	\$ 17,744
Total	<u>\$ 43,036</u>	<u>\$ 17,744</u>

NOTE 5 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying amount reported in the balance sheets for cash in bank, cash in savings, accounts receivable and payable, and note receivable approximate its fair value.

NOTE 6 - RISKS AND UNCERTAINTIES

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the company and recognize a tax liability (or asset) if the company has taken an uncertain position that more likely than not would not be sustained upon examination by applicable taxing authorities. The company's owner has analyzed the tax position taken by the company and has concluded that there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The company is subject to routine audits by taxing jurisdictions. There are currently no audits for any tax period in progress. The company's owner believes the company is no longer subject to income tax examinations for years prior to 2016. The company's tax returns generally remain open for the last three years.

M & T Pizza, Inc.
Notes to Financial Statements
October 31, 2019 and 2018

NOTE 7 - DEBT

Long-term debt consists of the following:

	<u>2019</u>	<u>2018</u>
Loan payable- Estate of Thomas A. Carbone: monthly payment of \$1,096.78 including interest at 5%; final payment is due November	\$ 16,495	\$ 16,495
Total debt	<u>16,495</u>	<u>16,495</u>
Less current portion	<u>(15,403)</u>	<u>(11,978)</u>
Long-term debt	<u>\$ 1,092</u>	<u>\$ 4,517</u>

The annual requirements for principle payments on long-term debt are as followed:

Years Ending October 31,	Amount
<u>2020</u>	<u>\$ 1,092</u>
	<u>\$ 1,092</u>

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

M & T PIZZA INCORPORATED
AND SUBSIDIARIES

OCTOBER 31, 2020



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Independent Auditors' Report

Board of Directors
M & T Pizza Incorporated

We have audited the accompanying consolidated financial statements of M & T Pizza Incorporated, (a Minnesota Corporation) and Subsidiaries, which comprise the consolidated balance sheet as of October 31, 2020 and the related consolidated statement of operations, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of M & T Pizza Incorporated and Subsidiaries as of October 31, 2020, 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.

DSB RockIsland

Minneapolis, Minnesota
May 26, 2022



M & T Pizza Incorporated and Subsidiaries

CONSOLIDATED BALANCE SHEET

Year ended October 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	365,489
Accounts receivables, less allowance for doubtful accounts of \$44,460		147,047
Due from stockholder		23,931
Inventory		3,650
Prepaid expenses		12,764
Prepaid income tax		6,150
Total current assets		<u>559,031</u>

PROPERTY AND EQUIPMENT, AT COST

Furniture and equipment		275,936
Vehicle		26,625
Leasehold improvements		84,167
		<u>386,728</u>
Less accumulated depreciation		<u>295,673</u>
		91,055

Other asset

Note receivable		<u>60,500</u>
	\$	<u><u>710,586</u></u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES

Current portion of long-term obligations	\$	16,495
Accounts payable		6,340
Accrued expenses and other		<u>9,499</u>
Total current liabilities		32,334

LONG-TERM OBLIGATIONS, less current maturities 113,708

STOCKHOLDER'S EQUITY

Common stock - \$1.00 par value; authorized, 25,000 shares; issued and outstanding 2,500 shares		2,500
Additional paid-in capital		266,117
Retained earnings		330,483
Treasury stock, at cost		<u>(34,556)</u>
		<u>564,544</u>
	\$	<u><u>710,586</u></u>

M & T Pizza Incorporated and Subsidiaries
CONSOLIDATED STATEMENT OF OPERATIONS
Year ended October 31, 2020

Revenue	
Royalties	\$ 940,066
Company restaurant sales	554,946
Other revenue	<u>199,429</u>
Gross revenue	1,694,441
Cost of company restaurant sales	
Food and beverage	213,070
Labor	417,801
Direct expenses	299,532
General and administrative	<u>58,046</u>
	988,449
Operating expenses	
Advertising	275,509
General and administrative	<u>511,684</u>
Total operating expenses	787,193
Operating loss	(81,201)
Other income	
Interest income	171
Interest expense	(222)
Gain (loss) on sale of equipment	<u>(1,263)</u>
	<u>(1,314)</u>
Net loss before income taxes	<u>(82,515)</u>
Income tax expense	<u>-</u>
NET LOSS	<u><u>\$ (82,515)</u></u>

The accompanying notes are an integral part of this statement.

M & T Pizza Incorporated and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

Year ended October 31, 2020

	Controlling interest in equity					Noncontrolling	Total
	Common stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	interest in equity Equity	
	Shares	Amount					
Balance at October 31, 2019, as previously reported	2,500	\$ 2,500	\$ -	\$ 359,998	\$ (34,556)	\$ -	\$ 327,942
Prior period adjustments	-	-	-	53,000	-	266,117	319,117
Adjusted balance at October 31, 2019	2,500	2,500	-	412,998	(34,556)	266,117	647,059
Business reorganization	-	-	266,117	-	-	(266,117)	-
Net loss	-	-	-	(82,515)	-	-	(82,515)
Balance at October 31, 2020	<u>2,500</u>	<u>\$ 2,500</u>	<u>\$ 266,117</u>	<u>\$ 330,483</u>	<u>\$ (34,556)</u>	<u>\$ -</u>	<u>\$ 564,544</u>

The accompanying notes are an integral part of this statement.

M & T Pizza Incorporated and Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended October 31, 2020

Cash flows from operating activities	
Net loss	\$ (82,515)
Adjustments to reconcile net loss to net cash used in operating activities:	
Provisions for bad debt	27,700
Depreciation and amortization of property and equipment	12,789
Loss on sale of equipment	1,263
Changes in current assets and liabilities:	
Accounts receivable	8,553
Due to/from stockholder	2,351
Prepaid expenses	(18,914)
Accounts payable	(19,087)
Accrued expenses and other	(3,137)
Income tax payable	<u>(67,712)</u>
Net cash used in operating activities	(138,709)
 Cash flows from investing activities	
Capital expenditures	(5,054)
 Cash flows from financing activities	
Proceeds from long-term obligations	<u>113,708</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(30,055)
 Cash and cash equivalents at beginning of year	<u>395,544</u>
 Cash and cash equivalents at end of year	<u>\$ 365,489</u>

M & T Pizza Incorporated and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended October 31, 2020

NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

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

The following table summarizes the open franchise locations for the Company during the year ended October 31, 2020:

	<u>2020</u>
Beginning of the period	36
Change during the period	<u>-</u>
End of the period	<u><u>36</u></u>

Additionally, the Company owned and operated one Carbone's Pizzeria during the year ended October 31, 2020.

Summary of Significant Accounting Policies

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

1. Principles of Consolidation

Accounting principles generally accepted in the United States of America require that a company that holds variable interests in an entity consolidate the entity if the company's interest in the variable interest entity (VIE) is such that the company will absorb a majority of the VIE's expected losses and/or receive a majority of the VIE's expected residual returns, if they occur. In such cases, the company is the primary beneficiary of the VIE. Accounting principles generally accepted in the United States of America also require additional disclosures by primary beneficiaries and other significant variable interest holders.

M & T Pizza Incorporated and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended October 31, 2020

NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

1. Principles of Consolidation - Continued

The consolidated financial statements include M & T Pizza Incorporated (M&T), a Minnesota corporation, and its wholly-owned subsidiaries, Carbone & Sons, Inc. (C&S), a Minnesota corporation, and Carbone Pizza, Inc. (CPI), a Minnesota corporation (see Note B). All material intercompany accounts and transactions have been eliminated in consolidation. Prior to November 1, 2019, C&S and CPI were VIE's to M&T. M&T had no controlling financial interest in either variable interest entity, and thus recognized 100% of both variable interest entities as a noncontrolling interest in its consolidated financial statements (see Note B and Note J).

2. Recently Adopted Accounting Standards

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

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

M & T Pizza Incorporated and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended October 31, 2020

NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Recently Adopted Accounting Standards - Continued

During October 2018, the FASB issued ASU No. 2018-17, *Targeted Improvements to Related Party Guidance for Variable Interest Entities*. ASU No. 2018-17 allows a private company to elect to not apply VIE guidance to legal entities under common control (including common control leasing arrangements) if both the parent and the legal entity being evaluated for consolidation are not public business entities. This alternative provides an accounting policy election that a private company must apply to all current and future legal entities under common control that meet the criteria for applying this alternative. The amendments of this update expand the private company alternative provided in ASU No. 2014-07, *Consolidation* (Topic 810): *Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements*, to not apply the VIE guidance to qualifying common control leasing arrangements, and therefore, the amendments in ASU No. 2014-07 are superseded by the amendments in this update. Additionally, indirect interests held through related parties in common control arrangements should be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests. ASU No. 2018-17 is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company does not believe that the adoption of ASU No. 2018-17 will have a material effect on its results of operations, financial position, and cash flows.

3. Cash and Cash Equivalents

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

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

4. Accounts Receivable

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

M & T Pizza Incorporated and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended October 31, 2020

NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Accounts Receivable - Continued

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

5. Inventories

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

6. Long-Lived Assets

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

7. Depreciation

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

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

M & T Pizza Incorporated and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended October 31, 2020

NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Paycheck Protection Program Loan

On May 1, 2020, the Company received loan proceeds of \$113,708 under the Paycheck Protection Program ("PPP") under a promissory note from a bank (the "PPP Loan"). The PPP, established as part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. As amended, the CARES act provides that the loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The PPP loan was included in long term obligations in the consolidated balance sheet as of October 31, 2020 (see Note F).

9. Revenue Recognition

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

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

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

Royalties

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

M & T Pizza Incorporated and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended October 31, 2020

NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Revenue Recognition - Continued

Initial and Renewal Franchise Fees

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee. Generally, these services include assistance in site selection, training personnel, implementation of an accounting system, and design of a quality control program. The Company's initial and renewal franchise fees are considered highly dependent upon and interrelated with the franchise right granted in the franchise agreement. As such, these franchise fees are recognized over the contractual term of the franchise agreement. The contract term for the initial franchise agreements is 10 years commencing on the earlier of the date when the restaurant opens or twelve months following the date the franchise agreement was signed. During that time the franchisee is allowed to use the Carbone's Pizzeria name and menu. When the franchise agreement expires, the franchisee may pay an additional franchise fee to renew the agreement. The contract term for franchise renewal agreements is 10 years. There were no initial and renewal franchise fees in the year ended October 31, 2020.

Company Restaurant Sales

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

Other Revenue

The Company earns additional revenue related to vendor rebates, franchise transfers, and other miscellaneous items. Revenue is recognized as each individual performance obligation is satisfied.

Sales and other taxes collected from customers are excluded from sales.

10. Advertising

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

Advertising costs are expensed as incurred. Advertising and promotion expense is approximately \$264,000 for the year ended October 31, 2020.

M & T Pizza Incorporated and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended October 31, 2020

NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Income Taxes

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

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

12. Common Control Leasing Arrangements

In accordance with ASU 2018-11, the Company does not evaluate whether lessor entities in common control leasing arrangements are VIEs.

13. Use of Estimates

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

M & T Pizza Incorporated and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended October 31, 2020

NOTE B – BUSINESS REORGANIZATION AGREEMENT

As of October 31, 2019, M&T, C&S, and CPI were each wholly owned by the common stockholder. Effective November 1, 2019, the stockholder transferred all of the outstanding shares in C&S and CPI to M&T such that M&T owns all of the issued and outstanding shares of C&S and CPI and has the right to direct the business and operations (the Reorganization). The net book value of C&S and CPI as of October 31, 2019, which approximates fair value, was used to record an investment in subsidiaries and a corresponding additional paid-in capital by the stockholder to M&T.

NOTE C – CONCENTRATIONS OF RISK

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

The Company had sales to and receivables outstanding from significant customers as follows:

Customer	Percentage of Annual Sales	Percentage of Year-End Trade Receivables
A	*	24.4%
B	*	13.9%
C	*	17.2%

* less than 10%

NOTE D – CONTRACT BALANCES

Balances for accounts receivable, net of allowance for doubtful accounts, arising from contracts with customers are approximately as follows:

Balance as of October 31,	2020	2019
Accounts receivable, net	\$ 147,000	\$ 183,000

NOTE E – NOTE RECEIVABLE

The Company has a note receivable from a franchisee totaling \$60,500 as of October 31, 2020. The note receivable bears interest at 4.5%. Monthly principal and interest payments of approximately \$1,000 are scheduled to begin in March 2024.

M & T Pizza Incorporated and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended October 31, 2020

NOTE F - LONG-TERM OBLIGATIONS

Long-term obligations consist of the following as of October 31, 2020:

Bank term note payable under the Paycheck Protection Program	\$ 113,708
Note payable to the stockholder due in monthly installments of \$1,097 including interest at 5%; final payment of all outstanding principle due November 2020	<u>16,495</u>
	130,203
Less current maturities	<u>(16,495)</u>
	<u>\$ 113,708</u>

In May 2020, the Company received loan proceeds in the amount of \$113,708 under the Paycheck Protection Program (see Note A). The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Company having initially qualified for the loan and qualifying for the forgiveness of such loan based on future adherence to the forgiveness criteria.

The PPP loan is due in monthly installments of principal and interest commencing on the earlier of the date on which the amount of loan forgiveness is determined, or September 2021. The maturity date is two years after the due date of the first payment, and the annual interest rate is 1%. During the 24-week spending period, the PPP loan proceeds were used only for permissible expenses, as defined by the PPP. The PPP loan is subject to any new guidance and new requirements released by the Department of the Treasury and the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act.

Subsequent to year end, the PPP loan was fully forgiven in August 2021, therefore, there are no payments shown for the PPP loan in the current maturities of long-term obligations.

As of October 31, 2020, the future maturities of long-term obligations consist of \$16,495 due during the year ending October 31, 2021.

NOTE G -RELATED PARTIES

The sole stockholder owes the Company approximately \$24,000 as of October 31, 2020. This balance has no set repayment terms, and is due on demand.

M & T Pizza Incorporated and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended October 31, 2020

NOTE G –RELATED PARTIES - CONTINUED

The Company has a note payable due to the sole stockholder of the company totaling \$16,495 as of October 31, 2020 for the purchase of a vehicle (see Note F).

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

NOTE H – COMMITMENTS AND CONTINGENCIES

Operating Lease

The Company has a non-cancellable operating lease with a related party which expires October 2024. Rental payments range from approximately \$5,000 to \$7,000 a month. The lease also provides that the Company pay property taxes, maintenance, insurance and other occupancy expenses applicable to the leased premise. Total rent expense for this facility for the year ended October 31, 2020 is approximately \$71,000.

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

<u>Years ending October 31,</u>	
2021	\$ 84,000
2022	84,000
2023	84,000
2024	<u>84,000</u>
	\$ <u><u>336,000</u></u>

NOTE I – INCOME TAXES

The components of income tax expense for the year ended October 31, 2020 is as follows:

	<u>2020</u>
Current	
Federal	\$ -
State	-
	<u>-</u>
Deferred	-
	\$ <u><u>-</u></u>

M & T Pizza Incorporated and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended October 31, 2020

NOTE I - INCOME TAXES - CONTINUED

A reconciliation of the differences between income tax expense and the amount computed by applying the statutory federal income tax rate to the earnings before income taxes is as follows for the year ended October 31, 2020:

	<u>2020</u>
Income tax at federal statutory rate	\$ (17,300)
State tax, net of federal impact	(6,600)
Valuation allowance change	<u>23,900</u>
	<u>\$ -</u>

Deferred income taxes are the result of temporary differences in recognition of income and expense for financial statement and income tax reporting. The sources of these differences and the tax effect of each are approximately as follows as of October 31, 2020:

	<u>2020</u>
Deferred tax assets (liabilities)	
Accounts receivable allowance	\$ 12,900
Depreciation of property and equipment	(10,000)
Net operating loss carryforward	22,000
Valuation allowance	<u>(24,900)</u>
Net deferred income tax asset	<u>\$ -</u>

The net operating loss (NOL) carryforward is subject to Internal Revenue Code Section 382 limitations. As of October 31, 2020, the Company has a federal and state income tax NOL carryforward of approximately \$76,000. NOL carryforwards generated in tax years beginning January 1, 2018, or later, do not expire under current tax law.

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

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. As of October 31, 2020, the Company had no accrued interest related to uncertain tax positions. There were no accrued penalties for the year ended October 31, 2020.

M & T Pizza Incorporated and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended October 31, 2020

NOTE I – INCOME TAXES - CONTINUED

A valuation allowance related to deferred tax assets listed above was recognized for the year ended October 31, 2020. This allowance was a result of determining that it is more likely than not that the carryforwards will not be utilized prior to expiration.

NOTE J – PRIOR PERIOD ADJUSTMENTS

The consolidated statement of changes in stockholder's equity has been restated to reflect the proper recording of accounts receivable and the consolidation of M&T's VIEs, C&S and CPI. These adjustments increased controlling interest in retained earnings by \$53,000 and increased noncontrolling interest in equity by \$266,117.

NOTE K – SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest was approximately \$200 for the year ending October 31, 2020.

Cash paid for income tax was approximately \$67,700 for the year ending October 31, 2020.

As a result of the Reorganization, the Company reduced noncontrolling interest in equity by \$266,117 and increased controlling interest in additional paid-in capital by \$266,117 effective November 1, 2019.

NOTE L – SUBSEQUENT EVENTS

Subsequent to October 31, 2020, the Company acquired an additional Carbone Pizzeria store from a franchisee in October 2021.

The Company has evaluated subsequent events through May 26, 2022, the date which the consolidated financial statements were available to be issued.



Certified Public Accountants and Business Consultants

Member of American Institute of Certified Public Accountants and California Society of Public Accountants
Participant in Quality Review Program of AICPA

March 24, 2023

CONSENT

GTL, LLP agrees to the inclusion in the Franchise Disclosure Document issued by M&T Pizza Incorporated and Subsidiaries ("Franchisor") on March 24, 2023, as it may be amended, of our report dated November 9, 2022, relating to the financial statements of Franchisor for the period ending October 31, 2021.

A handwritten signature in blue ink that reads 'Fabio Vasco'.

Fabio Vasco, CPA
GTL, LLP

**M & T INCORPORATED
AND SUBSIDIARIES**

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED OCTOBER 31, 2021

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**LLP**

Certified Public Accountants and Business Consultants

*Member of American Institute of Certified Public Accountants and California Society of Public Accountants
Participant in Quality Review Program of AICPA*

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of M&T Pizza Incorporated and Subsidiaries ("the Company"), a Minnesota corporation, which comprises the consolidated balance sheet as of October 31, 2021, and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of October 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of M&T Pizza Incorporated and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT (CONT'D)

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

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

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

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about M&T Pizza Incorporated and Subsidiaries ability to continue as a going concern for a reasonable period of time.

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

GTL, LLP

Sherman Oaks, California
November 9, 2022

M & T Pizza Incorporated and Subsidiaries
Consolidated Balance Sheet
October 31, 2021

ASSETS

Current assets	
Cash and equivalents	\$ 411,648
Accounts receivable, net	196,495
Due from stockholder	31,868
Inventory	3,650
Prepaid expenses	15,259
Prepaid income taxes	17,476
Total current assets	676,396
Property and equipment, net	
Furniture and equipment	275,936
Vehicle	26,625
Leasehold improvements	84,167
	386,728
Less accumulated depreciation and amortization	(306,930)
	79,798
Note receivable	60,500
	60,500
Total assets	\$ 816,694

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities	
Accounts payable	\$ 12,853
Accrued expenses	16,991
Accrued income taxes	9,088
Total current liabilities	38,932
Stockholder's equity	
Common stock - \$1.00 par value; authorized, 25,000 shares; 2,500 shares issued and outstanding	2,500
Additional paid-in capital	266,117
Retained earnings	543,701
Treasury stock, at cost	(34,556)
Total stockholder's equity	777,762
Total liabilities and stockholder's equity	\$ 816,694

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

M & T Pizza Incorporated and Subsidiaries
Consolidated Statement of Income
For the Year ended October 31, 2021

Revenue	
Royalties	\$ 873,903
Company restaurant sales	602,821
Advertising fund revenues	249,774
Rebate revenue	151,237
Other revenue	1,234
Gross revenue	<u>1,878,969</u>
Cost of company restaurant sales	
Food and beverage	194,372
Labor	439,845
Direct expenses	171,574
General and administrative	132,864
	<u>938,655</u>
Operating expenses	
Advertising	281,052
General and administrative	551,494
Total operating expenses	<u>832,546</u>
Income from operations	<u>107,768</u>
Other income	
PPP loan forgiveness	113,708
Other income	830
Total other income	<u>114,538</u>
Income before income taxes	222,306
Income tax expense	<u>9,088</u>
Net income	<u><u>\$ 213,218</u></u>

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

M & T Pizza Incorporated and Subsidiaries
Consolidated Statement of Changes in Stockholder's Equity
For the Year ended October 31, 2021

	Controlling interest in equity					Total
	Common Stock		Additional paid in capital	Retained earnings	Treasury Stock	
	Shares	Amount				
Balance, October 31, 2020	2,500	\$ 2,500	\$ 266,117	\$ 330,483	\$ (34,556)	\$ 564,544
Net income	-	-	-	213,218	-	213,218
Balance, October 31, 2021	2,500	\$ 2,500	\$ 266,117	\$ 543,701	\$ (34,556)	\$ 777,762

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

M & T Incorporated and Subsidiaries
Consolidated Statement of Cash Flows
For the Year ended October 31, 2021

Cash flows from operating activities	
Net income	\$ 213,218
Adjustments to reconcile net income	
to net cash provided by operating activities	
Depreciation and amortization	11,257
PPP loan forgiveness	(113,708)
Changes in current assets and liabilities	
Accounts receivable	(49,448)
Due from stockholder	(7,937)
Prepaid expenses	(2,495)
Prepaid income taxes	(11,326)
Accounts payable	6,513
Accrued expenses and other	7,492
Accrued income taxes	9,088
Net cash provided by operating activities	62,654
Cash flows from financing activities	
Reclassification of short term debt	(16,495)
Net cash (used-in) financing activities operating activities	(16,495)
Change in cash and cash equivalents	46,159
Cash, and cash equivalents at beginning of year	365,489
Cash, and cash equivalents at end of year	\$ 411,648
Supplemental Disclosures of Cash Flows Information	
Cash Paid During the Year for	
Interest	\$ 500
Income Taxes	\$ 17,000

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

M & T Pizza Incorporated and Subsidiaries
Notes to Consolidated Financial Statements
As of and for the Year ended October 31, 2021

A. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

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

The following table summarizes the open franchise locations for the Company during the year ended October 31, 2021:

	2021
Beginning of the period	36
Change during the period	-
End of the period	36

Additionally, the Company owned and operated one Carbone’s Pizzeria during the year ended October 31, 2021.

Summary of Significant Accounting Policies

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

Principles of Consolidation

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

Cash and Cash Equivalents

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

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

M & T Pizza Incorporated and Subsidiaries
Notes to Consolidated Financial Statements
As of and For the Year ended October 31, 2021

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

Recently Adopted Accounting Standards

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

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

Accounts Receivable

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

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

M & T Pizza Incorporated and Subsidiaries
Notes to Consolidated Financial Statements
As of and For the Year ended October 31, 2021

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

Inventories

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

Long-Lived Assets

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

Depreciation and amortization

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

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

M & T Pizza Incorporated and Subsidiaries
Notes to Consolidated Financial Statements
As of and For the Year ended October 31, 2021

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

Paycheck Protection Program Loan

On May 1, 2020, the Company received loan proceeds of \$113,708 under the Paycheck Protection Program ("PPP") under a promissory note from a bank (the "PPP Loan"). The PPP, established as part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. As amended, the CARES act provides that the loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The PPP loan was forgiven during the year ended October 31, 2021.

Revenue Recognition

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

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

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

Royalties

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

M & T Pizza Incorporated and Subsidiaries
Notes to Consolidated Financial Statements
As of and For the Year ended October 31, 2021

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

Revenue recognition (Continued)

Initial and Renewal Franchise Fees

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee. Generally, these services include assistance in site selection, training personnel, implementation of an accounting system, and design of a quality control program. The Company's initial and renewal franchise fees are considered highly dependent upon and interrelated with the franchise right granted in the franchise agreement. As such, these franchise fees are recognized over the contractual term of the franchise agreement. The contract term for the initial franchise agreements is 10 years commencing on the earlier of the date when the restaurant opens or twelve months following the date the franchise agreement was signed. During that time the franchisee is allowed to use the Carbone's Pizzeria name and menu. When the franchise agreement expires, the franchise may pay an additional franchise fee to renew the agreement. The contract term for franchise renewal agreements is 10 years. There were no initial and renewal franchise fees in the year ended October 31, 2021.

Company Restaurant Sales

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

Advertising

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

Advertising costs are expensed as incurred. Advertising and promotion expense is approximately \$281,000 for the year ended October 31, 2021.

Income Taxes

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

M & T Pizza Incorporated and Subsidiaries
Notes to Consolidated Financial Statements
Year ended October 31, 2021

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

Income Taxes (Continued)

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

Use of Estimates

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

B. CONCENTRATION OF RISK

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

M&T had sales to and receivables outstanding from significant customers. Two customers have 16% and 10% of total accounts receivable at October 31, 2021. No customers had sales in excess of 10 % of total sales.

C. NOTE RECEIVABLE

The Company has a note receivable from a franchisee totaling \$60,500 as of October 31, 2021. The note receivable bears interest at 4.5%. Monthly principal and interest payments of approximately \$1,000 are scheduled to begin in March 2024.

D. RELATED PARTIES

The sole stockholder owes the Company approximately \$31,868 as of October 31, 2021. This balance has no set repayment terms, is due on demand, unsecured and noninterest bearing.

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

M & T Pizza Incorporated and Subsidiaries
Notes to Consolidated Financial Statements
As of and For the Year ended October 31, 2021

E . COMMITMENTS AND CONTINGENCIES

Operating Lease

The Company has a non-cancellable operating lease with a related party which expires October 2024. Rental payments are \$8,000 a month. The lease also provides that the Company pay property taxes, maintenance, insurance and other occupancy expenses applicable to the leased premise. Total rent expense for this facility for the year ended October 31, 2021 is approximately \$98,000.

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

<u>Year ending December 31,</u>		
2022	\$	96,000
2023		96,000
2024		96,000
		\$ 288,000

F . INCOME TAXES

The components of income tax expense for the year ended October 31, 2021 is as follows:

Current Income Taxes		
Federal	\$	30,273
Deferred income taxes (benefit)		
State		(21,185)
		\$ 9,088

Deferred income taxes are the result of temporary differences in recognition of income and expense for financial statement and income tax reporting. The primary source of these differences are net operating losses. The Company utilized all net operating losses in the year ended October 31, 2021.

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

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. As of October 31, 2021, the Company had no accrued interest related to uncertain tax positions. There were no accrued penalties for the year ended October 31, 2021.

M & T Pizza Incorporated and Subsidiaries
Notes to Consolidated Financial Statements
As of and For the Year ended October 31, 2021

G. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through November 9, 2022, the date which the consolidated financial statements were available to be issued.

GTL,

LLP


Certified Public Accountants and Business Consultants

Member of American Institute of Certified Public Accountants and California Society of Public Accountants
Participant in Quality Review Program of AICPA

March 24, 2023

CONSENT

GTL, LLP agrees to the inclusion in the Franchise Disclosure Document issued by M&T Pizza Incorporated and Subsidiaries ("Franchisor") on March 24, 2023, as it may be amended, of our report dated March 20, 2023, relating to the financial statements of Franchisor for the period ending October 31, 2022.



Fabio Vasco, CPA
GTL, LLP

**M & T INCORPORATED
AND SUBSIDIARIES**

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED OCTOBER 31, 2022

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**LLP**

Certified Public Accountants and Business Consultants

Member of American Institute of Certified Public Accountants and California Society of Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of October 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of M&T Pizza Incorporated and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT (CONT'D)

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

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

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

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about M&T Pizza Incorporated and Subsidiaries ability to continue as a going concern for a reasonable period of time.

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

GTL,LLP

Sherman Oaks, California
March 20, 2023

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

ASSETS

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

LIABILITIES AND STOCKHOLDER'S EQUITY

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

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

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

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

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

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

Controlling interest in equity

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

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

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

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

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

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

A. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

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

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

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

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

Summary of Significant Accounting Policies

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

Principles of Consolidation

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

Cash and Cash Equivalents

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

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

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

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

Recently Adopted Accounting Standards

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

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

Accounts Receivable

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

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

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

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

Inventories

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

Long-Lived Assets

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

Depreciation and amortization

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

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

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

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

Revenue Recognition

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

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

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

Royalties

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

Initial and Renewal Franchise Fees

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

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

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

Revenue recognition (Continued)

Company Restaurant Sales

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

Advertising

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

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

Income Taxes

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

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

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

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

B. CONCENTRATION OF RISK

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

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

C. NOTE RECEIVABLE

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

D. RELATED PARTIES

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

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

E. COMMITMENTS

Operating Lease

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

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

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

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

F. INCOME TAXES

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

Current Income Taxes	
Federal	\$ 44,869
State	<u>5,368</u>
	<u><u>\$ 50,237</u></u>

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

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

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

G. SUBSEQUENT EVENTS AND EMPHASIS OF MATTER

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

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