

# FRANCHISE DISCLOSURE DOCUMENT

**Pizza Ranch, Inc.**  
204 19<sup>th</sup> Street SE  
Orange City, IA 51041  
712-707-8800 or 800-321-3401  
franchise@pizzaranch.com  
www.pizzaranch.com  
www.pizzaranchfranchise.com



You will establish and operate a single Pizza Ranch<sup>®</sup> family restaurant that serves quality food at an excellent value specializing in pizza and chicken and related items.

The total investment necessary to begin operation of a Pizza Ranch<sup>®</sup> franchise is from \$1,853,500 to \$2,849,500 if you lease or remodel your Restaurant and \$2,755,500 to \$4,951,500 if you build a new Restaurant. This includes \$43,350 that must be paid to us or our affiliate.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Franchise Sales at 204 19<sup>th</sup> Street SE, Orange City, IA 51041 or 800-321-3401.

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

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

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

Issued: April 2, 2024

## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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 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 Iowa. 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 Iowa than in your own state.

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

**THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY  
THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY**

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

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

2. The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.

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

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan Department of Attorney General  
G. Mennen Williams Building, 1st Floor  
525 W. Ottawa Street  
Lansing, Michigan 48913  
Telephone Number: (517) 373-7117

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APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT. THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR IN **EXHIBIT L**.

## Item 1

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

To simplify the language of this Disclosure Document, “we”, “our” or “us” means Pizza Ranch, Inc., the franchisor. “You” means the person who licenses the franchise. If the franchisee is a corporation, partnership or other entity, “you” includes the owners of interests in the entity. “Restaurant(s)” means restaurant(s) operating under our marks Pizza Ranch®.

#### **Franchisor, Parent, Predecessor, and Affiliates**

We are a majority family-owned Iowa corporation that was incorporated on October 15, 1984. We do business under our corporate name Pizza Ranch, Inc. and do not do business under another name. Our principal business address is 204 19<sup>th</sup> Street SE, Orange City, Iowa 51041.

We are a company that offers and awards franchises for the development and operation of Restaurants. Our business includes the offer and management of franchises and the sale of goods and services to our franchisees. We have operated company-owned Restaurants since December 2010, and several of our owners have owned and operated Restaurants since 1981. We have been offering franchises for the same type of business you will be operating since 1984. We have never offered franchises in any other line of business.

We have no parents or predecessors. We have the following affiliates. An “*affiliate*” means an entity controlling, controlled by, or under common control with us, and for purposes of this Item 1, which is offering or has offered franchises in any line of business or is providing products or services to our franchisees.

One of our affiliates is PR Financial Services, LLC, an Iowa limited liability company and a wholly owned subsidiary of ours. PR Financial Services, LLC was formed on September 24, 2003. Its principal business address is 117 3<sup>rd</sup> Street NW, Orange City, IA 51041. PR Financial Services, LLC is the designated provider of accounting services for Restaurant franchisees. PR Financial Services, LLC has never owned and operated Restaurants of the type to be operated by you as a franchisee and has never offered franchises in any line of business.

Another affiliate of ours is PR Production Fund, an Iowa corporation, and a wholly owned subsidiary of ours. PR Production Fund was incorporated on February 17, 1998. Its principal business address is the same as ours. PR Production Fund is the designated supplier for marketing materials for Restaurant franchisees. PR Production Fund has never owned and operated Restaurants of the type to be operated by you as a franchisee and has never offered franchises in any line of business.

Another related entity of ours is Pizza Ranch RE 1, LLC, an Iowa corporation, in which we have a 10% ownership interest. Pizza Ranch RE 1, LLC was incorporated on July 31, 2012. Its principal business address is the same as ours. Pizza Ranch RE 1, LLC invested in commercial real estate for Pizza Ranch restaurants in the past and, if certain criteria were met, it entered into lease agreements with franchisees. Pizza Ranch RE 1, LLC never owned and operated Restaurants of the type to be operated by you as a franchisee and never offered franchises in any line of business.



## **Agent for Service of Process**

If we have an agent for service of process in your state, we disclose that agent in **Exhibit J**.

## **The Business We Offer and Prior Experience**

The franchise will give you the right to operate a Restaurant within a specific area in accordance with our standards. The form of Franchise Agreement we currently offer is the Franchise Agreement attached as **Exhibit A** to this Disclosure Document. If you are a business entity, all equity owners must sign the Franchise Agreement as Principals, agreeing to be bound by certain provisions to protect our intellectual property rights. The Principals and others we designate must also sign the Franchise Agreement as Guarantors. See Item 15. The various forms of agreement we have used in the past may have terms and conditions different from the current form. We reserve the right to change the form and terms of the agreement in the future.

We also grant franchises for multiple Restaurants and have entered into Area Development Agreements with some franchisees to establish and operate Restaurants in a designated geographical area, including designated cities. Under the Area Development Agreement, you agree to develop and open an agreed upon number of Restaurants according to a prescribed schedule. A separate Franchise Agreement is required for each Restaurant. The form of Area Development Agreement we currently offer is the Area Development Agreement attached as **Exhibit B** to this Disclosure Document. If you are a business entity, all equity owners must sign the Area Development Agreement as Principals, agreeing to be bound by certain provisions to protect our intellectual property rights. The Principals and others we designate must also sign the Area Development Agreement as Guarantors. See Item 15. The various forms of agreement we have used in the past may have terms and conditions different from the current form. We reserve the right to change the form and terms of the agreement in the future.

The Pizza Ranch<sup>®</sup> franchise system started as a single Restaurant in Hull, Iowa (population 1800), in 1981, operating under the trademark “The Pizza Ranch<sup>®</sup>”. We shortened the trademark to “Pizza Ranch” in 2007. You will open your Restaurant under the Pizza Ranch<sup>®</sup> trademark. Existing Restaurants operating under the trademark “The Pizza Ranch<sup>®</sup>” converted to the new trademark starting in 2007. We have created a brand around providing small-town America with good food and tremendous opportunity. We are also now developing Restaurants in larger towns and cities. Pizza Ranch<sup>®</sup> Restaurants specialize in pizza and chicken. The Restaurants offer an all-you-can-eat buffet that includes pizza, chicken, salad and other approved items, as well as special ordering from the menu. Customers have the choice of a public dining area or a community room for special occasions. Restaurants offer “to-go” service, catering service, and delivery service from the Restaurant. You are required to submit the Restaurant’s operating hours and buffet hours in writing for approval before you open your Restaurant and we may change these hours during the term of the franchise.

The franchise includes the right to use the trademark “Pizza Ranch<sup>®</sup>” as well as other identifying marks, trademarks and logos we use now or may develop in the future (the “Licensed Marks”), and our unique system relating to the establishment, development and operation of a Restaurant. Our system includes our trade dress, design, lay-out, know-how, our high-quality food products and purchasing power, our confidential manuals, our recipes including trade secret ingredients for its various menu items, standards, specifications, sales and merchandising methods, training of franchisees and Restaurant team members, quality assurance programs, advertising methods, record keeping and business management systems.

We have a standard floor plan if you construct a building for your Restaurant or for remodeling existing space. If you want to remodel existing space, for example in a shopping center, and cannot fully comply with our standard floor plan we will assist you and work with our approved architect and engineers in adapting its standard plans to suit the existing space for our approval. All fees associated with adapting our standard plans to your space will be paid by you. Each Restaurant will have a floor plan and architecture approved by us and in keeping with our overall color scheme and concept.

If you elect to open and operate a new Pizza Ranch<sup>®</sup> restaurant, you will be required to open it with a FunZone, unless we grant you an exception. As used in this FDD, a Pizza Ranch FunZone Arcade<sup>®</sup> or “FunZone” is a dedicated space at your Restaurant of at least 1,000 square feet for card-operated arcade games and amusement devices. While 1,200 square feet is the minimum required size, recommended sizes for populations over 15,000 are 1,600 or more square feet. Existing franchisees that entered into franchise agreements prior to the issuance date of this disclosure document are not required to operate a FunZone at their Restaurants, but have the option of adding one if their Restaurant premises meet our required standards.

As of December 31, 2023, there were a total of 212 franchised Restaurants in operation. We and our affiliates operated 6 Restaurants as of December 31, 2023. We and our affiliates may operate an existing Restaurant on a temporary basis while a new franchisee is sought following the termination or expiration of a Franchise Agreement or the purchase of a Restaurant from a franchisee. See Item 20 for more information about the numbers of franchised and company-owned and affiliate-owned Restaurants and our expansion plans. See **Exhibit G** for a list of our franchisees.

## **The Market and Competition**

Our service and products are used by the general public and are not limited to any age group. Sales are moderately seasonal. The restaurant business is well-established and highly competitive with respect to concept, price, location, food quality and service. Competition may vary depending on the location of your Restaurant, i.e., a small community or a larger city. You will have to compete with other local and national restaurants which have similar food and services, some of which operate more restaurants and have longer operating histories than our Restaurants. If your Restaurant is located in a shopping mall, you will likely be competing with other eating establishments located in the mall.

## **Applicable Laws and Regulations**

You must comply with all local, state and federal laws that apply to businesses generally, including the Fair Labor Standards Acts and state laws governing various matters, such as minimum wage, overtime and other working conditions. You must also comply with the provisions of the Americans with Disabilities Act, which regulates access to your Restaurant by persons with disabilities and requires that employers provide reasonable accommodations for team members and customers with disabilities. You must comply with all local, state and federal laws applicable to restaurants, including zoning, licensing, health, sanitation, smoking, safety, fire, insecticides, use, storage and disposal of waste (including laws requiring recycling and regulating the use of certain types of containers and other materials potentially harmful to the environment) and other matters, Equal Employment Opportunity Commission and Occupational Safety and Health Administration regulations, food and safety regulations, “Truth in Menu” (concerning menu item names and product labeling), nutritional claims, discrimination, employment, sexual harassment, tax, state and federal data privacy and security laws, and laws and regulations relating to citizenship or immigration status. Various federal and state agencies, including the U.S. Food and Drug

Administration and the U.S. Department of Agriculture and state and local health and sanitation agencies have regulations related to the preparation of food and the condition of restaurant facilities.

## **Item 2**

### **BUSINESS EXPERIENCE**

#### **President and Co-Founder: Adrie Groeneweg**

Adrie Groeneweg is co-founder of Pizza Ranch, Inc. From 1984 to October of 1997, Adrie was our Vice-President, Secretary and a Director. In October of 1997, Adrie assumed the offices of Co-Founder and Director, and in September of 2001, he became our President.

#### **Executive Vice President: Scott Groeneweg**

Scott Groeneweg was a manager of several Pizza Ranch® Restaurants before he joined us as in-house training manager in November of 1993. In July of 1995, Scott became Development Director/District Manager. In 1999, his title changed to Franchise Consultant. Scott was appointed a Director in 2001. In 2005, Scott was promoted to Franchise Consultant Supervisor, in 2010 he was promoted to Director of Field Operations, and in January of 2012 Scott was promoted to Vice President of Corporate Expansion. In December 2017, Scott became Chief Profitability Officer. In January 2022, Scott was named Executive Vice President. He has been a franchisee with Pizza Ranch since 1993.

#### **Senior Vice President and Chief Brand Officer: Jon Moss**

Jon Moss joined us in June of 2000 as the Assistant to the Marketing Director. In February of 2003, Jon was promoted to Brand Director. In January of 2009, he was named Chief Operating Officer. In April 2018, Jon was promoted to Senior Vice President and Chief Brand Officer. From 1999 to June of 2000, Jon was employed at the Pizza Ranch® Restaurant in Rock Rapids, Iowa.

#### **Chief Restaurant Officer: Jeff Van Schepen**

Jeff Van Schepen joined us in January of 1999 as New Franchisee Trainer and Product Developer. Jeff became director of food development in December of 2003, and then Vice President of Operations in June of 2007. Jeff was named Vice President of Business in January of 2009. From 1993 until 1996, he was the manager of the Pizza Ranch® Restaurant in Hull, Iowa. From 1997 to 2003, he was also the manager of the Pizza Ranch® Restaurant in Sioux Center, Iowa. In January 2022, Jeff became Chief Restaurant Officer. He has been a franchisee with Pizza Ranch since 1993.

#### **Vice President of Finance: Dean Kooima**

Dean Kooima joined us in 1998 as Financial Analyst, and was named Director of Accounting in January of 2005. Dean has worked in the Pizza Ranch® Restaurant system since his days as a pizza maker and dish washer beginning in 1992. In February of 2016, Dean was promoted to Vice President of Finance.

#### **Chief Relations Officer: Scott Schell**

Scott Schell joined us in June of 2008 as a Franchise Business Consultant. Scott was promoted to Chief Relations Officer in December 2017. He has been a franchisee with Pizza Ranch since 1995.

Vice President of Supply Chain & Procurement: **Kelley Crawford**

Kelley Crawford joined us in March of 2006 as a Purchasing Coordinator. Kelley was named Director of Purchasing in November of 2016. In January 2022, Kelley became Vice President of Supply Chain & Procurement. She has been a franchisee with Pizza Ranch since 2008.

Chief Vision Officer: **Perry Krosschell**

Perry Krosschell joined us in January of 2010 as the Chief Vision Officer. Perry's past work experience includes various leadership development positions at the collegiate & high school levels.

Chief People & Strategy Officer: **Ross Groeneweg**

Ross Groeneweg joined us in January of 2022 as Chief People & Strategy Officer. He worked in and managed various Pizza Ranch® Restaurants between 2014 through 2021. He has been a franchisee with Pizza Ranch since 2020.

Chief Development Officer: **Mark Souba**

Mark Souba joined us in July of 2018 as the Chief Development Officer. From April 1997 to April 2018, Mark was employed with The Coca-Cola Company in Eagan, MN where he served as Director of Area Sales.

Director of Information Technology: **Kyle Schuiteman**

Kyle Schuiteman joined us in November of 2005 as Director of Information Technology.

Director of Creative Services: **John Vander Stelt**

John Vander Stelt joined us in December of 2007 as Director of Creative Services.

Director of Culinary Excellence: **Chris Anderson**

Chris Anderson joined us in February of 2016 as an Operations Specialist. In January of 2018, Chris was promoted to a Profitability Project Manager. In September of 2019, Chris was promoted to Profitability Manager, and in November of 2020, Chris was promoted to Director of Culinary Excellence. Prior to joining the Support Center, Chris has been a franchisee with Pizza Ranch since 2008.

Director of Construction: **Rory Larsen**

Rory Larsen joined us in February 2012 as Director of Construction.

Director of Human Resources: **Aric Van Voorst**

Aric Van Voorst joined us in February 2012 as a Human Resource Manager. Aric was named Director of Human Resources in January of 2015. He has been a franchisee with Pizza Ranch since 2018.

Director of Franchise Operations: **Darin Olson**

Darin Olson joined us in September of 2014 as a Franchise Business Consultant. Darin was named Director of Franchise Operations in February 2019. From 1990 to September 2014, he was employed with Pizza Hut as a District Manager in Minnesota, South Dakota and Iowa.

Director of Food Safety: **Kimberly Jamer**

Kimberly Jamer joined us in May 2016 as Director of Food Safety. Before joining the Pizza Ranch team, she was Director of Food and Quality Assurance at Produce Alliance, LLC in Chicago, Illinois from August 2015 to April 2016. She was also Director of Food Safety and Quality Assurance at Famous Dave's in Minnetonka, Minnesota from December 2008 to August 2015.

FunZone Brand Manager: **Joe Vander Stelt**

Joe Vander Stelt became the FunZone Brand Manager in December 2021. Prior to that, Joe was the Construction Project Specialist for Pizza Ranch, from January 2018 to December 2021. From January 2012 to December 2017, he was the President & Founder of Young Gun Roofing & Carpentry in Maurice, Iowa.

Director of Training and Development: **Jason Lechner**

Jason Lechner joined us in July of 2018 as the Director of Training and Development. From May 2014 to July 2018, Jason was employed with Granite City Food and Brewery in Minneapolis, MN as the Director of Training and Operations Services. From August 2010 to May 2014, Jason was employed with Famous Dave's of America in Minnetonka, MN as the Regional Training Manager.

Director of Real Estate: **Jenna Finkenhoefer**

Jenna Finkenhoefer joined us in November of 2021 as Director of Real Estate. Prior to Pizza Ranch, Jenna was the Vice President of Real Estate and Expansion for Milan Laser Hair Removal in Omaha, Nebraska from April 2017 to May 2021. Jenna was a District Manager and Corporate Trainer for Francescas Collections in Omaha, Nebraska from 2015 to 2017, and Hallmark Cards in Omaha, Nebraska from 2008 to 2015.

**Item 3**

**LITIGATION**

No litigation is required to be disclosed in this Item.

**Item 4**

**BANKRUPTCY**

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

## **Item 5**

### **INITIAL FEES**

#### **Franchise Agreement**

You must pay a franchise fee of \$30,000 for each Franchise Agreement you sign with us. You must pay us \$7,500 at the time you sign a Franchise Agreement. You will have 6 months from the date you sign the Franchise Agreement to select a location for your Restaurant.

You pay us the \$7,500 of the franchise fee when you sign the Franchise Agreement (**Exhibit A**) and the Restaurant Location (Alternative) Exhibit (**Exhibit 1 to the Franchise Agreement**) and the Guaranty Agreement (**Exhibit 3 to the Franchise Agreement**). This amount is non-refundable, except we will refund \$7,500 of the franchise fee if we terminate the Franchise Agreement based on your failure, in good faith as determined by us, to obtain our approval of your Restaurant location within 6 months of the date the Franchise Agreement is signed. We may require that you sign a general release as a condition to payment of any refund of the franchise fee. When your project has been approved to move forward for construction, you and we will sign the Location Exhibit (**Exhibit 2 to the Franchise Agreement**) and you will have 6 months from the date of the Location Exhibit to open your Restaurant. The remainder of the franchise fee, \$22,500, is due to us at or immediately before the start of construction of your Restaurant and is non-refundable. The Termination of Agreement for License and Services and Mutual Release attached as **Exhibit K** contains a sample form of general release language that would be acceptable to us in connection with a termination of the Franchise Agreement, or your entering into a subsequent term or transfer of the franchise or other event when we require you to deliver a general release to us.

If you sign an Area Development Agreement with us as described below, your franchise fee will be paid according to what was agreed to in the Area Development Agreement.

#### **Area Development Agreement**

If you enter into an Area Development Agreement (**Exhibit B**) with us, you will have the right to open more than 1 Restaurant in a designated area. You must pay an initial development fee upon signing the Area Development Agreement. The development fee is applied toward the future franchise fees as outlined in your specific Area Development Agreement. The development fee is not uniform and is negotiable depending on the size and/or the potential number of restaurants in the development area, their location and the experience of the developer. Typically, the development fee is \$7,500 for each market in the development area. Depending on the population and geography of an area, each market will consist of a certain density of population, typically around 40,000 people, or for more rural locations, a certain radius, typically about a 3-mile radius from the proposed restaurant location.

#### **Marketing Materials**

Before opening your Restaurant, you must purchase marketing start-up materials from PR Production Fund, Inc., a wholly owned subsidiary of ours. Your packet of materials may vary depending on the size of your Restaurant and your local market. The cost of these materials is \$2,850. The cost is nonrefundable, uniform and is not negotiable.

**Management Team Training**

In addition to the franchise fee, you must pay us a “Management Training Fee” of \$ \$10,500 for the training of your General Manager, Assistant General Manager, 2 Kitchen Managers, and Guest Service Manager. You must pay us the Management Training Fee before anyone attends the Management Team Training (as described in Item 11 below).

In addition to the Management Training Fee, you will pay us \$200 per trainee for all training materials needed to train your General Manager, Assistant General Manager, 2 Kitchen Managers and Guest Service Manager. If additional managers are requested to be trained before you open the Restaurant, you must pay us “Additional Training Fees” of \$1,500 for Kitchen Managers and Guest Service Managers, and \$3,000 for General Managers or Assistant General Managers. You will be responsible for all travel, lodging, and other expenses for your managers to attend the Management Team Training.

Except for a portion of the franchise fee as described above, initial fees are not refunded under any circumstances.

**Item 6**

**OTHER FEES**

<b>TYPE OF FEE</b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS <sup>2</sup></b>
Royalty	Greater of \$500 or 3.5% of Gross Revenues per month	Payable monthly on 10th day of the next month <sup>1</sup>	“Gross Revenues” means the entire amount of revenues from all business conducted in, from or adjacent to the Restaurant, including all food and beverage sales and other products or services such as vending machines, arcade games and amusement devices (including those in a FunZone), delivery fees and legal gaming devices, without taking any deduction for operators’ percentages or any other deductions whatsoever for sales at the Restaurant, less sales or excise tax paid.
Service Fee	0.5% of Gross Revenues	Payable monthly on 10th day of the next month <sup>1</sup>	See “Gross Revenues” above.
Marketing and Production Fund Contribution	Up to 5% of Gross Revenues (current contribution is 2.25%)	Payable monthly on the 10th day of the next month <sup>1</sup>	Fees are used to develop sales and advertising materials and public relations for the system.
Local and Regional Advertising	Up to the difference between 5% and the amount of your contributions to the Marketing and Production Fund. Currently, we require only the difference between 3% and the amount of your other contributions.	Weekly or monthly	You must spend this amount on local and regional advertising, marketing and promotion; payable to vendors. . Our contribution will not reduce your requirement to contribute or spend up to 5% (currently 3%) of Gross Revenue.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS <sup>2</sup>
Promotions	Costs to purchase, lease and install all materials necessary for sales promotions we establish; including marketing start-up materials, prize contests, sweepstakes, coupon programs, posters, give-away items, loyalty cards and gift cards. Currently, this amount ranges from \$50 to \$500 per month.	On demand	You will participate at your own cost in promotional programs we designate applicable to the franchise system as a whole or to specific advertising market areas. You will also participate in promotional programs your cooperative establishes.
FunZone Training	\$1,400/week per trainer, plus travel expenses	On demand	Payable to us if you are a first-time owner of a Pizza Ranch restaurant with a FunZone. The training generally will occur the first week after opening.
Management Team Replacement Training (post-opening)	\$0 - \$3,000 for replacement managers to train, depending on where training occurs, plus \$200 per trainee for training materials (both fees subject to change by us).	On demand as needed	<p>You must maintain 1 person engaged in the operation of your Restaurant who is sufficiently trained. We may require additional and replacement managers to receive training. If you prefer and are authorized to do so, you may provide Management Team Replacement Training and only pay the cost of training materials for each trainee. If we provide this training, we charge a fee.</p> <p>If Management Team Replacement Training occurs at a Certified Training Restaurant or some other location designed by us (other than your Restaurant), the fee will be between \$1,500 and \$3,000 per trainee (subject to change by us).</p> <p>If Management Team Replacement Training is provided by us at your Restaurant, you must pay our <i>per diem</i> training fee, which is currently \$200 per day (subject to change by us) plus each trainer's travel and living expenses.</p> <p>Regardless of where the training of the Management Replacement Team takes place, you are required to pay the cost of training materials for each trainee.</p>
In Restaurant Supplemental Training	\$200 per day for each of our trainers (subject to change by us) plus each trainer's travel and living expenses.	On demand as available	Payable only if you request additional training or if we require you or your team member to attend additional training at the locations and times we determine.
Training Materials	Approximately \$200 per year for materials	On demand	You must purchase all training aids we require, including printed materials, and online Pizza Ranch University service fees.
Audit Fees	\$100 to \$1,000 per day for each auditor plus each auditor's travel and living expenses.	Payable when billed	Payable if our audit shows you under-reported Gross Revenues in any month by more than 2% or if you fail to make your books, records and correspondence available when requested.



<b>TYPE OF FEE</b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS <sup>2</sup></b>
Relocation Fees	\$2,000 for Restaurant	Payable at time of our approval of relocation	Payable to us if we allow you to move your Restaurant.
Interest	Lesser of 18% per year or maximum legal rate on late payments	On demand	Payable if payments due us or its affiliates, for example, royalties, service fees, advertising contributions, etc. are late.
Costs and Attorneys' Fees	This amount may range from \$500 to \$5,000, depending on circumstances	On demand	Payable if we incur those costs and fees to obtain injunctive or other relief due to your failure to comply with the Franchise Agreement or Area Development Agreement.
Franchise Renewal Fee	\$2,500	Payable on or before renewal date	Payable if you want to renew your franchise after the initial 10 year term.
Insurance	\$8,000 to \$25,000 per year	On demand	Paid to Insurers. See Item 8. If you do not use an insurance plan we approve, we may charge a fee for an outside consultant to review the adequacy of your insurance coverage. If you fail to obtain the required insurance, we may, and you will pay the cost of the insurance premiums and a fee to us to cover our reasonable expenses.
Indemnification	Will vary depending upon loss \$5,000 to \$100,000	On demand	You must indemnify us from all losses arising out of your franchise. See Items 13 & 17
Inspection and Testing Fees	\$100 per day for each of our inspectors plus each inspector's travel and living expenses.	On demand	Payable if you want to use supplies, equipment or food products or vendors we have not yet approved.
Updating, maintenance or remodeling of your Restaurant; computer updates	Amount varies and is based on the extent of construction, repairs or remodeling necessary. Currently, this amount may be up to \$250,000.	As needed	Paid to contractors. You must maintain your Restaurant, including all equipment, furnishings and the exterior, including the parking lot, in good repair. You must promptly replace any equipment that becomes obsolete or beyond reasonable repair or inefficient. If you renew the term of your Franchise Agreement, you must extensively renovate your Restaurant to our then-current standards. You must purchase, install and update computers and software to keep pace with technology and our requirements.
Additional restaurant inspections	\$294 per inspection, plus our costs incurred (including travel expenses) in conducting additional inspection(s)	On demand	Payable if our regular inspections (at no charge) uncover breaches of the Franchise Agreement. Audits may be performed by third-party companies.
Transfer and Training Fee	\$10,000	Payable prior to transfer	Payable if you wish to transfer your franchise and we consent.
Returned Check Charge and Dishonored Debit Charge	\$25 to \$100 per returned check	On demand	Payable if you pay us by check and your check is returned or your payment by electronic funds transfer is dishonored for any reason.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS <sup>2</sup>
Appraisal Fee	One-half the cost of the independent appraiser or the cost of the appraiser you appoint. Currently, this amount ranges from \$500 to \$2,500.	On demand	Payable if we exercise our option to purchase equipment and other items following termination or expiration of the Franchise Agreement and you and we cannot agree on the fair market value.
Manual Copies	Currently, \$30 to \$110	On demand	You may not copy or reproduce any part of our Manuals. If you want additional manuals, you may purchase them from our print vendor or print updates from our website.

### Explanatory Notes

- Before opening your Restaurant, you must sign all documents necessary to allow us to debit your bank account for royalty, service fees and Marketing and Production Fund contribution as they become due each month. You must provide us your Gross Revenues figure for the previous month by the 10<sup>th</sup> of each month, generally done via direct electronic download from your POS system. We will debit your account on or before the 10<sup>th</sup> of each month. If we cannot debit your account for any reason, you must still pay us by the 10<sup>th</sup> of each month. If you fail to report your Gross Revenues on time, we will estimate your Gross Revenues and debit your account accordingly. Over payments or under payments will be corrected the following month.
- All fees are imposed by and payable to us, unless specifically noted. All fees are non-refundable unless specifically noted; prepaid insurance premiums may be refundable.

### Item 7

#### ESTIMATED INITIAL INVESTMENT

##### Pizza Ranch<sup>®</sup> Restaurant

(Based on 5,400 sq. ft. Restaurant/2,400 sq. ft. FunZone) <sup>1</sup>

TYPE OF EXPENDITURE	AMOUNT				METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	Retrofit/Leased		New Ground-Up				
	Low	High	Low	High			
Franchise Fee <sup>2</sup>	\$30,000	\$30,000	\$30,000	\$30,000	Lump Sum	Upon Signing Franchise Agreement	Us
Furniture, Fixtures & Equipment <sup>3</sup>	\$493,000	\$775,000	\$493,000	\$775,000	As Incurred	Upon Purchase	Supplier
Arcade Games <sup>4</sup>	\$348,000	\$454,000	\$348,000	\$454,000	As Incurred	Upon Purchase	Supplier
Leasehold Improvements <sup>5</sup>	\$816,000	\$1,318,000	--	--	According to Contract Terms	As Work Progresses	Contractors
Construction Costs <sup>6</sup>	--	--	\$1,654,000	\$2,700,000	Lump Sum	As Work Progresses	Supplier
Architect/engineering fees <sup>7</sup>	\$46,000	\$70,000	\$110,000	\$130,000	Lump Sum	Upon Signing Architect Contract	Designated Supplier
Land <sup>8</sup>	--	--	\$0	\$600,000	Lump Sum	Upon Purchase	Land Seller

TYPE OF EXPENDITURE	AMOUNT				METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	Retrofit/Leased		New Ground-Up				
	Low	High	Low	High			
Pre-Opening Training Expenses <sup>9</sup>	\$60,000	\$100,000	\$60,000	\$100,000	As Incurred	As Expenses Occur	Team members, Airlines, Hotels, Restaurants
Food used during Team Member Training <sup>10</sup>	\$7,000	\$9,000	\$7,000	\$9,000	Lump Sum	Upon Opening	Designated Suppliers
Start-Up Costs <sup>11</sup>	\$23,500	\$43,500	\$23,500	\$43,500	According to Contract Terms	As Work Progresses	Us, Local Media & Designated Suppliers
Rent <sup>12</sup>	(Note 12)	(Note 12)	(Note 12)	(Note 12)	(Note 12)	(Note 12)	(Note 12)
Interest on Pre-Opening Loans	\$10,000	\$30,000	\$10,000	\$90,000			
Working Capital (3 mos.) <sup>13</sup>	\$20,000	\$20,000	\$20,000	\$20,000	As Incurred	As Expenses Occur	Team members, Suppliers, Utilities
<b>Total Initial Investment <sup>14, 15</sup> (with a FunZone)</b>	<b>\$1,853,500</b>	<b>\$2,849,500</b>	<b>\$2,755,500</b>	<b>\$4,951,500</b>			

### Explanatory Notes

- (1) As further described in Item 1, because new Pizza Ranch<sup>®</sup> restaurants are required to open with a FunZone unless we grant an exception, the initial investment estimates in this table assume that the Pizza Ranch<sup>®</sup> restaurant being developed will include a FunZone. However, we have included in note 14 below information regarding the estimated initial investment for a Pizza Ranch<sup>®</sup> restaurant being developed without a FunZone. While we anticipate that most FunZones will range from 1,200 to 4,000 square feet, this table assumes a FunZone of 2,400 square feet.
- (2) Development fees paid under an Area Development Agreement are applied toward the franchise fee as outlined in the Area Development Agreement.
- (3) Furniture, Fixtures and Equipment includes kitchen equipment, pressure fryers, chairs, booths, buffet units, tables, menu holders, redemption counter, storage racks, interior décor, smallwares (plates, utensils, coffee maker, air pots, etc.), point of sale system, signs, light fixtures, sound system, phone system, security system, security cameras, delivery vehicles, car delivery package, decals and paint.
- (4) This estimate includes the cost of purchasing arcade games and other amusement devices. The estimate assumes that you will purchase 1 game or device per 65 square feet.
- (5) You must remodel the leased building's interior and exterior per our specifications. The cost of leasehold improvements will vary, depending on the existing condition of the premises and what is needed to be done, for example, carpet, ceiling, exterior, heating, plumbing, electrical, etc. The estimate for the cost of leasehold improvements is based on \$105- \$169 per square foot, for a 7,800 square foot Pizza Ranch. On occasion, the cost of leasehold improvements will be wholly or partially absorbed by the lessor when a lessee agrees to lease additional space adjoining their existing restaurant.
- (6) Construction costs include the footings, excavation, building, parking lot, interior and exterior finishes, electrical, mechanical and building permits.

- (7) You may be required to contract with one of our approved architects/engineers.
- (8) The cost of purchasing real estate will vary, depending on location, the actual size, site selected and the market for real estate in your area. The estimate in the table is the approximate cost of purchasing approximately 1.5 acres of land or 63,340 square feet, assuming you pay cash. If you finance the purchase of the land, you will pay a down payment when you purchase the land, which may be 10% to 20% or more of the purchase price. You would then pay monthly payments of principal and interest over the term of the mortgage loan, which would total more than the cash price. If you purchase the land and construct your Restaurant with a FunZone, your initial investment will be substantially higher than if you lease, as reflected in the table. Some Restaurants are free-standing buildings with their own parking; others are in strip malls. An important factor affecting real estate and construction costs is the seller's contributions to construction or finish-out.
- (9) Pre-opening training expenses include training materials and inventory, management team travel, lodging, meals and wages, as well as team member level wages for training prior to opening, recruitment, and employment advertising.
- (10) This is the actual cost of food utilized during pre-opening team member training.
- (11) Start-Up Costs include Crew uniforms, consisting of shirts/nametags, and hats or visors, printing of Make Charts and Manuals, the \$2,850 cost of marketing start-up materials described in Item 5, office supplies, prize and debit card inventory, professional service fees such as attorneys' and accountants' fees, utility deposits, and insurance. . Pre-opening advertising for your Restaurant will be directed by us. Ongoing advertising costs after opening will be as directed and required by us, and will also depend on your market area and will be in addition to the marketing start-up materials' cost. You must purchase from a designated supplier and use the marketing start-up materials package. We are a designated supplier for certain items. See Item 8.
- (12) The cost of leasing real estate will vary, depending on location, the actual size, design and layout, site selected and market conditions. We cannot estimate your costs of leasing the Restaurant. Some Restaurants are free-standing buildings with their own parking; others are in strip malls. An important factor affecting real estate is the landlord's contributions to finish-out.
- (13) Working capital includes payroll and utility costs. These figures are estimates. We cannot guarantee you will not have additional expenses starting your business. Your costs will depend on factors such as: how you follow our methods; your management skill; your business experience; local economic conditions; local market for the Restaurant's product; prevailing wage rate; competition; and sales levels reached during the initial period. This does not take in consideration any revenue derived during the first 3 months of operation. To cover these expenses and other costs, we require that you have initial working capital of at least \$20,000. The time period of 3 months and recommended level of working capital are not representations of when you should expect to break even.
- (14) If due to unique circumstances we approve you to open a new Pizza Ranch® restaurant without a FunZone, you will not incur the cost of Arcade Games, and some of the other expenses listed in this table are likely to be less, including Furniture, Fixtures & Equipment, Construction Costs, Pre-Opening Training Expenses and Start-Up Costs. As a result, we estimate the initial investment for a Pizza Ranch® restaurant being developed without a FunZone (based on 6,000 sq. ft. Restaurant)

will range from \$1,253,500 to \$1,989,900 for a Retrofit/Leased Restaurant, and from \$1,898,700 to \$3,667,100 for a New Ground-Up Restaurant.

- (15) We rely on the experience of its principals in the pizza restaurant business since 1981 and its own experience for more than 39 years as the franchisor of Restaurants since 1984 to compile these figures. The information relating to FunZones is based on the experience of our franchisees that have developed FunZones over the past 3 years, and our estimate of regional average costs and prevailing market conditions. You should review these figures carefully with a business advisor before making any decision to invest in this franchise. Except as specifically described in the explanatory notes above and in Item 5 concerning the initial franchise fee, all costs are non-refundable.

The estimated costs to establish multiple Restaurants under the Area Development Agreement is approximately the cost of establishing 1 Restaurant multiplied by the number of Restaurants to be established, minus any economic and operating efficiencies you are able to achieve by operating multiple Restaurants. These efficiencies will depend on your individual performance and abilities, and we are unable to estimate the amount of savings, if any. The development fee is applied to your franchise fee as outlined in your Area Development Agreement.

### **Item 8**

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

Except as described below, you are not required by the Franchise Agreement or any other device or practice to purchase or lease products or services (1) from us or our affiliates or other suppliers we have designated or approved, (2) which meet our specifications, or (3) which we have the right to approve (collectively “source-restricted purchases”). We estimate that source-restricted purchases will equal approximately 70% - 90% of your total purchases in connection with the establishment of your Restaurant and approximately 80% - 90% of your total purchases in connection with the ongoing operation of your Restaurant.

In order to maintain the highest degree of quality, service and uniformity for Pizza Ranch® Restaurants, you must construct and operate your Restaurant in conformity with our criteria, standards and specifications for site selection, development and operation of Restaurants. These criteria, standards and specifications may be included in our Advertising, Marketing and Brand Standards Manual, the Manual for Kitchen Operations, the Handbook for Excellent Ranch Operations and the FunZone Operations Manual (collectively the “Manuals”). The Manuals are a compilation of manuals, books, binders, videos or other electronic media, intranet postings and other materials, containing operating data, specifications, standards, operating procedures, checklists, formulas, menus, equipment, services, recipes and other information. When we say we will provide “written” communication or a notice or information (including the Manuals) to you “in writing” we may or may not provide you with a paper (“hard copy”) form of the information. We may provide the communication or notice only through electronic communication or posting to our website(s). Updates to the Manuals occur when we execute key changes to criteria, standards or specifications.

You must use only the menu items, proprietary branded food products, ingredients, products, materials, equipment, computer hardware and software, signs, supplies, uniforms, advertising materials, wall finishes, furniture, furnishings, small wares, paper goods, arcade games and amusement devices, service providers (including third-party delivery aggregators), and other items in your Restaurant that

conform to our standards and specifications. We may also designate 1 or more approved suppliers for any of these products or services. We and our affiliates may be an approved supplier or designated sole supplier for any purchases of products or services and may obtain revenue from you and make a profit without any limits on the amount of profit we or our affiliate may make. Our current designated sole suppliers for any of these products or services are listed on **Exhibit E**.

We choose our designated suppliers based on the supplier's product quality, distribution network, prices and service to you. We can revoke designated suppliers based on the same criteria used for approval. We will notify you of any changes regarding designated suppliers.

Some vendors pay us an allowance on products purchased by Pizza Ranch restaurants. Typically, these allowances are paid as a flat amount per number of units purchased from the applicable vendor. These allowances are subject to change as we deem necessary. We may use the allowances for our own purposes except as we otherwise agree. We currently use the allowances received from vendors for various operating costs related to quality assurance, negotiation fees, promotional fees, research and development for products, procedures, facilities, our national conference, design, operating methods, corporate identity and marketing methods for the Restaurants. These services also include periodic quality control inspection of the Restaurants.

Although we are not required to, we negotiate directly with suppliers of major required products used by franchisees to arrange adequate supplies of quality approved products meeting our standards and specifications. We believe that our method of negotiating with suppliers and distributors provides a cost-effective result for franchisees. The purchasing arrangements may include special contract pricing and volume discounts that result in lower prices than regular wholesale and/or retail prices. These benefits are typically passed on to franchisees. There can be no assurance that special pricing or terms will be available; any negotiated arrangements may be discontinued at any time. We do not provide material benefits (such as renewal or granting of additional franchises) to you based upon purchases from designated suppliers.

You must purchase accounting services for your Restaurant (including your FunZone, if applicable) from PR Financial Services, LLC, a wholly owned subsidiary of ours. You must purchase marketing start-up materials from PR Production Fund, Inc., a wholly owned subsidiary of ours.

For the year ending December 31, 2023 our and our wholly owned subsidiaries' revenue from the sale of goods and services to franchisees was \$1,287,403 or 4.3% of our total revenues of \$29,885,567 according to our consolidated financial statements (**Exhibit I**). The cost of purchasing goods and services from us or our subsidiaries represents less than 1% of your total purchases in connection with the operation of your Restaurant.

Officers of ours own an interest in us, and as a result, indirectly own an interest in our subsidiaries PR Financial Services and LLC, PR Production Fund, Inc., suppliers of accounting and marketing services to our franchisees. Except for their interest in us, none of our officers owns an interest in any privately-held suppliers, or a material interest in any publicly-held suppliers, to our franchisees.

We must approve the location of your Restaurant in writing. Neither our approval of the location nor our assistance with the site selection process constitutes any guaranty that the location will be successful. If you wish to relocate your Restaurant, we must approve the new location.

The lease agreement for the Restaurant premises must be submitted to us for final approval prior to execution. The lease must contain contract terms permitting the lease to be assigned to us and for us to act as tenant, and allowing you to terminate the lease if you reasonably determine construction, finish-out or remodeling costs are economically unfeasible. A fully-executed copy of the lease must be submitted to us, once signed.

We must approve your final lease or purchase contracts and construction documents for your Restaurant before construction.

You must obtain and maintain, at your own expense, the insurance coverage that we require. You must also indemnify, or reimburse us for, any losses or expenses we incur as a result of your actions or inaction. See the Franchise Agreement (**Exhibit A**). We recommend you use the standard policy arranged by us. If you choose not to use that policy, you must submit your policy to us for approval.

You must purchase a computerized point-of-sale system from Revel Systems (or current authorized POS system as directed by us) and secure an approved package for PCI (Payment Card Industry) Compliance from SageNet (or current or additional authorized PCI Security compliance vendor(s) as directed by us). See Item 11.

You must purchase a video display system and pay the monthly software fee to the recommended supplier, Kuusoft (NEXSIGNS), or another approved vendor.

You must participate in our online ordering program, which includes the availability of your full menu on [www.pizzaranch.com](http://www.pizzaranch.com), at no additional cost to you. You must participate in any third party delivery services we designate, which as of the issuance date of this disclosure document include DoorDash and Uber Eats. You also may participate in any other third party delivery services we approve. We may not, however, approve or support all third party delivery providers.

Our Director of Construction will assist you in resourcing a designated Architect/Engineering firm to help you prepare your drawings, floor plans and construction documents.

If you want to purchase any supplies, equipment or other products or services from a supplier other than a designated supplier you must submit to us a written request for approval of the supplier. We must then be permitted to determine whether the proposed products or services meet or exceed our standards and specifications by inspecting the supplier's facilities and product samples. Product samples from the proposed supplier must be delivered to us or an independent laboratory designated by us for testing. We may charge you or the supplier the reasonable costs of inspecting and testing. We will use reasonable efforts to begin an investigation of any proposed supplier or products or services within 30 business days. We will notify you within 10 business days after we have completed its investigation whether we approve your proposed supplier or products or services. We may periodically re-inspect the facilities and products or services of any approved supplier. We have the right to revoke approval if the supplier fails to continue to meet any of our then-current standards and specifications. We do not provide our criteria for supplier approval to franchisees.

We have not arranged any purchasing cooperatives among Restaurant franchisees.

## Item 9

### FRANCHISEE'S OBLIGATIONS

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

F.A. = Franchise Agreement    A.D.A. = Area Development Agreement

	<b>Obligation</b>	<b>Section in agreement</b>	<b>Disclosure Document item</b>
a.	Site selection and acquisition/lease	F.A. Sections 1.2, 8.3, Exhibits 1 and 2 A.D.A. Section 2	7, 8, 11
b.	Pre-opening purchase/leases	F.A. Sections 8, 9, 18	7, 8
c.	Site development and other pre-opening requirements	F.A. Sections 2.3, 6.3, 8, 18, Exhibits 1 and 2 A.D.A. Section 1.2	6, 7, 11
d.	Initial and ongoing training	F.A. Sections 3.3, 8.6, 20	6, 7, 11
e.	Opening	F.A. Sections 1.2, 8 A.D.A. Section 1.2	11
f.	Fees	F.A. Sections 2, 3, 8.4, 9.4, 12, 13, 16, 18.2, 19.4.7, 20.4, 20.5, 22.3, 23.1.5, 23.1.8, 23.1.10, 25.7, 27.3 A.D.A. Sections 3, 11.3, Exhibit 3	5, 6, 7, 8
g.	Compliance with standards and policies/operating manual	F.A. Sections 1.3, 1.5, 1.6, 2.3, 5, 6.7, 8, 9, 11, 12, 16.9, 21 A.D.A. Section 4.3	8, 11
h.	Trademarks and proprietary information	F.A. Sections 4, 5, 14 A.D.A. Section 4.3	13, 14
i.	Restrictions on product/services offered	F.A. Sections 1.3, 1.5, 1.6, 9	8, 16
j.	Warranty and customer service requirements	F.A. Sections 9.5, 21	11
k.	Territorial development and sales quotas	F.A. Section 1 A.D.A. Section 1.2	12
l.	Ongoing product/service requirements	F.A. Sections 1.3, 1.5, 1.6, 9, 21	8
m.	Maintenance, appearance, and remodeling requirements	F.A. Sections 8.5, 11	6, 7
n.	Insurance	F.A. Section 18	6, 7
o.	Advertising	F.A. Sections 5.2, 16	6, 7, 11
p.	Indemnification	F.A. Sections 2.5, 13, 17	6
q.	Owners participation/management/staffing	F.A. Sections 8.6, 8.7, 20.2 A.D.A. Section 10	15
r.	Records and reports	F.A. Sections 2.4, 7, 9.7, 16.6	6
s.	Inspections and audits	F.A. Sections 2.6, 8.5, 12	6, 11
t.	Transfer/Assignment	F.A. Section 19 A.D.A. Section 5	6, 17
u.	Renewal	F.A. Section 25 A.D.A. Section 6	17



	<b>Obligation</b>	<b>Section in agreement</b>	<b>Disclosure Document item</b>
v.	Post-termination obligations	F.A. Section 23 A.D.A. Section 14	17
w.	Non-competition covenants	F.A. Sections 14, 15 A.D.A. Section 14	17
x.	Dispute resolution	F.A. Section 27 A.D.A. Section 11	17
y.	Other: Taxes, permits, indebtedness	F.A. Section 10	
z.	Other: Delivery Service	F.A. Sections 1.4, 1.5, 1.6, 21	12, 16
z.1	Other: Guarantee of franchisee obligations (note 1)	F.A. Section 29 A.D.A. Section 13	15

**Item 10**

**FINANCING**

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

**Item 11**

**FRANCHISOR’S ASSISTANCE, ADVERTISING,  
COMPUTER SYSTEMS, AND TRAINING**

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

**Pre-Opening Assistance**

Before you open your business, we or a company designated by us will:

(1) Assist you in evaluating possible sites submitted by you for your Restaurant location. However, neither our approval of, nor our assistance with the selection or development of the site constitutes a representation, warranty or guaranty by us that the site will be a successful location. You assume all risk associated with the profitability of the site. (**Area Development Agreement Section 1.1.2, Franchise Agreement Section 6.1**).

You select the site of your Restaurant within your market (as defined in **Exhibit 1 of the Franchise Agreement**) referencing our site selection specifications and subject to our approval. We will assist you in determining whether a particular site will be acceptable. In evaluating a site, we consider population and area demographics, traffic count, accessibility, availability of utilities and zoning, in addition to other specifications. We must approve the location in writing. We will make up to 3 visits to your proposed location to look at sites at no charge. If you request us to make additional location visits, you must pay the reasonable travel and living expenses for our team members or representatives plus our then-current standard per diem fee.

If you sign an Area Development Agreement, the procedures in this paragraph will apply. You must obtain our written approval of the sites for the Restaurants to be developed under your Area Development Agreement, and commence and complete development of each additional Restaurant in time to meet the development quota mutually agreed upon. (**Area Development Agreement Section 1.2, Franchise Agreement Section 1.2**). If we disapprove a site, you may

submit other proposed sites until we approve one. There is no contractual time limit for us to approve or disapprove the location you propose. If we and you do not agree on a site, and you do not commence and complete development of each additional Restaurant in time to meet the development quota that was mutually agreed upon, it will be a non-curable default under the Area Development Agreement and we may terminate the Area Development Agreement. (**Area Development Agreement Section 7**).

Unless you have a site already selected that we approve, you will have 6 months after you sign a Franchise Agreement to obtain our approval on the proposed site for your Restaurant. You must get our approval of your proposed site before beginning construction of the Restaurant. Once we approve your proposed location, you have 6 months to complete construction and open your Restaurant. If we disapprove a site, you may submit other proposed sites until we approve one. There is no contractual time limit for us to approve or disapprove the location you propose. If you do not meet these timelines, it will be a non-curable default under the Franchise Agreement and we may terminate the Franchise Agreement. (**Franchise Agreement Section 22.1**).

The time it will take between signing each Franchise Agreement and opening your Restaurant will depend upon whether you are building a new building or leasing existing space. Building a new building from the ground up typically will take 12 months from signing to opening. When leasing existing space, the typical time from signing to opening is 9 months. Other factors that affect this time are construction schedules or delays, the ability to obtain a lease, remodeling, obtaining local or state permits, or installation of equipment, fixtures or signs. These factors take on average 3 months longer for building a new building from the ground up.

(2) Provide a standard floor plan to scale (but not for construction) of an existing Restaurant facility as close in size as possible to your proposed Restaurant showing room layouts, location of chairs, tables, front-line (buffet counter), kitchen equipment and other details. We will also furnish sources of and specifications for materials and supplies for preparing, serving and selling food conforming to our standards and specifications and all floor, ceiling and wall finishes, all interior and exterior signage and all other furniture, fixtures, equipment, small wares and computer terminals. We will also provide a list of approved architects. However, we do not furnish or produce final contract and construction documents and final architectural plans and drawings. All construction documents must be completed by an approved architect and engineer. (**Franchise Agreement Section 6.2**).

(3) Review and approve your final contract and construction documents. (**Franchise Agreement Section 6.3**).

(4) Provide assistance and training we deem reasonably necessary to assist you to open your Restaurant and to operate for an initial period. The initial training program is described in more detail below. We will provide, at no additional charge, no less than 5 days (of 8 hours each) of training by at least 5 Pizza Ranch trainers. (**Franchise Agreement Section 6.4**). The training will consist of 7 days of team member training and 2 days of “soft openings.”

(5) Provide you with access to a copy of our Manuals which are described below. **(Franchise Agreement Sections 6.7, 9.1).**

(6) Provide continuing research and development services and assistance. We develop and offer and inform franchisees of any improved methods of operation, quality and quality control. **(Franchise Agreement Section 6.6).**

(7) Provide for all FunZones, standard floor plans, along with specifications for design, layout, flooring, colors, signage and wall finishes. However, we do not furnish or produce final contract and construction documents and final architectural plans and drawings. All construction documents must be completed by an approved architect and engineer.

## **Post-Opening Assistance**

After your Restaurant opens, we will provide one or more of the following services:

(1) During your first week of opening, (Monday through Sunday) we will supply 4 members of our Training Staff (which may include certified part-time New Restaurant Opening trainers) to assist in further training of team members.

(2) During the second week of opening (Monday through Sunday) we will supply 2 members of our Training Staff (which may include certified part-time New Restaurant Opening trainers) to assist in further training of team members.

(3) Change or add to the Manuals and other written materials whenever we believe changes are reasonably necessary. **(Franchise Agreement Section 6.7).**

(4) Provide continuing research and development and tell you of improved methods of operation, quality and quality control. **(Franchise Agreement Section 6.6).**

(5) Inspect the kind and quality of proposed food to be served and food actually being served in your Restaurant and tell you of new developments, changes or improvements in our standard specifications. **(Franchise Agreement Section 12).**

(6) We may establish local or regional advertising cooperatives in your Restaurant's market coverage area. If an advertising cooperative is established in your market coverage area, we have the right to require you to become a member of the cooperative. **(Franchise Agreement Section 16.2).**

(7) Establish and modify a standard menu which you may not modify without our prior written consent. **(Franchise Agreement Section 9.2).**

(8) Provide uniform designs and design changes. All Restaurant personnel must wear uniforms of such design and color prescribed by us. **(Franchise Agreement Section 9.5).**

(9) Make local and regional print, radio and TV ads available for use in your market. **(Franchise Agreement Section 16.1).** You may be responsible for placing your own ads in your markets. **(Franchise Agreement Section 16.3).**

(10) Establish a Marketing and Production Fund. All Restaurants must contribute to this fund on an equal basis. We administer the fund and segregate money in the fund from other funds. We have the discretion to determine all aspects of how advertising production funds are spent. **(Franchise Agreement Section 16.1).**

(11) We may offer further training programs and/or refresher courses at your expense, some of which may be mandatory. The cost for these programs will not exceed \$200 per day per trainer for face-to-face training or \$50 per month for web-based training solutions. We may provide all or a portion of the classes via internet, webinar or other form of electronic communication. If face-to-face training is needed for operational reasons, you will be responsible for all travel and accommodations for your staff. **(Franchise Agreement Section 20.4).**

(12) Permit you to use all of our currently registered or unregistered trademarks, trade names, logos and business features in the operation of your business. **(Franchise Agreement Section 1.1).**

**Advertising**

The Marketing and Production Fund (the “Fund”) established by us may disseminate master copies for use in local and regional advertising to you in the form of print, radio, interactive and TV ads. These items may then be used to place, print or produce an advertising campaign by the franchisee or by us in our discretion. The source of this advertising may be in-house, but we may use an outside advertising agency. The Fund contribution which you are required to pay to us will not exceed 5% of your gross revenues. The current contribution is 2.25%. Any Restaurants we or our affiliates operate will contribute at the same or a similar rate. We will give you 6 months’ notice before increasing the contribution percentage. We administer the fund without an advertising council of franchisees. We have no duty to segregate the money in the Fund from our other accounts; no trust is created. We are not required to produce the Fund’s financial statements or to allow any franchisee audit. We may pay all company expenses relating to public relations and the production of master copies of advertising, merchandising and promotional materials (including the compensation of our team members who render Fund services) from the Fund. For the Fund’s year January 1, 2023 – December 31, 2023 the Marketing and Production Fund was used as follows (unaudited):

<b>2023 Production Fund Budget</b>	<b>% of Total Budget</b>
Promotional (Promotions, Promotional Items, Sponsorships)	1.84%
Paid Media (TV, Digital, Radio, Direct Mail, Social Ads)	35.73%
Social Media Boosting	1.28%
3rd Party Delivery Ads & Promotions	1.62%
Email Marketing & App Messages	1.88%
New Restaurant/FunZone Advertising	1.40%
FunZone Promotions/Media/Expenses	5.81%
Public Relations	0.08%
Ranch Rewards	1.70%
Gift Card Programs (In Restaurant, Retail, Scrip)	8.10%

Legendary People Initiatives	2.44%
Customer Feedback & Online Review Platforms	0.27%
Website & Online Ordering	2.56%
3rd Party Technology (Chowly services provided to restaurants)	1.07%
Research & Development	1.06%
Revel POS Install Incentives to Restaurants & Expenses	3.20%
Production of Creative & Placement of Media	4.97%
Office/Meeting/Travel Expense	1.66%
Wages/Benefits/Payroll Tax	11.71%
Sales Tax Payments For Materials Provided To Restaurants	0.34%
Cost of Goods Sold	5.00%
Rollover Funds to 2024	6.29%

We are not obligated to advertise locally in your area. You must advertise on your own as long as your advertisement/promotions are approved by us. If money contributed to the Marketing and Production Fund is not spent in a fiscal year, the money is carried over to the next year. None of this fund is used for advertising the sale of franchises. We do not anticipate that any part of your contributions to the Marketing and Production Fund will be used for advertising that is principally a solicitation for additional franchises, but we reserve the right to include a message or statement in any advertisement indicating that franchises are available for purchase and related information. (**Franchise Agreement Section 16**).

Any coupons produced by the local restaurant must contain “valid only at” information within the coupon disclaimer copy. Example, “Valid only at Orange City Pizza Ranch.” All valid locations must be listed on every coupon. Any locally produced marketing materials with offers are required to utilize the current pre-approved coupons and discounts sheet produced by marketing and must indicate the corresponding coupon code for Local Store Marketing (“LSM”) on the coupon. In the event a restaurant needs a coupon not listed, they must contact PR marketing or IT to set up a code into their restaurant system.

We can require you to participate in an Advertising Cooperative. You will be required to sign an Advertising Coop Agreement if you open a Restaurant in a market included in an Advertising Cooperative, see **Exhibit C** to this Disclosure Document. In 2014, all franchisee members of the Advertising Coop signed a new agreement (which is the Agreement found in **Exhibit C**). Prior to 2014, the Advertising Cooperative operated under a different Agreement, with slightly different terms. If we establish a cooperative in your market, you will be required to join. Membership in the cooperative will be all Restaurants in the trade area as defined by us. We generally define cooperative areas according to Areas of Dominant Influence (ADI) with local modifications as necessary. Co-op members are responsible for administration of the cooperative. We have a written governing document for cooperatives which we may amend and which is available to the franchisees. We have the right to merge or dissolve the cooperatives. The decision whether to prepare annual or periodic financial statements is left to cooperative members. There are currently 6 Advertising Cooperatives in which all locations are participating. (**Franchise Agreement Section 16.2**).

We may establish promotional campaigns. Your Advertising Cooperative may also establish promotional campaigns. You must participate in the promotional campaigns at your own cost in addition to contributions to the Marketing and Production Fund or your Advertising Cooperative and amounts you must spend on local and regional advertising. (**Franchise Agreement Section 16.4**).

You may not develop, own or operate any website, webpage, domain name, email address or other identification of your Restaurant using the Licensed Marks or otherwise referring to the Licensed Restaurant or the products or services sold at Restaurants without our prior written approval. The restrictions on your advertising include any electronic medium for communication, including websites, webpages, email, texting, blogs and social networking sites. If we require, you will establish your website as part of the Pizza Ranch® website(s) we or the Marketing and Production Fund or our designee establishes. You will establish electronic links to the Pizza Ranch® website(s) or any other website we designate. Any website or electronic materials you propose to use must be approved in advance by us before publication to the site. (**Franchise Agreement Section 16.9**).

See Item 6, Item 8 and Item 9 and Franchise Agreement Section 16 for more information on advertising requirements. See **Exhibit F** for the Manuals' Tables of Contents. Our combined Manuals as of the date of this Disclosure Document contain 540 pages.

### **Computer and Point of Sale System Requirements**

You must use a point of sale computerized system. The estimated cost of the point of sale computerized system is \$ 8,500 to \$20,000 per Restaurant. We designate the vendor to be used. Presently, Revel Systems, Inc. ("Revel") is the designated supplier. Revel requires you use Apple iPads. The software is proprietary and is exclusive to Revel. It is used to record sales information on food and non-food items in your Restaurant. It also keeps track of payroll and is used to collect names and addresses for marketing purposes. We will have independent access to the information and data collected by the point of sale (POS) system; there is no contractual limitation on our right to access this information, restaurant computer systems, restaurant computer network, and data. For FunZone POS operations, we designate the vendor Embed to be used. The estimated cost of the point of sale computerized system is \$30,000 to \$35,000 per FunZone. Presently, Embed, Inc. ("Embed") is the designated supplier. We have used Embed as a supplier since December 2010.

The designated supplier has an obligation to provide ongoing maintenance, repairs and upgrades or updates provided you agree to pay the supplier's support contract. The current annual cost of maintenance and support is between \$3,648 and \$6,108. Embed monthly license and support annualized expense is between \$2,602 and \$4,366, this is dependent on number of terminals and readers. We do require that you pay for support. We are not obligated to provide any hardware or software products to you or to provide installation, call center, maintenance or Internet services to you for your hardware and software components. We may, from time to time, require additional or enhanced software and/or hardware components and/or call center, maintenance or Internet features to the required systems and you must keep the systems upgraded at your expense and at the times we specify. There is no contractual limitation on the frequency or cost of required updates or upgrades. None of the hardware or software companies listed above is contractually obligated to provide you with ongoing upgrades or updates except as noted. We have the right to require you to update your hardware and software for use with credit card, gift card and loyalty card processes, including the addition of secure EMV-Credit Card Chip reader devices to your POS system for enhanced secure credit card processing, all according to our specifications. You must pay the costs to purchase, install, and maintain the hardware and software systems. Currently, we estimate costs for EMV Credit Card Chip readers will be \$350 per device.

Currently, you are required to use Chowly for third-party delivery aggregator services. We reserve the right to authorize and require new or additional third-party delivery aggregators.

You must maintain Internet service (at the minimum speed required in the Manuals, which currently is 50 Mbps, subject to adjustment) to engage in online communication/activity as we require. We may require you to update, change, add or use only authorized services and hardware Restaurant WIFI Services to provide secure Restaurant Business WIFI connections and secure Family Friendly WIFI connections. Unauthorized devices and services will be removed if this standard is breached. We reserve the right to require installation of redundant or back-up internet service at your Restaurant.

You must maintain a valid and secure environment for computer systems including both physical and virtual environments to protect your Restaurant and your guests from fraud and data theft. You must follow appropriate information network security procedures and measures to ensure and maintain the integrity of the systems and protection of data at your location as we direct.

You must reach and maintain a state of PCI (Payment Card Industry) Compliance as required and mandated by the credit card industry as directed by the major credit card vendors MasterCard, Visa, Discover, and American Express at your own expense. You must deploy systems and/or services to facilitate PCI Compliance either on your own or with an approved vendor that offers PCI Compliance Services. Proof of compliance is required, and we reserve the right to initiate PCI compliance audits from an approved independent auditing firm(s) at your own expense. The cost of this audit will start at \$ \$3,500. Compliance measures must be approved by us. The current designated PCI vendor is SageNet. We reserve the right to authorize and require new or additional PCI / security services vendors.

You are required to use designated third-party vendor/partners if direct interaction is required with the Restaurant POS (currently Revel) network/environment systems. You may not have any vendor systems or process's installed or maintained on the Restaurants internal POS-network environment. You are required to use designated customer facing Online Ordering Web Service providers. Current provider is Pizza Ranch Production Fund.

Currently, you are required to use Kuusoft (NEXSIGNS) for your digital menu board. We reserve the right to authorize and require new or additional digital menu boards with a new/different vendor.

You are required to use approved third-party remote access products/services for remote administration of POS environment / information access. If desired, the use of cloud based services/processes/products for information retrieval/access, information backup process's, Disaster Recovery process's systems must be from approved vendors. We reserve the right to add/subtract approved vendors which may require changes at your expense.

See Item 6, Item 7 and Item 8 and Franchise Agreement Section 9.7.

## **Our Manuals**

We will provide you with access to a copy of our Manuals. The Manuals are a compilation of manuals, books, binders, videos or other electronic media, intranet postings and other materials, containing information on site selection, personnel policies, recipes and other techniques for proper preparation, sale and service of food items, our standards and specifications and other information. We may provide you with all or portions of the Manuals electronically without providing you with a paper ("hard") copy. Manuals are updated annually and if we choose to provide a paper ("hard") copy it will be

at your expense. The Manuals are confidential and remain our property. We may modify the Manuals, but the modification will not alter your status and rights under the Franchise Agreement. The Manuals' tables of contents are attached as **Exhibit F**. The number of pages and subjects in the Manuals are reflected in the tables of contents.

**Training**

The Principal or General Manager, Assistant General Manager, Kitchen Managers (2), and Guest Services Manager will be required to complete the Manager in Training Program to our satisfaction. Training will take place at a Pizza Ranch® Restaurant that is a Certified Training Restaurant or at another location designated by us. Fees associated with this are required to be paid in advance, as described in Items 5 and 6. The following tables identify the training timeframe requirements and fees to be paid:

**GENERAL MANAGER AND ASSISTANT GENERAL MANAGER  
TRAINING PROGRAM (6 WEEKS/294 HOURS)**

**KITCHEN MANAGERS (2)  
TRAINING PROGRAM (3 WEEKS/148 HOURS)**

**GUEST SERVICES MANAGER  
TRAINING PROGRAM (3 WEEKS/145 HOURS)**

Subject	Classroom	In-Restaurant/Online		
	All Management	General Manager & Assistant General Manager	Kitchen Managers (2)	Guest Service Manager
Advertising / Marketing	1	6	2	2
Accounting/Profitability	3	20	10	10
Restaurant Operations (Back of House, Front of House, Food Safety)	8	175	92	83
Restaurant Management	10	80	40	40
Guest Relations	2	10	2	8
Soft Skill (Culture, Leadership)	6	3	2	2
<b>Total</b>	<b>30</b>	<b>294</b>	<b>148</b>	<b>145</b>

Training Fee Structure		
<i>Training fee will be paid by you to us</i>		
<i>Certified Training Restaurant will be paid through us</i>		
Position	Length of Training	Fee
General Manager	30 days/6 weeks	\$3,000
Assistant General Manager	30 days/6 weeks	\$3,000
Kitchen Manager 1	15 days/3 weeks	\$1,500
Kitchen Manager 2	15 days/3 weeks	\$1,500
Guest Service Manager	15 days/3 weeks	\$1,500

All training materials, uniforms, and travel expenses are to be provided by you.

All members of the management team are required to attend The Foundations of Pizza Ranch classroom-style training at the Pizza Ranch Restaurant Support Center in Orange City, Iowa, or another



facility as designated by us. The courses are offered periodically throughout the year (approximately 9 sessions). The workshop lasts 3 ½ days.

We do charge fees if we provide supplemental training you request or we require, or we train additional replacement team members. See Items 6 and 7. All initial training programs must be completed prior to restaurant opening.

All 5 managers, consisting of the General Manager, Assistant General Manager, Kitchen Managers (2), and Guest Services Manager are required to complete the training programs to our satisfaction prior to opening. This includes the Foundations of Pizza Ranch classroom training conducted in Orange City, Iowa, or another facility as designated by us. Foundations class sizes are limited and are subject to availability.

Following are the training requirements for restaurant transfers:

New General Manager – 6 weeks, plus attendance at the Foundations of Pizza Ranch classroom workshop.

Existing General Manager who becomes franchisee – Attend the Foundations of Pizza Ranch classroom workshop.

We charge a training and transfer fee. See Item 6. We, in our sole discretion, may reduce the length of required training for managers with prior experience. Any reduction will be made by our Training Department in consultation with you.

If we transfer and license an existing Restaurant to you, we will provide 1 of our Trainers in your Restaurant for 5 days and up to 6 restaurant visits within the first 60 days of ownership change by our Franchise Business Consultant.

As discussed in Item 6, unless we grant an exception, all new Pizza Ranch restaurants will include a Pizza Ranch FunZone Arcade. While there are no additional franchise fees for FunZones, if you are a first-time owner of a Pizza Ranch with a FunZone, you will be required to pay fees for the post-opening training of a FunZone. The training generally will occur the first week after opening and will cost roughly \$1,400/week per trainer, plus travel expenses.

Training is under the direction of Jason Lechner. Mr. Lechner has over 15 years of experience in the field of training and development. All training will be provided by our training team. Other members of our staff and of our affiliates' staffs may assist in the training program. Franchisee owners of training Restaurants and their managers may conduct on-the-job training. Training classes will be conducted on an as-needed basis. General Manager and Assistant General Manager training, Kitchen Managers and Guest Services Manager training will each be held approximately 10 times a year. We rely on the Manuals and online learning for training courses.

We periodically review our training program and revise the length, content, location and manner of delivery as we find appropriate. We will provide you with our initial training program in effect at the time you are scheduled for training. We may provide all or a portion of the classes via Intranet, webinar or other form of electronic communication in the future. Some electronic means were utilized for the initial training program this past year. We will make the final decision on new Restaurant team member training and opening dates.

## Item 12

### **TERRITORY**

The Franchise Agreement gives you a protected territory (“Territory”) to operate 1 Pizza Ranch® Restaurant. The Territory is described in **Exhibit 2 to your Franchise Agreement** and will be defined using zip codes or by recognized geographical and/or political boundaries, such as streets, rivers, bodies of water, city limits or county lines, or the area within a certain radius from your Restaurant. The Territory will be determined to provide a mutually agreeable number of prospective customers in the area based upon population density and other characteristics of the territory or a certain mile radius surrounding the Restaurant. We may use any reasonably credible source of information to estimate the population in the Territory. You do not receive the right to acquire additional franchises in your Territory under the Franchise Agreement. We and our affiliates will not operate or grant any franchisees the right to operate another Pizza Ranch® Restaurant in your Territory as long as your Franchise Agreement is not terminated, except we reserve the right to do so in an alternative channel of distribution as described below. We and our affiliates may operate or license, both within and outside the Territory, restaurant concepts and food distributors or retailers operating under names other than the Proprietary Marks, regardless of whether or not these other concepts, distributors or retailers offer products and services which are similar to or compete with those offered by your Restaurant. Neither you, we, our affiliates, nor our other franchisees are restricted concerning the customers you or they may seek within or outside your Territory except that you may not make deliveries beyond your ability to ensure the high quality of any product made by your deliveries. Other Pizza Ranch® restaurants may deliver to customers in your Territory, so long as they meet our delivery standards, as established in the Manuals. You may exclude an area of your Territory from delivery services only if you have legitimate and reasonable concerns regarding employee safety, and those concerns are supported by verifiable third party information, such as crime statistics published by local authorities. Neither the Franchise Agreement nor the Area Development Agreement grants you an option, right of first refusal, or similar right to operate Pizza Ranch® restaurants, except as specifically described in the respective agreement.

If you do not have a site for your Restaurant when you sign the Franchise Agreement, you will sign **Exhibit 1 to the Franchise Agreement**. You will then have 6 months after the Effective Date of the Franchise Agreement to find and obtain our approval of a site for the Restaurant within the designated market described in Exhibit 1 to the Franchise Agreement (“Market”) and sign Exhibit 2 of the Franchise Agreement for that site. Our designation of the Market in Exhibit 1 to the Franchise Agreement does not confer any territorial rights upon you during the period in which you are attempting to identify and receive our approval for a site for the Restaurant and we and our affiliates reserve, during that period, all territorial rights within the geographic area, but we agree not to exercise the rights to directly operate, or grant other persons or entities to operate Pizza Ranch® restaurants within the geographic area within this 6-month period. When your project has been approved to move forward for construction, you and we will sign **Exhibit 2 to the Franchise Agreement**, which identifies the Restaurant location and Territory. You must open your Restaurant within 6 months of signing Exhibit 2 to the Franchise Agreement.

We do not have a business or have plans or a policy to open a business or establish other franchises using a different trademark which sells pizzas or operates restaurants, but we reserve the right to do so. We do have the right to establish any other channel of distribution in your territory or development area under the Pizza Ranch® trademark.

Certain of our products, whether now existing or developed in the future, may be distributed in your Territory by others including us, our affiliates, or other franchisees, licensees or representatives,

through channels of distribution other than a traditional Pizza Ranch® Restaurant. Alternate channels of distribution include sales of products offered under our trademarks at or through, grocery stores, supermarkets, catering services, theme parks, institutional feeding facilities, military bases, airports, stadiums, arenas, special events, gas stations, and sales of products by mail order or catalog business or via the Internet. The Franchise Agreement does not grant you any rights to distribute products through these alternate channels of distribution and you will have no right to share, nor should you expect to share, in any of the proceeds we and/or our affiliates or franchisees or licensees or any other party receives in connection with the alternate channels of distribution.

Even though we do grant you a Territory where we will not operate or grant a license to operate another Pizza Ranch® Restaurant, because of our right to distribute in other channels of distribution or other marks, and the fact that neither you, we, our affiliates nor our other franchisees are restricted concerning the customers you or they may seek within or outside your Territory, you should consider the following applies to you: You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

There is no minimum sales volume in order for you to keep your Territory under your Franchise Agreement. We may, upon renewal, modify your Territory based on population and geographic changes in the market where your Restaurant is located. If we approve a re-location of the Restaurant during the term of the Franchise Agreement, the Territory will not be modified.

If you enter into an Area Development Agreement with us, you will obtain a development area where you agree to develop a certain number of Restaurants (each operating under separate Franchise Agreements) within the development area under an agreed-upon timeline. You must get our approval for the location of each Restaurant in the development area. You and we sign our then-current Franchise Agreement for each Restaurant which will have a specific territory like any other Franchise Agreement. You will pay a development fee upon signing the Area Development Agreement and an initial franchise fee under each Franchise Agreement. See Item 5. You do not have the right to develop Restaurants outside your development area. We will not operate company-owned restaurants or grant franchises in your development area using our trademark as long as the Area Development Agreement is not terminated, except we reserve the right to do so in an alternative channel of distribution as described above. The number of Restaurants you must develop under your Area Development Agreement will be based on the size, population and density of your development area.

Except as stated in the Area Development Agreement, you have no options, rights of first refusal or other similar rights to acquire additional franchises in or around your development area. If we receive an offer from a qualified third party to develop a Restaurant in a market stated in your Area Development Agreement, we will provide you written notice of the terms of the offer. You will then have a 90-day period to sign a Franchise Agreement and pay the franchise fee in full for the market on the same terms or we may enter into a Franchise Agreement for the market with the third party.

Your right to develop Restaurants within your development area is dependent on your ability to comply with your development schedule. If you fail to comply with your development schedule, we may terminate the Area Development Agreement. If we exercise our right to terminate the Area Development Agreement, we may establish and may franchise others to establish Restaurants at any location within your former development area, subject only to any territorial rights granted to you under any Franchise Agreements which remain in effect.

## Item 13

### TRADEMARKS AND SERVICE MARKS

We grant you the right to operate a Restaurant under the name “Pizza Ranch®”. (**Franchise Agreement Section 1.1**). You may also use our other current or future trademarks to operate your Restaurant. By trademark, we mean trade names, trademarks, service marks and logos used to identify your Restaurant’s goods and services. The trademarks you will use include the following trademarks we have registered on the United States Patent and Trademark Office Principal Register:

THE COUNTRY’S BEST CHICKEN	Registration # 2,705,586	April 8, 2003
PIZZA RANCH	Registration # 4,146,228	May 22, 2012
Pizza Ranch	Registration # 3,144,882	September 19, 2006
Pizza Ranch	Registration # 1,357,335	August 27, 1985
Home of the Pizza Lover’s Pizza	Registration # 1,617,179	October 9, 1990
Skillet Crust	Registration # 1,844,904	July 12, 1994
Miscellaneous Design (Covered Wagon)	Registration # 1,844,903	July 12, 1994
Ranch Wrap	Registration # 3,062,080	February 28, 2006
Ranch Packs	Registration # 2,779,158	November 4, 2003
Design (Distinctive Shape)	Registration # 2,853,651	June 15, 2004
Cactus Bread	Registration # 2,825,268	March 23, 2004
Crispy Ranch Chicken	Registration # 2,817,395	February 24, 2004
Pizza Ranch (wagon only)	Registration # 3,370,088	January 15, 2008
Pizza Ranch (nameplate)	Registration # 3,370,109	January 15, 2008
Pizza Ranch (with wagon)	Registration # 3,379,159	February 5, 2008
Ranch Rewards	Registration # 3,353,882	December 11, 2007
Buffet Your Way	Registration # 3,682,804	September 15, 2009
Pizza Ranch	Registration # 5,165,086	March 21, 2017
Pizza Ranch FunZone Arcade	Registration # 5,288,908	September 19, 2017

We have filed all necessary affidavits and renewals for our trademark registrations.

You must follow our rules when you use our marks.

You may not use our trademarked names in any assumed name, trade name or corporate name under which you do business or in any domain name or email address. (**Franchise Agreement Section 5.1**).

There are no agreements currently in effect that significantly limit our right to use or license the use of our trademarks in any manner material to the franchise. In addition, we do not actually know of either superior prior rights or infringing uses that could materially affect your use of the trademarks in any state.

You acknowledge you had no part in the creation or development of our trademarks, trade secrets, methods, procedures and advertising techniques that are part of its business, and ownership will remain vested solely in us. (**Franchise Agreement Section 4**).

You must notify us immediately when you learn about an infringement of or challenge to your use of our trademark. We will take any action that we think appropriate. Under the Franchise Agreement, we have the right to control any litigation or administrative proceeding with respect to its trademarks. You will cooperate in the prosecution or defense of any action we undertake. We will take reasonable efforts to protect and defend the trademarks under the Franchise Agreement or otherwise to protect any or all rights that you have to use the trademarks or to protect you against claims of infringement or unfair competition with respect to the trademarks. **(Franchise Agreement Section 26.1).**

If we decide that you should modify or discontinue your use of any trademarks and/or use one or more additional or substitute trademarks, you must comply with this decision. The Franchise Agreement does not provide for you to receive compensation for tangible costs of changing any trademark. **(Franchise Agreement Section 9.1 and Section 26.2).**

There are no determinations by the United States Patent and Trademark Office, the Trademark Trials and Appeal Board, the trademark administrator of any state or court that could affect your use of our trademarks. There are no pending infringement, opposition or cancellation actions or material litigation involving any of our trademarks that are relevant to their use in this state or the state in which your Restaurant will be located.

You will not acquire any license to use our trademarks under the Area Development Agreement. You will only acquire a license under an effective Franchise Agreement. **(Area Development Agreement Section 4.3).**

#### **Item 14**

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

There are no patents or pending patent applications that are material to the franchise. We have not federally registered any copyrights in any of our printed or written materials, but are the copyright owner of the materials including our Manuals and other materials you will receive describing standard specifications for operating your Restaurant. Under the Franchise Agreement, your use and your team members' use of the Manuals is limited. We have the right to take legal action for any unauthorized use of its copyrighted materials.

There currently are no effective determinations of the United States Patent and Trademark Office, the United States Copyright Office, or any court regarding any of the copyrighted materials. There are no agreements in effect which significantly limit our right to use or license the copyrighted materials. Finally, there are no infringing uses actually known to us which could materially affect your use of the copyrighted materials in any state. We are not required by any agreement to protect or defend copyrights or to defend you against claims arising from your use of copyrighted items.

We have materials containing our confidential information, trade secrets and proprietary information. These materials are made available only to you and your Restaurant operators. These materials include the Manuals and other written materials describing the standard specifications for operating a Restaurant. You must maintain these materials in confidence and not disclose them to others or use them for any unauthorized purpose, either during or after your operation of the Restaurant. If we change any specification, standard or operating procedure applicable to the operation of your Restaurant or change the Licensed Marks or all or any part of the franchise system, through changes to the Manuals

or notice to you, you will take actions, at your expense, to implement these changes within a reasonable time as we direct.

We are not obligated to defend you against claims arising from your use of patented or copyrighted items. The Franchise Agreement does not require us to take affirmative action when notified of infringement.

This obligation to maintain information in confidence extends beyond termination of the other provisions of the Franchise Agreement. You are also obligated to allow access to such secret and confidential information to your team members only to the extent necessary to operate your Restaurant and to inform your team members of the duty of confidentiality. You may not copy or reproduce any part of our Manuals. If you want additional Manuals, you may request them from us at our current fee.

### **Item 15**

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

At all times during the term of the Franchise Agreement, you must have a “Principal” owner who (i) has an ownership interest in you, (ii) serves as the General Manager, or has the responsibility of hiring and overseeing a qualified General Manager, (iii) oversees and/or remains active in overseeing the general management and operations of the Restaurant, and (iv) has authority to sign on your behalf on all contracts and commercial documents. If you are a single individual, you must act as the Principal. If you are made up of a number of individuals, one of you must act as the Principal. If you are an entity, you must designate as the Principal an individual that owns at least 51% (or some lower percentage we approve) of the entity.

In addition to your Principal, at all times after the Restaurant opens, you must designate at least 1 “General Manager,” who (i) personally invests his or her full time and attention and devotes his or her best efforts to the on-premises general management of the day-to-day operations of the Restaurant, (ii) meets our prior food service management experience requirements, (iii) does not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments, or that otherwise may conflict with the General Manager’s obligations, and (iv) has authority to sign on your behalf on all contracts and commercial documents. Your General Manager may, but is not required, to have an equity interest in you, if you are an entity. Regardless of our requirements, we recommend that your General Manager have food service management experience. Your General Manager must successfully complete our training program at your expense. We exercise no other control over the selection of the General Manager.

If you are an entity, we designate the franchise owners as “*Principals*” and “*Other Owners*” (if your ownership interest in the franchise entity is at least 10% and all other criteria is met). Principals and Other Owners will sign the Franchise Agreement and the Area Development Agreement and agree to be personally bound by certain obligations of the agreements, including the sections relating to protection of our proprietary rights, confidentiality, unauthorized use, noncompetition, indemnification, and transfer restrictions. Principals and Other Owners will all sign the Guaranty Agreement, attached as **Exhibit 3 to the Franchise Agreement**.

## **Item 16**

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

You may not offer or sell any products or services that do not meet our standards and specifications. Except as required by law, you are not limited in the customers to whom you may sell your goods or services. Unless approved by us, you may not use the premises for any purpose other than the operation of a Restaurant. You must offer all products and services that we periodically authorize in writing for the Restaurants. We have the right to change the types of authorized goods and services and there are no limits on our right to make changes.

Your Restaurant's menu must be our then-current standard menu, which you cannot modify without our prior written consent. You can sell all required products which are listed on the standard menu, but you cannot sell any other products or services at your Restaurant not authorized by us. We have a procedure for approval of new food products requested by you. These procedures are set forth in the Manuals. You must promote and sell the items which we may decide are necessary for you to take the fullest advantage of your potential market area.

You will not have exclusive rights to deliver to customers located in your territory. We, our affiliates, and 1 or more of our franchisees may have the right to deliver and cater in the same area or at the same place. You must provide quick and safe delivery service to all customers at all times during approved hours of operation. In providing delivery service, you must maintain our standards and commitment to quality, safety and service; must take into consideration the least favorable driving conditions; must comply strictly with all laws of the road; and must exercise care and caution in the operation of delivery vehicles.

We do not impose any other restrictions in the Franchise Agreement or otherwise, as to the goods or services that you may offer or as to the customers to whom you may sell, except you may not take part in any mail order, catalog or Internet business, or any other alternate channels of distribution, as further described in Section 1.1 of the Franchise Agreement. You may solicit sales of products or services offered by your Restaurant via the Internet only in connection with advertising for products and services to be delivered at or from your Restaurant in the manner we permit. You may engage only in the retail sale of authorized products and services. You may not engage in wholesale operations or act as a wholesale provider of products or services to any third party.

**Item 17**

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

**THE FRANCHISE RELATIONSHIP**

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

F.A. = Franchise Agreement

A.D.A. = Area Development Agreement

	<b>PROVISION</b>	<b>SECTION IN AGREEMENT</b>	<b>SUMMARY</b>
a.	Length of the franchise term	F.A. Section 24  A.D.A. Section 6	Initial term of 10 years from the date your Restaurant first opens for business.  The A.D.A. will be for a negotiated Development Timeline agreed to by the parties prior to signing that sets forth the number of Restaurants to be developed and the timeline for their development.
b.	Renewal or extension of the term	F.A. Section 25  A.D.A. Section 6	You can have 2 separate renewals of 10 years each.  No right to renew A.D.A.
c.	Requirements for franchisee to renew or extend	F.A. Section 25	You must not be in material default; not have had more than 10 material defaults in all or more than 3 material defaults during the past 2 years; attend and satisfactorily complete refresher training; remodel, repair, and replace to conform to current specification or and relocate, as necessary; sign a release of claims, sign then current franchise agreement; pay \$2,500 renewal fee.  If you seek to renew your franchise at the expiration of the initial term, we will ask you to sign a new franchise agreement that may contain terms and conditions materially different from those in your current franchise agreement, such as different fee requirements.
d.	Termination by franchisee	F.A. Section 22.5  A.D.A. – None	You may terminate the Franchise Agreement if you do not locate a site for your restaurant and during pre-construction if you determine that construction costs are economically unfeasible.  A.D.A. – N/A
e.	Termination by us without cause	Not applicable	We may not terminate without cause.
f.	Termination by us with cause	F.A. Sections 22.1, 22.2, 22.4  A.D.A. Section 7	We can terminate if you default.  We can terminate if you breach the agreement.



	<b>PROVISION</b>	<b>SECTION IN AGREEMENT</b>	<b>SUMMARY</b>
g.	“Cause” defined – curable defaults	F.A. Sections 22.2, 22.4  A.D.A. Section 7.2	You have 30 days to cure non-payments of any sums owed us or our affiliates; failure to meet material requirements of Franchise Agreement or Manuals not specifically listed; intentionally violates or fails to use best efforts to comply with all applicable laws; failure to reopen Restaurant within 6 months after closure due to casualty; attempt to transfer the franchise without our consent; under-reporting Gross Revenues for any month by more than 2%; failure to meet our high standards of quality and service, including satisfactorily completing initial training; non-compliance of delivery service requirements. You have no right to cure upon third default within 12 months.  You have 60 days to cure material defaults not listed as events allowing immediate termination.
h.	“Cause” defined – non-curable defaults	F.A. Section 22.1  A.D.A. Section 7.1	Non-curable defaults: failure to open your Restaurant within set time period; your bankruptcy; your assignment for the benefit of creditors; a levy of execution on your license; material misrepresentation or omission; failure to keep trade secrets or breach noncompetition covenant; conviction of a felony or violation of criminal law or commits act or moral turpitude, which in each case impairs the goodwill or reputation of the Restaurant or system of Restaurants or the trademarks; closure of the Restaurant for 3 consecutive days by government authority; cease to occupy premises or lose right to possession; failure to operate for more than 7 consecutive days.  Non-curable defaults: failure to open your first Restaurant within set time period or failure to meet development schedule; your bankruptcy; your assignment for the benefit of creditors; a levy of execution on your license; material misrepresentation or omission; misuse of trademarks; breach of covenants; conviction of a felony or violation of criminal law or commits act or moral turpitude, which in each case impairs the good will or reputation of the Restaurant or system of Restaurants or the trademarks.
i.	Your obligations on termination/non-renewal	F.A. Section 23  A.D.A. Section 9	Cease operating as our franchisee; assign your interest in any lease to the Restaurant premises to us or our designee or, if owned by you or your affiliate, lease the Restaurant premises to us or our designee; cease using advertising and our proprietary rights; de-identify the location; cease using telephone number and all business listings for Restaurant; pay all sums to us; return all Manuals and other written materials; sell inventory to us at our election; see also “r” below.  You lose right to develop Restaurants.
j.	Assignment of contract by us	F.A. Section 19.1  A.D.A. Section 5.1	No restriction on our right to assign.  No restriction on our right to assign.
k.	"Transfer" by you – defined	F.A. Section 19.3 A.D.A. Section 5.2	Transfer of your business includes transfer of contract or assets, ownership, change or transfer by will or laws of intestate succession after death.

	<b>PROVISION</b>	<b>SECTION IN AGREEMENT</b>	<b>SUMMARY</b>
l.	Our approval of transfer by you	F.A. Section 19.2  A.D.A. Section 5.2	You must have consent from us except if transfer is to us or owners of us but transfers will not be unreasonably withheld.  You must have our written consent.
m.	Conditions for our approval of transfer	F.A. Section 19.4  A.D.A. – Not Applicable	You are in full compliance; new franchisee qualifies; new franchisee assumes your obligations; you have paid all fees, assignee completes training; new franchise agreement signed but fees remain same for term of franchise; new franchisee agrees to remodel, repair, and replace to conform to current specification; give us 60 days’ notice and information on new franchisee; training & transfer fee paid; general release executed .
n.	Our right of first refusal to acquire your business	F.A. Section 19.5	We can match any offer for your business.
o.	Our option to purchase your business	F.A. Sections 23.1.2, 23.1.10	Upon termination or expiration of agreement, you must assign the lease if we elect; we have right to purchase inventory, supplies, fixtures and equipment and other items at lesser of cost or fair market value.
p.	Death or disability of franchisee	F.A. Section 19.6	Transfer to your relatives if they qualify. Otherwise, franchise must be assigned to approved buyer within 6 months.
q.	Non-competition covenants during the term of the franchise	F.A. Sections 15.1 and 15.2  A.D.A. Section 14	No unauthorized use of our proprietary rights; no diversion of customers; no involvement in competing business during the term of the Franchise Agreement.  Same.
r.	Non-competition covenants after the franchise is terminated or expires	F.A. Sections 15.1 & 15.3  A.D.A. Section 14.3	For 24 months after expiration, transfer or termination, no unauthorized use of the proprietary rights; no diversion of customers; no involvement in competing business within 10-mile radius or your Restaurant or any existing or proposed system Restaurant.  Same; includes radius within development area boundaries.
s.	Modification of the agreement	F.A. Sections 31, 9.1  A.D.A. Section 16	No modifications generally, but we can alter the Manuals and other written materials.  No modifications generally.
t.	Integration/merger clause	F.A. Section 31  A.D.A. Section 16	Only terms of the agreement are binding (subject to state law; see <b>Exhibit L</b> ). Any statements or promises not in the agreement and in this Franchise Disclosure Document should not be relied upon and may not be enforceable.  Same.
u.	Dispute resolution by arbitration or mediation	None	None

	<b>PROVISION</b>	<b>SECTION IN AGREEMENT</b>	<b>SUMMARY</b>
v.	Choice of forum	F.A. Section 27  A.D.A. Section 11	Litigation in the state or federal court of general jurisdiction in the county or district in Iowa or the state in which our headquarters is then located (unless prohibited by laws of the state where the Business is located; see <b>Exhibit L</b> ). We may obtain injunctive relief in any appropriate forum for your unauthorized use of our trademark, or for your violation of other covenants.  Same.
w.	Choice of law	F.A. Section 27  A.D.A. Section 11	Iowa law applies (unless prohibited by laws of the state where your Restaurant is located; see <b>Exhibit L</b> ), except no Iowa franchise/business opportunity registration or disclosure law or franchise relationship law will apply unless jurisdictional requirements are met; if we move our headquarters, we may choose to have the law of the new state apply by giving you notice within 6 months of our move.  Same.

### **Item 18**

#### **PUBLIC FIGURES**

We do not currently use any public figures to promote our franchise, but reserve the right to do so in the future.

### **Item 19**

#### **FINANCIAL PERFORMANCE REPRESENTATIONS**

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

This Item 19 discloses historic performance for franchised Pizza Ranch® Restaurants as described in each of the tables included below. All Pizza Ranch restaurants report financial information to us based upon a uniform reporting system. The tables, figures, and income statements have been prepared in accordance with generally accepted accounting principles, but we have not audited these figures. The terms used in the tables and notes are defined in the endnotes following the tables. Wherever demographic or population information for the area surrounding the Restaurants is disclosed or used to sort Restaurants, such demographic or population information is based on data obtained from Environics Analytics/Claritas, which uses estimates based on the 2020 U.S. Census data.

**TABLE ONE**  
**Gross Sales Arranged by Population Size Within a 3-Mile Radius of Restaurant**  
**Calendar Year 2023**  
**(212\* Franchised Restaurants)**

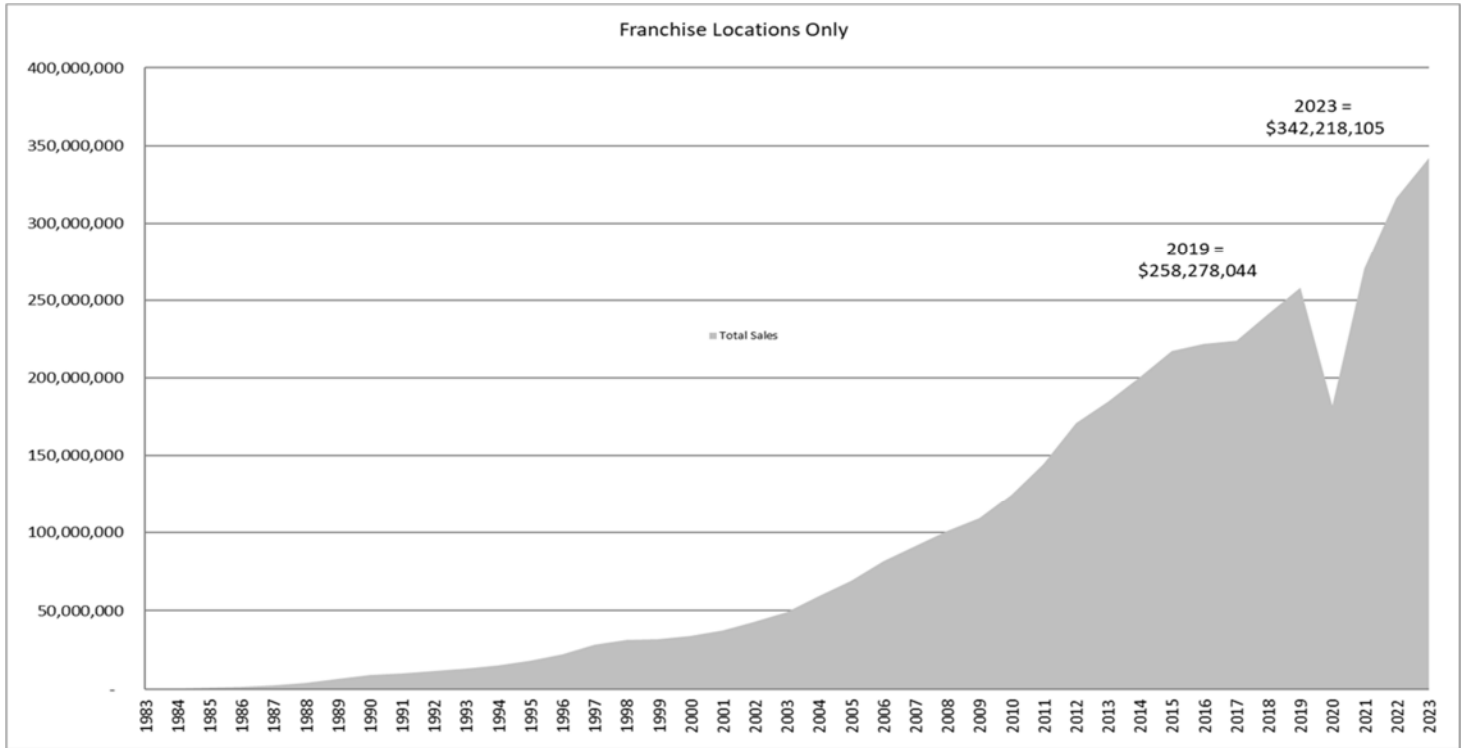
Table 1 discloses calendar year 2023 Gross Sales information for all franchised Restaurants that were open and operating for at least 3 full months as of December 31, 2023. Of the 218 system-wide Restaurants in operation as of December 31, 2023, 212 were franchised Restaurants and 6 were company-owned Restaurants. Of the 212 franchised Restaurants, 8 opened for business during 2023. The Gross Sales information for all 8 of these newly-opened Restaurants was annualized for the purpose of Table 1. No franchised Restaurant were opened in 2023 but had not been open and operating for at least 3 full months as of December 31, 2023, and was excluded from tables in this Item 19, except for Table 2. During 2023, one franchised Restaurant closed, and no franchised Restaurants closed after being open less than 12 months. The information in Table 1 is sorted by the size of the population within a 3-mile radius surrounding the Restaurant.

Population within 3-Mile Radius of the Restaurant	Total Number of Restaurants	Average Gross Sales <sup>1</sup>	Median Gross Sales <sup>1</sup>	Range of Gross Sales <sup>1</sup>	Number and % of Restaurants At or Above Group Average	Number of New Restaurants Opened Since 2018
15,000 or Less	104	\$1,118,828	\$1,060,010	\$207,973 to \$2,768,961	46 of 104 or 44%	5
15,001 to 30,000	49	\$1,888,570	\$1,939,300	\$700,207 to \$3,159,593	27 of 49 or 55%	11
30,001 to 50,000	31	\$2,191,330	\$1,989,227	\$1,196,746 to \$4,170,283	15 of 31 or 48%	11
Over 50,001	28	\$2,491,820	\$2,320,621	\$1,243,420 to \$5,668,533	12 of 28 or 43%	9

\* \* \* \* \*

**TABLE TWO**  
**Growth of Total Franchise System Gross Sales <sup>1</sup>**  
**1983-2023**

Table 2 discloses growth of franchised total Gross Sales associated with such franchised Restaurants from when we began franchising in 1983 through 2023. Figures are expressed as of December 31 for each year.



**NOTES TO TABLE 2:**

1. “**Gross Sales**” means the total revenue generated by each franchised Restaurant, including any revenue generated by a FunZone.

\* \* \* \* \*

**TABLES THREE AND FOUR**  
**Gross Sales and EBITDAR**  
**Franchised Restaurants With and Without a FunZone**  
**Twelve Months Ended December 31, 2023**

Table 3 discloses data relating to the performance of the 71 franchised Restaurants that had a FunZone that were open and operating for at least 3 full months as of December 31, 2023. No franchised Restaurants with a FunZone were excluded because they had not been open and operating for at least 3 full months as of December 31, 2023. Of the 71 franchised Restaurants with FunZones, 6 of them opened for business during 2023, and the Gross Sales and other information for these 6 Restaurants was annualized for the purposes of Table 3.

The franchised Restaurants with a FunZone range from 5,600 to 7,600 square feet (not including the FunZone). The FunZones at these franchised Restaurants range from 600 to 2,700 square feet, and include a total of 11 to 41 arcade games and amusement devices. The minimum square foot requirement for a FunZone in new Restaurants is 1,000 square feet.

The franchised Restaurants included in Table 3 below have been open for approximately 5 months to 14 years, and the FunZones at these franchised Restaurants have been in operation for approximately 4 months to 12 years. Of the 71 franchised Restaurants with FunZones, 29 had a FunZone at the time of their initial grand opening to the public, and 42 added additional square footage subsequent to their initial grand opening in order to accommodate the addition of a FunZone.

**TABLE 3**  
**Financial Performance of Franchised Restaurants**  
**with a FunZone (71 Restaurants)**

	Franchised Restaurants with a FunZone Twelve Months Ended December 31, 2023 (71 Restaurants)				
	Average Dollars	As a % of Gross Sales <sup>1</sup>	Number and % of Restaurants At or Above % of Gross Sales (for Revenue/Earnings) or At or Below % of Gross Sales (for Costs/Expenses)	Median Dollars	As a % of Gross Sales <sup>1</sup>
Gross Sales <sup>1</sup>	\$2,326,693	100.00%	30 of 71 or 42%	\$2,208,169	100.00%
Employee Labor <sup>2</sup>	\$551,497	23.70%	33 of 71 or 46%	\$522,011	23.64%
Cost of Sales <sup>3</sup>	\$644,172	27.69%	36 of 71 or 51%	\$614,092	27.81%
Controllable Expenses <sup>4</sup>	\$284,857	12.24%	35 of 71 or 49%	\$269,838	12.22%
Unit Controllable Profit <sup>5</sup>	\$846,168	36.37%	34 of 71 or 48%	\$802,227	36.33%
Non Controllable Expenses <sup>6</sup>	\$434,685	18.68%	31 of 71 or 44%	\$409,174	18.53%
EBITDA <sup>7</sup>	\$411,482	17.69%	37 of 71 or 52%	\$393,053	17.80%
Rent <sup>8</sup>	\$117,723	5.06%	30 of 71 or 42%	\$103,563	4.69%
EBITDAR <sup>9</sup>	\$529,205	22.74%	33 of 71 or 46%	\$496,617	22.49%

Table 4 discloses data relating to the performance of the 141 franchised Restaurants without a FunZone that were open and operating for at least 3 full months as of December 31, 2023. In Table 4 below, no franchised Restaurants without a FunZone were excluded because they had not been open and operating for at least 3 full months as of December 31, 2023.

The franchised Restaurants without a FunZone range from approximately 4,000 to 7,000 square feet. The franchised Restaurants included in Table 4 below have been open for approximately 5 months to 41 years.

**TABLE 4**  
**Financial Performance of Franchised Restaurants**  
**without a FunZone (141 Restaurants)**

	Franchised Restaurants without a FunZone Twelve Months Ended December 31, 2023 (141 Restaurants)				
	Average Dollars	As a % of Gross Sales <sup>1</sup>	Number and % of Restaurants At or Above % of Gross Sales (for Revenue/Earnings) or At or Below % of Gross Sales (for Costs/Expenses)	Median Dollars	As a % of Gross Sales <sup>1</sup>
Gross Sales <sup>1</sup>	\$1,304,055	100.00%	71 of 141 or 50%	\$1,300,086	100.00%
Employee Labor <sup>2</sup>	\$347,009	26.61%	66 of 141 or 47%	\$350,113	26.93%
Cost of Sales <sup>3</sup>	\$401,649	30.80%	57 of 141 or 40%	\$406,537	31.27%
Controllable Expenses <sup>4</sup>	\$184,654	14.16%	66 of 141 or 47%	\$188,772	14.52%
Unit Controllable Profit <sup>5</sup>	\$370,743	28.43%	62 of 141 or 44%	\$354,663	27.28%
Non-Controllable Expenses <sup>6</sup>	\$270,852	20.77%	61 of 141 or 43%	\$269,248	20.71%
EBITDA <sup>7</sup>	\$99,891	7.66%	62 of 141 or 44%	\$85,415	6.57%
Rent <sup>8</sup>	\$64,681	4.96%	60 of 141 or 43%	\$65,524	5.04%
EBITDAR <sup>9</sup>	\$164,572	12.62%	63 of 141 or 45%	\$150,940	11.61%

**NOTES TO TABLES 3 AND 4:**

1. “**Gross Sales**” is defined as the total revenue generated by each Restaurant, including revenue generated by the FunZone in the case of the franchised Restaurants included in Tables 3. For the 71 franchised Restaurants with FunZones listed in Table 3, the highest Gross Sales amount for 2023 was \$5,668,533 and the lowest Gross Sales amount for 2023 was \$987,177. For the 141 franchised Restaurants without FunZones listed in Table 4, the highest Gross Sales amount for 2023 was \$3,318,573 and the lowest Gross Sales amount for 2023 was \$312,217

2. “**Employee Labor**” means the cost of all full time and part time labor and all management expenses, except for the expense of 1 General Manager’s wages, as well as all taxes and health insurance incurred in connection with employee labor. Employee Labor includes labor costs related to the FunZone in the case of the franchised Restaurants included in Table 3.

3. “**Cost of Sales**” means all food costs, beverage costs, and paper product expenses. Cost of Sales also includes the cost of FunZone redemption prizes in the case of the franchised Restaurants included in Table 3.

4. **“Controllable Expenses”** include the following:

Accounting & Legal	Laundry & Cleaning	Supplies
Advertising/Fund Raisers	Meals & Entertainment	Telephone
Bank Charges	Miscellaneous	Travel & Meetings
Car & Delivery	Outside Services	Uniforms
Cash Short/Long	Postage & Freight	Utilities
Contributions	Repairs & Maintenance	

5. **“Unit Controllable Profit” or “UCP”** means Gross Sales, minus Cost of Sales, Employee Labor, and Controllable Expenses.

6. **“Non-Controllable Expenses”** include the following:

Advertising Fees	Management Fee	General Manager’s Bonus
Dues & Subscriptions	Pension Expense	Officer’s Insurance
Franchise Expense	Taxes-License-Permits	Insurance
General Manager’s Wages	Leased Equipment	

Non Controllable Expenses do not include amortization, interest or depreciation.

7. **“EBITDA”** means Unit Controllable Profit minus Non-Controllable Expenses.

8. **“Rent”** means the rental expenses incurred in connection with each franchised Restaurants. Rent also includes rental expenses related to the FunZone in the case of the franchised Restaurants included in Table 3.

9. **“EBITDAR”** means EBITDA plus Rent.

\* \* \* \* \*

**TABLE 5**  
**FunZone Only Performance in Franchised Restaurants (59 Restaurants)**  
**Twelve Months Ended December 31, 2023**

Table 5 discloses FunZone performance for the 12 months ended December 31, 2023, of franchised Restaurants with FunZones in operation for at least 12 months as of December 31, 2023. 71 franchised Restaurants were open and operating with a FunZone as of December 31, 2023. Table 5 below includes the 59 Restaurants in operation with a FunZone for at least 12 months as of December 31, 2023. The remaining 12 franchised Restaurants with FunZones as of December 31, 2023 are not included in Table 5 because they were not open for at least 12 months as of December 31, 2023.

The franchised Restaurants included in Table 5 below have been open for approximately 1 to 14 years. The FunZones at these franchised Restaurants have been in operation for approximately 1 to 13 years. The FunZones at these franchised Restaurants range from approximately 600 to 4,000 square feet, and include a total of approximately 11 to 55 arcade games and amusement devices. Of the 59 franchised Restaurants included in Table 5 below, 21 had a FunZone at the time of their initial grand opening to the public, and 38 added additional square footage subsequent to their initial grand opening in order to accommodate the addition of a FunZone.



		<b>FunZone only Performance in Franchised Restaurants Twelve Months Ended December 31, 2023 (59 Restaurants)</b>			
	<b>Average Dollars</b>	<b>As a % of FunZone Sales <sup>1</sup></b>	<b>Number and % of Restaurants At or Above % of FunZone Revenue (for Revenue/Earnings) or At or Below % of FunZone Revenue (for Costs/Expenses)</b>	<b>Median Dollars</b>	<b>As a % of FunZone Sales <sup>1</sup></b>
FunZone Revenue <sup>1</sup>	\$368,468	100.00%	27 of 59 or 46%	\$353,601	100.00%
Employee Labor <sup>2</sup>	\$24,614	6.68%	25 of 59 or 42%	\$21,570	6.10%
Cost of Sales <sup>3</sup>	\$61,092	16.58%	30 of 59 or 51%	\$59,051	16.70%
Controllable Expenses <sup>4</sup>	\$40,200	10.91%	27 of 59 or 46%	\$35,997	10.18%
Unit Controllable Profit <sup>5</sup>	\$242,563	65.83%	28 of 59 or 47%	\$236,983	67.02%
Non-Controllable Expenses <sup>6</sup>	\$65,698	17.83%	27 of 59 or 46%	\$59,688	16.88%
EBITDA <sup>7</sup>	\$176,865	48.00%	27 of 59 or 46%	\$177,296	50.14%
Rent <sup>8</sup>	\$33,641	9.13%	22 of 59 or 37%	\$27,758	7.85%
EBITDAR <sup>9</sup>	\$210,506	57.13%	29 of 59 or 49%	\$205,053	57.99%

**NOTES TO TABLE 5:**

1. “**FunZone Revenue**” is defined as the total revenue generated by the FunZone in connection with each franchised Restaurant that has a FunZone. For the 59 franchised Restaurants with FunZones listed in Table 5, the highest FunZone Revenue amount for 2023 was \$1,348, 202 and the lowest FunZone Revenue amount for 2023 was \$50,306

2. “**Employee Labor**” means the cost of all full time and part time labor and all management expenses, except for the expense of 1 General Manager’s wages, as well as all taxes and health insurance incurred in connection with employee labor in connection with the FunZone. FunZone labor is allocated between the franchised Restaurant and the FunZone based on the number of hours team members are working in the FunZone redemption area.

3. “**Cost of Sales**” means the cost of redemption prizes.

4. “**Controllable Expenses**” include the following:

Accounting & Legal	Telephone
Advertising	Uniforms
Bank Charges	Utilities
Repair & Maintenance	Supplies

5. “**Unit Controllable Profit**” or “**UCP**” means FunZone Revenue, minus Cost of Sales, Employee Labor, and Controllable Expenses.

6. “**Non-Controllable Expenses**” include the following:

Advertising Fees	License(s)	Taxes
Franchise Expense	Manager’s Salary	Insurance
Permit(s)	Leased Equipment	Rent

Non Controllable Expenses do not include amortization, interest or depreciation.

7. “**EBITDA**” means Unit Controllable Profit minus Non-Controllable Expenses.

8. “**Rent**” means the rental expense incurred by the franchised Restaurant in connection with the FunZone. This amount does not include rental expenses attributable to the remainder of the Restaurant premises. Rent is allocated based on the square footage of the FunZone in comparison with the square footage of the Restaurant.

9. “**EBITDAR**” means EBITDA plus Rent.

**NOTES TO ALL TABLES:**

If you elect to open and operate a new Pizza Ranch® restaurant, you will be required to open it with a FunZone, unless we grant an exception. Existing franchisees that entered into franchise agreements prior to the issuance date of this disclosure document, are not required to operate a FunZone at their Restaurants, but have the option of adding one if their Restaurant premises meet our required standards. The gross sales, profits, earnings, and operating income figures represent averages and medians of specific FunZones and should not be considered as the actual or potential sales, profits, earnings or operating income that will be realized by any other FunZone at a Pizza Ranch® Restaurant.

The gross sales, profits, earnings, and operating income figures represent averages and medians of specific restaurants and should not be considered as the actual or potential sales, profits, earnings or operating income that will be realized by any other restaurant. We do not represent that any franchisee can expect to attain these sales, profits, earnings or operating income. Your individual financial results are likely to differ from these results. These figures have not been audited.

Certain financial performance representation figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Pizza Ranch® Restaurant. Franchisees or former franchisees, listed in this disclosure document, may be one source of this information.

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

If you rely on these figures, you must accept the risk of not doing as well. You must bear in mind that a newly opened business should not be expected to achieve sales volumes (or maintain expenses) similar to those of an established business. In addition, your results are likely to vary with local economic or market conditions that may affect, among other things, the sales, as well as the cost of food and beverages, payroll and labor expenses, and the cost of utilities and other services necessary to operate the Pizza Ranch® Restaurant.

There are several characteristics of the locations used in this financial performance representation that may differ materially from those of your location. They include the size and number of seats of the building, population around the location, overall retail sales around the location, quality of the management team, allowable signage, ingress/egress factors, competitive factors, traffic patterns, employment around the location, number of households, and median and disposable income factors.

Written substantiation of the data used in preparing this financial performance representation will be made available to you on your reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Mark Souba, Pizza Ranch, Inc., 204 19<sup>th</sup> Street SE, Orange City, Iowa 51041; 712-707-8800 or 800-321-3401; the Federal Trade Commission; and the appropriate state regulatory agencies.

**Item 20**

**OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NO. 1  
Systemwide Outlet Summary  
For years 2021 to 2023**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2021	204	207	+3
	2022	207	205	-2
	2023	205	212	7
Company-Owned	2021	7	6	-1
	2022	6	6	0
	2023	6	6	0
<b>Total Outlets</b>	<b>2021</b>	<b>211</b>	<b>213</b>	<b>+2</b>
	<b>2022</b>	<b>213</b>	<b>211</b>	<b>-2</b>
	<b>2023</b>	<b>211</b>	<b>218</b>	<b>7</b>

**TABLE NO. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For years 2021 to 2023**

State	Year	Number of Transfers
Iowa	2021	4
	2022	10
	2023	3
Kansas	2021	0
	2022	0
	2023	0
Michigan	2021	0
	2022	0
	2023	0
Minnesota	2021	6
	2022	0
	2023	1
Nebraska	2021	0
	2022	0
	2023	1
North Dakota	2021	2
	2022	1
	2023	0
South Dakota	2021	0
	2022	1
	2023	0
Wisconsin	2021	1
	2022	1
	2023	1
<b>Total</b>	<b>2021</b>	<b>13</b>
	<b>2022</b>	<b>13</b>
	<b>2023</b>	<b>6</b>

**TABLE NO. 3**  
**Status of Franchised Outlets**  
**For years 2021 to 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Outlets at End of the Year
AR	2021	1	0	0	0	0	0	1
	2022	1	0	1	0	0	0	0
	2023	0	0	0	0	0	0	0
CO	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
IL	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	1	0	0	0	0	8
IA	2021	72	0	0	0	0	0	72
	2022	72	0	2	0	0	0	70
	2023	70	1	0	0	0	0	71
KS	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	1	0	0	0	0	5
MI	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
MN	2021	40	2	1	0	0	0	41
	2022	41	0	2	0	0	0	39
	2023	39	3	0	0	0	0	42
MO	2021	5	0	0	0	0	0	5
	2022	5	1	0	0	0	0	6
	2023	6	1	0	0	0	0	7
MT	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
NE	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	1	0	0	0	0	5
ND	2021	15	0	0	0	0	0	15
	2022	15	0	0	0	0	0	15
	2023	15	0	0	0	0	0	15
SD	2021	20	1	0	0	0	0	21
	2022	21	0	0	0	0	0	21
	2023	21	0	1	0	0	0	20
TN	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Outlets at End of the Year
WI	2021	26	0	0	0	0	0	26
	2022	26	1	0	0	0	0	27
	2023	27	0	0	0	0	0	27
WY	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Totals	<b>2021</b>	<b>204</b>	<b>4</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>207</b>
	<b>2022</b>	<b>207</b>	<b>3</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>205</b>
	<b>2023</b>	<b>205</b>	<b>8</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>212</b>

**TABLE NO. 4**  
**Status of Company-Owned Outlets**  
**For years 2021 to 2023**

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
IA	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
KS	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
MO	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
NE	2021	3	0	0	1	0	2
	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
Totals	<b>2021</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>6</b>
	<b>2022</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>
	<b>2023</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>

**TABLE NO. 5**

**Projected Openings as of December 31, 2023**

<b>State</b>	<b>Franchise Agreements Signed But Outlet Not Opened</b>	<b>Projected New Franchised Outlets In The Next Fiscal Year</b>	<b>Projected New Company-Owned Outlets In the Next Fiscal Year</b>
Illinois	0	0-1	0
Iowa	0	0-1	0
Kansas	2	0-2	0
Minnesota	3	0-6	0
Missouri	0	0-1	0
Montana	0	0-1	0
Nebraska	1	0-3	0
North Dakota	1	0-1	0
Oklahoma	0	0-1	0
Tennessee	1	0-1	0
Wisconsin	2	0-4	0
Wyoming	0	0-1	0
Kentucky	1	0-1	0
<b>Total</b>	<b>11</b>	<b>7-14</b>	<b>0</b>

Attached as **Exhibit G** to this Disclosure Document, is a list of all franchisees as of December 31, 2023, and the addresses and telephone numbers of their Restaurants. A list of the franchisees who have signed Franchise Agreements for Restaurants which were not yet operational as of December 31, 2023, is included in **Exhibit G**.

A list containing the name, city and state, and business telephone number (or if unknown, the last known home telephone number) of every operational franchisee who has had a franchise transferred, terminated, cancelled, not renewed or who voluntarily or involuntarily stopped doing business under their Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the date of this Disclosure Document is attached as **Exhibit H**. **Exhibit H** also includes a listing of every franchisee that was not yet operational who left the franchise system during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

If the franchise offered by this Disclosure Document was previously-owned by a franchisee but is now under our control, we disclose the following additional information for the franchise for the last 5 fiscal years in a Supplement to this Disclosure Document: (i) the name, city and state, current business telephone number, or if unknown, last known home telephone number of each previous owner of the franchise; (ii) the time period when each previous owner controlled the franchise; (iii) the reason for each previous change in ownership; and (iv) the time period(s) when we retained control of the franchise.

During the last 3 fiscal years, we have not signed any confidentiality clauses with current or former franchisees which would restrict them from speaking openly with you about their experience with us.

The Pizza Ranch Franchisee Advisory Council or the “FAC” was established on January 15, 2013. The FAC consists of a representative group of franchisees who will meet periodically with our management to review plans and discuss other matters of common interests. The purpose of the FAC is to promote constructive, open and two-way communications between all of the franchisees and our management. Other than the FAC, there are no franchisee associations required to be listed in this Disclosure Document.

## **Item 21**

### **FINANCIAL STATEMENTS**

Audited financial statements of us for the fiscal years ended December 31, 2023, 2022 and 2021. are attached as **Exhibit I**.

## **Item 22**

### **CONTRACTS**

The following agreements are attached as exhibits to this Disclosure Document:

<b><u>Exhibit A</u></b>	Franchise Agreement
<b><u>Exhibit B</u></b>	Area Development Agreement
<b><u>Exhibit C</u></b>	Advertising Co-op Agreement
<b><u>Exhibit D</u></b>	Franchisee Disclosure Questionnaire
<b><u>Exhibit K</u></b>	Termination of Agreement for License and Services and Mutual Release
<b><u>Exhibit M</u></b>	Release of Claims

Any agreement changes to address inconsistencies between the agreement and state law in some areas will be furnished to you in a state specific addendum and agreement amendment in **Exhibit L** to this Disclosure Document.

## **Item 23**

### **RECEIPTS**

Two copies of a detachable receipt appear at the very end of this Disclosure Document. Please acknowledge receipt of this Disclosure Document by filling in the bottom portion of both copies of the Receipt where indicated with the appropriate information and forward one copy to us.



**EXHIBIT A**

**FRANCHISE AGREEMENT**

**PIZZA RANCH, INC.**

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Exhibit 1 Restaurant Location (Alternative)

Exhibit 2 Restaurant Location And Territory

Exhibit 3 Guaranty and Assumption of Obligations

**PIZZA RANCH, INC.**

**FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (“Agreement”) is made and entered into by and between PIZZA RANCH, INC., an Iowa corporation (“Company”), \_\_\_\_\_, \_\_\_\_\_ (“Licensee”), and \_\_\_\_\_ (“Principal”), to be effective as of \_\_\_\_\_.

**BACKGROUND**

A. Company has developed secret formulas for the preparation of certain food products (“Food Products”) and, in order to safeguard the good will of Company’s trademarks and trade names, it is essential that only Food Products be used in certain secret recipes (“Secret Recipes”) developed by Company for the preparation of menu items to be sold in or delivered from restaurants licensed or owned by Licensee using the name “Pizza Ranch®” (“Restaurants”);

B. Company is the owner of unique restaurant operational specifications which include, without limitation, site selection criteria, building design, signs and equipment, layout plans, the trade name “Pizza Ranch®”, the Secret Recipes, Food Products, and the Advertising, Marketing and Brand Standards Manual, the Manual for Kitchen Operations, the Handbook for Excellent Ranch Operations, and the FunZone Operations Manual (collectively, the “Manuals”) and other written materials for the operation of Restaurants (all collectively referred to as “Proprietary Rights”);

C. Company is engaged in the business of granting licenses for Restaurants using Proprietary Rights and any and all service marks, trademarks, trade names, slogans, copyrights and logos (“Licensed Marks”) as adopted by Company in connection with the operation of Restaurants; and

D. Licensee is desirous of acquiring a license to use Proprietary Rights and Licensed Marks at a designated location, and, in reliance upon all of the representations made by Licensee and Principal and in connection with their application for a license, including, but not limited to, the manner in which the Restaurant will be owned and operated, Company is willing to grant a license upon the terms and conditions set out in this Agreement;

E. LICENSEE AND PRINCIPAL ACKNOWLEDGE THAT (1) THEY ARE ENTERING INTO THIS AGREEMENT AFTER HAVING MADE AN INDEPENDENT INVESTIGATION OF COMPANY’S OPERATIONS, AND NOT BASED UPON ANY REPRESENTATION OR PROMISES TO THEM (INCLUDING, BUT NOT LIMITED TO, ANY PROJECTIONS OR PRO FORMAS) OF ANY KIND AS TO INCOME OR EARNINGS POTENTIAL; AND (2) COMPANY MADE NO REPRESENTATIONS, PROMISES OR STATEMENTS, ORAL OR WRITTEN, TO OR WITH THEM WHICH ARE NOT CONTAINED IN THIS AGREEMENT OR IN COMPANY’S FRANCHISE DISCLOSURE DOCUMENT; AND (3) VENTURES IN THE RESTAURANT INDUSTRY, INCLUDING THE BUSINESS VENTURE CONTEMPLATED BY LICENSEE UNDER THIS AGREEMENT, INVOLVE A HIGH DEGREE OF FINANCIAL RISK AND DEPEND, TO A LARGE EXTENT, UPON THE ABILITIES OF LICENSEE AND PRINCIPAL, AND LICENSEE AND PRINCIPAL ACKNOWLEDGE THAT THEY HAVE NEITHER RELIED UPON, NOR HAS

COMPANY MADE, ANY WARRANTIES, EXPRESS OR IMPLIED, AS TO THE POTENTIAL SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED IN THIS AGREEMENT.

**F. Company and Licensee, Principal and other Owners of Licensee WAIVE ANY RIGHT TO TRIAL BY JURY on any and all claims brought by any party, as provided in Section 27.7.**

AGREEMENT:

THEREFORE, in consideration of the mutual covenants and agreements set out in this Agreement and other valuable consideration, the receipt of which are acknowledged, Company, Licensee and Principal agree as follows:

1. License:

- 1.1. Company grants to Licensee during the term of this Agreement and any renewals a nonexclusive license for use of Proprietary Rights and Licensed Marks in connection with the operation of 1 Restaurant (the “Licensed Restaurant”) with a site approved by or to be approved by Company at the location specified in **Exhibit 2** to this Agreement. Provided Licensee complies with the terms of this Agreement, Company will not own, operate, franchise or license any other Restaurant within the territory associated with the above location as defined in **Exhibit 2** (the “Territory”), except Company reserves the right to do so in an alternative channel of distribution as described below. Alternatively, if Licensee does not have an approved location for the Licensed Restaurant, Company and Licensee will complete **Exhibit 1**, in which Licensee agrees on a specific market (“Market”) in which the location of the Restaurant will be selected, subject to Company’s approval, within 6 months after the effective date of this Agreement. Licensee does not receive any territorial rights upon the designation of the Market on **Exhibit 1** and Company and its affiliates, reserve all territorial rights within the Market, but we agree not to exercise the right to directly operate, or grant other persons or entities to operate, Pizza Ranch® restaurants within this 6-month period. Once Company consents to a location for the Restaurant within the Market established in **Exhibit 1** and Licensee secures and signs a lease for that location, Company and Licensee must sign **Exhibit 2** to identify the location and the Territory. Licensee must open the Restaurant within 6 months of the date **Exhibit 2** is signed.

Company and its affiliates reserve the unrestricted right to own, operate, franchise or license, both within and outside the Territory, restaurant concepts and food distributors or retailers operating under names other than the Proprietary Marks, regardless of whether or not these other concepts offer products and services which are similar to or compete with those offered by the Licensed Restaurant. Company retains the right, during the term of this Agreement to use and to license others to use, the Proprietary Rights and Licensed Marks for the operation and licensing of other Pizza Ranch® Restaurants at any locations outside of the Territory.

Certain of Company’s products, whether now existing or developed in the future, may be distributed in the Territory by others including Company, Company’s affiliates, or Company’s franchisees, licensees or representatives, through channels of distribution other than a traditional Pizza Ranch® Restaurant. Alternate channels of distribution shall

- include, but are not limited to, sales of products offered under the Licensed Marks at or through, grocery stores, supermarkets, catering services, theme parks, institutional feeding facilities, military bases, airports, stadiums, arenas, gas stations, and sales of products by mail order or catalog business or via the Internet, and any similar outlets or distribution methods as Company shall determine. This Agreement grants Licensee no rights to distribute products through other channels of distribution. Licensee has no right to share, nor does it expect to share, in any of the proceeds received by Company or any other party in connection with the other channels of distribution.
- 1.2. If the Licensed Restaurant is a Restaurant to be developed under an Area Development Agreement, Licensee shall obtain Company's written approval of the proposed site and open the Licensed Restaurant in order to meet Licensee's development timetable under the Area Development Agreement for developing Restaurants.
  - 1.3. The Licensed Restaurant shall feature special ordering from the menu and also an "all-you-can-eat" buffet for lunch every day and on those evenings set forth in Company's Manuals or as approved in writing by Company. Both lunch and evening buffets will offer pizza, chicken, salad and other approved items. The Licensed Restaurant's customers shall have the choice of a public dining area or a community room (party or meeting room) for special occasions. The Licensed Restaurant shall also offer "to-go" service as well as delivery service.
  - 1.4. Licensee shall not have exclusive rights to deliver to customers located in the Territory. More than one Company franchisee and Company and its affiliates may have the right to deliver and cater in the same area or at the same place.
  - 1.5. At the time of the opening of the Licensed Restaurant, Licensee must begin offering "to-go" and delivery service, unless Company grants an exception.
  - 1.6. In exceptional circumstances, when Company, in its sole discretion, determines that offering "to-go" and delivery from the Licensed Restaurant is not feasible, Company may waive the requirement that Licensee offer "to-go" and delivery.
  - 1.7. The term "Restaurant" and "Licensed Restaurant" shall include any game room and or arcade, including a Pizza Ranch FunZone Arcade<sup>®</sup> ("FunZone"), located within or adjacent to the Restaurant. Unless we otherwise agree in writing, the only game room or arcade Licensee may operate within or adjacent to the Restaurant is a branded FunZone operated in accordance with the FunZone Operations Manual and Company's other Manuals, and the terms and conditions of this Agreement.

## 2. Royalties and Service Fee; Audit:

- 2.1. After the opening of the Licensed Restaurant, Licensee on a monthly basis throughout the term of this Agreement shall pay Company (i) royalties equal to a minimum of \$500 per month or 3.5% of monthly Gross Revenues of the Licensed Restaurant for each month, whichever is the greater; and (ii) a service fee equal to 0.5% of monthly Gross Revenues of the Licensed Restaurant for each month. Licensee further agrees to pay Company and its affiliates interest on all late payments of royalties, service fees, advertising contributions and other payments at the lesser of 18% per year or the maximum rate permitted by the

- law. Royalty and service fee payments are due on or before the 10<sup>th</sup> day of each month for Gross Revenues received during the prior month.
- 2.2. “Gross Revenues” as used in this Agreement mean the entire amount of revenues from all business conducted in, from or adjacent to the Licensed Restaurant, including all food and beverage sales and other products or services such as vending machines, arcade games and amusement devices (including those in a FunZone), delivery fees, legal gaming devices without taking any deduction for operators’ percentages or any other deductions whatsoever for sale at the Licensed Restaurant, but will not include any sums collected and paid out for any sales or excise tax imposed by any governmental authority.
  - 2.3. Prior to opening of the Licensed Restaurant or as requested by Company, Licensee must execute and deliver to Company and to Licensee’s bank or other financial institutions all forms and documents that may be required to permit Company to debit Licensee’s bank account, either by check or electronically, the amount of royalty and service fees due each month. Company shall also have the right to debit Licensee’s account for the Marketing and Production Fund contributions as set forth in Section 16 below. Royalties, service fees and Marketing and Production Fund contributions will be debited on or before the 10<sup>th</sup> day of each month after which such royalties, service fees and contributions accrue, or if the 10<sup>th</sup> falls on a weekend or other bank holiday, then on the next business day.
  - 2.4. Licensee will report Gross Revenues as directed by Company, using the electronic reporting system Company designates. If Company grants Licensee written permission to not use the electronic reporting system or if the electronic reporting system is not working for any reason, Licensee must report Gross Revenues for each period in writing by letter, facsimile or electronic mail on or before the 7<sup>th</sup> day of the month following the month in which royalties, service fees and Marketing and Production Fund contributions accrue. If Licensee for any reason fails to report Gross Revenues on a timely basis, Company may estimate Gross Revenues of the Licensed Restaurant for such period and debit Licensee’s bank account the amount of royalties, service fees and Marketing and Production Fund contributions based on the estimate. If Company’s estimate results in an overpayment, Company will deduct the amount of the overpayment from the next month’s payment. Any deficiency resulting from the estimate may be added to the next monthly payment due and debited against Licensee’s bank account. Any deficiency will bear interest as set forth above.
  - 2.5. Licensee must notify Company at least 15 days prior to closing or making any change to the account against which such debits are to be made. If for any reason Licensee’s account cannot be debited, Licensee agrees to submit payments by check on or before the due dates set out in this Agreement, for all sums due Company. Licensee agrees to indemnify and hold Company harmless from and against all costs and expenses resulting from any dishonored debit against Licensee’s account or any dishonored check, regardless of whether such dishonor resulted from the act or omission of Licensee or Licensee’s bank; Licensee shall not be obligated to indemnify Company for any dishonored debit or check caused by Company’s negligence.
  - 2.6. Company will have the unqualified right at any reasonable time to examine or audit Licensee’s books, records and correspondence and to make copies. If any such examination or audit discloses a deficiency in any payment due Company, Company will

give notice of the deficiency to Licensee and Licensee must pay the amount of the deficiency within 10 days of receipt of the notice. In addition, if any audit shows that Gross Revenues of the Licensed Restaurant for any monthly period exceeded the sum reported by Licensee to Company for that period by more than 2%, or if Licensee fails to make its books, records and correspondence available when requested, Licensee must reimburse Company for the reasonable cost of the examination or audit.

3. Initial Payments:

- 3.1. Licensee will, upon its signing of the Franchise Agreement, pay Company an initial portion of the franchise fee of \$7,500, unless the fee has been paid pursuant to a separate Area Development Agreement with Company. Upon payment, this fee will be deemed fully earned and is non-refundable.
- 3.2. On or immediately before the start of construction of the Licensed Restaurant, Licensee must pay the remaining \$22,500 of the franchise fee. If Licensee signs an Area Development Agreement with Company, the amount due for the franchise fee will be paid according to what was agreed to in the Area Development Agreement. This fee will be deemed fully earned and is non-refundable once payment has been made.
- 3.3. Prior to opening the Licensed Restaurant, Licensee, Principal or General Manager; Assistant General Manager; Kitchen Managers (2); and a Guest Services Manager (a total of 5 individuals) must satisfactorily complete Company's initial training program described in Section 20. Licensee must pay Company a management training fee of \$10,500 for the training of these 5 individuals. The management training fee is due to Company before any of its managers attend the initial training program. This fee will be deemed fully earned and is non-refundable once payment has been made. If Company is requested to provide the initial training program to additional managers prior to the opening of the Licensed Restaurant, Licensee must pay to Company the additional training fees described in Section 20.1. Licensee will be responsible for all travel, living, and other expenses for its managers to attend the initial training program.
- 3.4. In addition to the management training fee or other applicable fee for the initial training program, Licensee must pay Company a training materials fee (currently \$200, but subject to change by Company) for each General Manager, Assistant General Manager, Kitchen Manager and Guest Service Manager who attends Company's initial training program. The training materials fee for each of Licensee's managers is due to Company before that manager attends the initial training program. This fee will be deemed fully earned and is non-refundable once payment has been made.
- 3.5. Prior to opening the Licensed Restaurant, Licensee must purchase marketing start-up materials from PR Production Fund, Inc., a wholly owned subsidiary of Company. Licensee's packet of materials may vary depending on the size of its Licensed Restaurant and its local market. The cost of these materials is \$2,850. This cost will be deemed fully earned and is non-refundable once payment has been made, and is not negotiable.

4. Retention of Interests in Proprietary Rights: Licensee and Principal acknowledge the uniqueness of Proprietary Rights, that they have had no part in their creation or development, and they have no prior knowledge of, and no proprietary or other claims in, any part of Proprietary Rights or

Licensed Marks. All materials loaned or otherwise made available to Licensee or Principal and all disclosures, including, but not limited to Secret Recipes, Company's know-how and information concerning Company's product standards and methods of operation, made to Licensee or Principal (and not to the general public) must be kept confidential by Licensee and Principal as trade secrets. Ownership of all right, title and interest in and to all good will associated with Proprietary Rights and Licensed Marks is and will remain vested solely in Company. All use of Licensed Marks and Proprietary Rights by Licensee and Principal will inure to the benefit of Company and no good will in associated Licensed Marks will inure to Licensee or Principal.

5. Control of Name:

5.1. Licensee will identify the Licensed Restaurant exclusively by use of the name "Pizza Ranch<sup>®</sup>" but otherwise will not without the express written consent of Company make any other use of such name. Licensee must not use the name "Pizza Ranch<sup>®</sup>" or any variation of such name in any assumed name, trade name or corporate name or in any domain name or email address which Licensee may adopt, except as is specifically permitted in writing by Company.

5.2. Except as specifically permitted by Company, Licensee must not make any use of Licensed Marks in any advertisement, in any use of the internet, in any promotion, on any paper products or in any other way without the prior written consent of Company. All requests for such consent must be made in writing to Company setting forth the intended use and design. In connection with any use by Licensee of Licensed Mark, Licensee must display notice of Company's rights with respect to Licensed Marks as may be required by Company.

6. Service By Company: Company will use commercially reasonable best efforts to perform the following services for Licensee:

6.1. Assist Licensee in evaluating possible sites submitted for the Licensed Restaurant. Company will make up to 3 visits to Licensee's proposed site to assist with the site selection process at no charge to Licensee. If Licensee requests Company to make additional site visits, and Company agrees, Licensee must pay the reasonable travel and other expenses including Company's then current standard per diem fee associated with such visits. LICENSEE ACKNOWLEDGES THAT NEITHER COMPANY'S APPROVAL OF, NOR ITS ASSISTANCE WITH REGARD TO, THE SELECTION OR DEVELOPMENT OF THE SITE CONSTITUTES A REPRESENTATION, WARRANTY OR GUARANTY BY COMPANY THAT THE SITE CHOSEN BY LICENSEE WILL BE A SUCCESSFUL LOCATION FOR THE RESTAURANT, AND LICENSEE ASSUMES ALL RISKS ASSOCIATED WITH THE PROFITABILITY OF THE SITE.

6.2. Provide a standard floor plan for the Licensed Restaurant drawn to scale (not for construction) showing specific detail on room layouts, including the location of chairs, tables, front line (buffet counter), kitchen equipment and such other details as Company deems appropriate. Company will also furnish sources of and specifications for sources of material and supplies for preparation, service and sale of food conforming to Company's standards and specifications ("Standard Specifications"), all floor, ceiling and wall finishes, all interior and exterior signage, and all furniture, fixtures, equipment, arcade games and amusement devices (including those in a FunZone), small wares, games list and



computer terminals, as well as a list of architects from which Licensee is required to hire in order to prepare architectural drawings, floor plans and final contract and construction documents adapted to Licensee's specific location at licensee's expense. Company and Company's affiliates may be an approved supplier or designated sole supplier for any purchases of products or services and may obtain revenue from you and make a profit without any limits on the amount of profit Company or its affiliate may make. Company may receive fees and other payments from suppliers and others in connection with Licensee's purchases and Company may use the fees for its own purposes.

- 6.3. Company will review and provide written approval of the following phases of restaurant construction:

Licensee's final contract and construction documents which must be approved in writing by Company before any construction or finish-out can begin; and

- 6.4. Provide such assistance and training, as Company deems to be reasonably necessary, to assist Licensee in the opening of the Licensed Restaurant and to assist Licensee in the operation of such restaurant during an initial opening period. During such initial period, Company will provide training personnel, subject to Section 20.1, who will be furnished at no additional charge to Licensee.
- 6.5. In Company's sole discretion, Company may offer continuing training programs as new and more efficient procedures are developed, as more particularly set out in Section 20 of this Agreement.
- 6.6. Provide such other continuing research and development services and assistance as may be developed and offered by Company and inform Licensee of any improved methods of operation, quality and quality control.
- 6.7. Provide access to the Manuals and other written materials (Standard Specifications) as Company, in its sole discretion, deems useful or necessary for operating the Licensed Restaurant in conformity with Proprietary Rights. Standard Specifications may be changed, modified or supplemented from time to time whenever Company, in its sole discretion, deems such to be reasonably necessary or appropriate.

7. Reports, Examinations and Owners:

- 7.1. Licensee must maintain such books and records as are required by Company from time to time and such other written materials as are required in order to accurately record the receipts and expenses arising from the operation of the Licensed Restaurant. Licensee must keep all such books and records in accordance with Generally Accepted Accounting Principles (GAAP).
- 7.2. Licensee must submit to Company, within the time specified by Company, all reports and other records required by Company, which will include, but not be limited to:
- 7.2.1. Within 20 days of the end of each month, information needed to create unaudited balance sheet and income statement;

- 7.2.2. Any and all other reports or records reasonably requested by Company from time to time.
- 7.3. Licensee must designate a “Principal,” who will (1) have an ownership interest in Licensee, (2) serve as the general manager of the Licensed Restaurant or have the responsibility of hiring and overseeing the general manager, (3) oversee or remain active in overseeing the general management of the Restaurant, and (4) has the authority to sign on Licensee’s behalf. If Licensee is an individual, Licensee must be the Principal. If Licensee is a corporation, partnership, limited liability company or some other entity, Licensee must designate the Principal as an individual that owns at least 51% (or some lower percentage Company approves). “Other Owners” of the Licensee entity mean any other person or entity who directly or indirectly owns a 10% or greater interest in Licensee. As used in this Agreement, any reference to Other Owners includes all Other Owners.

8. Conduct and Operation of Business:

- 8.1. Company requires the following steps to be taken in the order provided for Licensee’s construction of the Licensed Restaurant and/or a FunZone on the approved site.
- 8.1.1. If structural modifications are required or if local ordinances require, Licensee at its expense must use an architect to prepare and submit to the Company final contract and construction documents for the Licensed Restaurant in accordance with Company’s approved floor plan. The contract and construction documents must include but will in no way be limited to, finishes for all ceilings and floors, mechanical, electrical and plumbing detail, equipment specifications and locations, signage and interior and exterior elevations. Before Company gives final approval on contract and construction documents, Company will review all specifications, finishes, layouts, equipment, floor plan and game lists for compliance;
- 8.1.2. No construction can begin until Company gives its written approval of the final contract and construction documents as submitted by Licensee;
- 8.1.3. Once Licensee has Company’s written approval, no material changes will be made in the final contract and construction documents as approved without the prior written consent of Company;
- 8.1.4. Prior to opening, Licensee must obtain Company’s written approval of all aspects of the interior and exterior of the restaurant and such other aspects of the restaurant location and operation as Company may determine from time to time in its sole discretion.
- 8.2. All signage to be used in connection with the Licensed Restaurant must conform to Standard Specifications and local laws. All proposed signage must be approved by Company in writing and must be shown in Licensee’s floor plan and Licensee’s contract and construction documents.
- 8.3. If Licensee leases the real property in which the Licensed Restaurant is located, Licensee must negotiate a lease with the following terms:

- 8.3.1. Permitting the transfer, without cost or penalty, of such lease to Company;
  - 8.3.2. Allowing Company the right upon notice by Company to landlord or Licensee's default of this Franchise Agreement, to enter the leased premises and do whatever the Licensee, as tenant, could do under the terms of the lease;
  - 8.3.3. Allowing the Licensee the right to terminate the lease if Licensee reasonably determines that the cost of construction, finish-out, or remodeling of the premises renders continuation of the project economically unfeasible; and
  - 8.3.4. Licensee must obtain Company's written approval of such lease prior to execution. Company will not unreasonably withhold or unreasonably delay approval of Licensee's lease.
- 8.4. The Licensed Restaurant may be operated only at the site approved by Company and Licensee may not relocate the Licensed Restaurant without written permission of Company including approval of the specific site and location. If the lease of the Licensed Restaurant expires or terminates based upon no fault of Licensee or if the site is condemned, destroyed or rendered unusable, Company will grant permission for relocation of the restaurant to a site which is in the immediate area and which meets Company's standards. Any such relocation will be at the sole expense of Licensee. In the event Licensee relocates the Licensed Restaurant, Licensee will be obligated to pay Company a relocation fee of \$2,000 which sum must be paid in full prior to Company's approval of any relocation. Licensee acknowledges and agrees that any relocation of the Licensed Restaurant shall not modify Licensee's Territory, and Licensee's Territory shall remain as stated in Exhibit 2, unless otherwise approved by the Company. Any modification of Licensee's Territory including, but not limited to, under this Section 8.4, shall be subject to the Company's consent, in the Company's sole discretion.
- 8.5. Licensee must install in and about the Licensed Restaurant only such equipment, fixtures, furnishings, furniture, computer hardware and software, interior and exterior signs, arcade games and amusement devices (including those in a FunZone), and other personal property which strictly conform to Standard Specifications or are otherwise required by Company from time to time. Company will have the right to inspect the Licensed Restaurant for compliance with Company's Standard Specifications at reasonable times.
- 8.6. The Licensed Restaurant must at all times be under the direct, on premises supervision of Licensee, Principal, Licensee's Manager or other team member of Licensee who has been trained in all aspects of the business. If Licensee has licenses to operate more than 1 Licensed Restaurant, each such restaurant owned must be under the direct, on premises supervision of a "Manager" who:
- 8.6.1. Has been disclosed to Company;
  - 8.6.2. Has completed, to Company's reasonable satisfaction, such training as Company may specify;
  - 8.6.3. Has preferably at least 1 year of experience in direct restaurant management.

8.7. Licensee will be solely responsible for all employment decisions and functions, including hiring, scheduling, benefits, recordkeeping, termination, discipline, supervision, setting terms of employment and compensation and implementing a training program for team members of the Licensed Restaurant, regardless of whether Licensee receives advice from Company on these subjects. Licensee will never represent or imply to prospective team members and team members that they will be or are employed by Company or any affiliate of Company. Licensee acknowledges and agrees that all personnel decisions shall be made by Licensee, without any influence or advice from Company, and such decisions and actions shall not be, nor be deemed to be, a decision or action of Company.

9. Restaurant Operating Requirements and Service:

9.1. The Licensed Restaurant must be operated in strict conformity with Company's criteria, standards and specifications for site selection, development and operation. These criteria, standards and specifications and Standard Specifications may be included in Company's "Manuals," which are a compilation of manuals, books, binders, videos or other electronic media, intranet postings and other materials, including the Advertising, Marketing and Brand Standards Manual, the Manual for Kitchen Operations, the Handbook for Excellent Ranch Operations, and the FunZone Operations Manual, containing operating data, specifications, standards, operating procedures, checklists, formulas, menus, equipment, services, recipes and other information. When Company says it will provide "written" communication or a notice or information (including the Manual) to Licensee "in writing" Company may or may not provide Licensee with a paper ("hard copy") form of the information. Company may provide the communication or notice only through electronic communication or posting to Company's website(s). Licensee is required to use only the menu items, ingredients, products, materials, equipment, supplies, uniforms, advertising materials, furnishings, paper goods, arcade games and amusement devices (including those in a FunZone), and other items in the Restaurant that conform to Company's standards and specifications. Licensee understands and acknowledges that Company may, from time to time, by revising the contents of the Manuals or by other notice to Licensee, implement new or different operating requirements, specifications, standards, operating procedures, checklists, formulas, menus, equipment, services, recipes and Licensed Marks applicable to the Licensed Restaurant and Licensee agrees to comply with such revised requirements at Licensee's expense within a reasonable time, as Company may require. Licensee must keep its copy of the Manuals current and up to date and secured on the Licensed Restaurant premises. This includes hard copy or electronic access. In the event of any dispute as to contents of the Manuals, the terms of the master copy maintained by Company will be controlling. Any required specifications, standards and operating procedures exist to protect Company's interests in its system and the Licensed Marks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to take control over those matters that are reserved to Licensee.

9.2. The menu of the Licensed Restaurant must be approved by Company or in a form as directed by Company. Licensee agrees it will offer for sale all products required by Company and further agrees it will not offer for sale any products or services which are not authorized by Company.

9.3. Licensee must purchase its entire requirements of Company's labeled Food Products specifically manufactured for Restaurants according to Secret Recipes or specifications

from Company or from approved sources designated by Company. Licensee must use Food Products only in the Licensed Restaurant.

- 9.4. Licensee shall purchase equipment (including arcade games and amusement devices), supplies, food products and services (including third-party aggregator services), from suppliers designated by Company for these goods and services, if any, provided Licensee shall have the right and option to purchase other equipment, supplies, food products or services listed in Standard Specifications from undesignated suppliers, provided that the goods and services conform in quality to Company's Standard Specifications. If Licensee desires to purchase goods or services from undesignated suppliers, Licensee shall submit samples or other requested information to Company or an independent laboratory designated by Company for testing or evaluation to determine whether the goods or services comply with Standard Specifications. The charge for the cost of such testing or evaluation must be paid by Licensee or by the supplier seeking approval. The prior written approval of Company must be obtained by Licensee prior to the time that any goods or services are used at the Licensed Restaurant. Company may re-inspect the goods or services of any such approved supplier and revoke its approval if the goods or services do not meet current standards.
- 9.5. All personnel of Licensee must wear uniforms of such design and color as are prescribed in the Manuals. In the event of a uniform change directed by Company, Licensee will have 120 days to effect the change after notification from Company of the new uniform. All personnel of Licensee must present a neat and clean appearance and render prompt, competent and courteous service to the Licensed Restaurant's guests.
- 9.6. The Licensed Restaurant's operating hours and the times during which the buffet line is open must be approved in writing by Company in advance and may be changed, during the term of this Agreement, by Company.
- 9.7. Licensee must obtain a point of sale ("POS") system, a digital menu board system, and a computer system, including all hardware, software, firmware, telecommunications infrastructure products, credit card, gift card and loyalty card processing equipment and support services as Company specifies in the Manuals or otherwise. Licensee must accept customer payment methods, including specific credit cards and gift cards, Company designates. Licensee will dedicate a telecommunications line for the sole purpose of supporting the approved computer system and will subscribe to an Internet service provider. The computer system must be able to send and receive email and attachments on the Internet and provide access to the World Wide Web and otherwise support Company's then-current information technology system. Company will have the right to access information related to the operation of the Licensed Restaurant, from a remote location, without the need for consent, at the times and in the manner as Company requires. Licensee will install additions, substitutions, and upgrades to the hardware, software, firmware and telecommunications infrastructure products and support services to maintain full operational efficiency and to keep pace with changing technology and updates to Company's requirements. Licensee will access website(s) and/or intranets Company maintains on a regular basis. Company may elect to provide any information Company is required to or desires to communicate to Licensee solely through its website(s) and/or intranets or other electronic means without any need to provide Licensee with a paper copy or other physical format. Company may also authorize vendors and other third parties to

communicate with Licensee on Company's website(s) and/or intranets and Licensee will access their communications if Company directs. Licensee will comply with all of Company's standards, specifications, policies and procedures related to the use of computers, the Internet and activities conducted over websites. It is Licensee's responsibility to protect itself from disruptions, internet access failures, internet content failures, and attacks by hackers and other unauthorized intruders and Licensee waives any and all claims Licensee may have against Company as the direct or indirect result of such disruptions, failures and attacks. Licensee acknowledges that Company may also impose prohibitions on Licensee posting or blogging of comments about Company, the Licensed Restaurant or the Pizza Ranch® system. The foregoing prohibition includes personal blogs, common social networks like Facebook, Instagram, TikTok, Twitter, Snapchat and Pinterest; professional networks, business profiles or online review or opinion sites like LinkedIn, Google Business Profile or Yelp; live-blogging tools like Twitter and Snapchat; virtual worlds, metaverse, file, audio and video-sharing sites, and other similar social networking or media sites or tools.

- 9.8. Licensee shall make all payments under this Agreement or any other agreement between Licensee and Company or Licensee and any affiliate of Company, as and when required. Licensee shall also make timely payments of all of Licensee's obligations to Licensee's suppliers, vendors, lenders, landlords, team members, taxing authorities and others in connection with Licensee's operation of the Licensed Restaurant. Failure to comply with this Section shall be a default of this Agreement.

10. Taxes, Permits, and Indebtedness:

- 10.1. Licensee must promptly pay when due all taxes levied or assessed including, without limitation, unemployment and sales taxes and all accounts and other indebtedness of every kind to public and private entities incurred by Licensee in the conduct of the business of the Licensed Restaurant.
- 10.2. Licensee must comply with all federal, state and local laws, rules and regulations, including but not limited to compliance with all laws pertaining to the Restaurant including all health, food safety, environmental, sanitation, payment card industry data security standards laws, labor and employment laws, and Occupational Safety and Health Administration laws. Licensee shall operate and maintain the Licensed Restaurant in strict compliance with all fire, safety and building codes, the American with Disabilities Act, and other requirements that may be prescribed by Company or by public authority. Licensee is exclusively responsible for the full knowledge and application of all employment laws, such as Title VII of the Civil Rights Act, Family and Medical Leave Act, Consolidated Omnibus Budget Reconciliation Act, Fair Labor Standards Act, all federal and state or provincial wage and hour laws, workers' compensation, Internal Revenue Code, Immigration Law, and all other federal and state employment laws. Licensee is also responsible for the full knowledge and application of all federal, state and local data and consumer privacy laws and security laws, such as the Gramm-Leach-Bliley Act, the Fair Credit Reporting Act, the Telephone Consumer Protection Act, the Fair and Accurate Credit Transactions Act, the National Automated Clearinghouse Association, and all related and associated regulations, as well as any other applicable federal, state and local laws related to privacy, data security, data protection, direct marketing, consumer protection, and workplace privacy laws, along with the rules requirements, and regulations of any applicable jurisdiction, state data breach

notification laws, information security requirements, and all similar federal, state, and local laws and all applicable industry standards concerning privacy, confidentiality, and data security.

11. Restaurant Maintenance and Refurbishing:

11.1. Licensee must make no substantial alterations, additions or changes in the exterior or interior design or arrangement of counters, fixtures, equipment, signage or other fixed or movable items without the prior written consent of Company.

11.2. The Licensed Restaurant must be kept in a clean, sanitary and attractive condition and must comply with Company's high standards of sanitation, cleanliness and neatness as set forth in the Manuals. All equipment and furnishings must be kept in good repair and an adequate supply of all products must be kept on hand. The area surrounding the exterior of the Licensed Restaurant, including the parking lot and approaches, must be kept clean and in good repair. Licensee must promptly replace any equipment that becomes obsolete or beyond reasonable repair or inefficient with equipment of the same design and quality specified in the Manuals at the time of such replacement.

11.3. Company may give written notice of any deficiency in the appearance or equipment of the Licensed Restaurant and Licensee must diligently correct the deficiency as soon as possible. A deficiency may include, but not be limited to:

11.3.1. Replacement of worn out or obsolete equipment, fixtures, furniture or signs;

11.3.2. The substitution or addition of new or improved interior or exterior equipment, fixtures, furniture or signs;

11.3.3. Redecorating; or

11.3.4. Repair of the interior and exterior of the premises and repair and resurfacing of parking facilities.

11.3.5. If Licensee fails to correct the deficiency within a reasonable time, Company will have the right, but not the obligation, to correct the deficiency and Licensee will reimburse Company for all costs incurred, including a fee for the time of any of Company's personnel or agents or representatives.

11.4. In the event the Licensed Restaurant is damaged or destroyed by fire or any other casualty, Licensee must, within 30 days thereof, initiate such repairs or reconstruction and continue until completed. Within 6 months after the casualty, Licensee must complete restoration of the Licensed Restaurant to its original condition prior to the casualty.

12. Inspection of the Licensed Restaurant: Company will have the right to inspect the Licensed Restaurant and all aspects of the operation of the Franchised Restaurant, including for the quality of the finished Food Products, service and cleanliness of the Licensed Restaurant, and any and all equipment, Food Products and food ingredients located therein in order to assure itself that the provisions of this Agreement and the Manuals are being observed. Licensee must permit Company's authorized representatives at any and all times during regular business hours and without notice, to enter the Licensed Restaurant for such purpose. These inspections will be made

at Company's expense, unless additional inspections are required in connection with Licensee's material failure to comply with this Agreement. In such event, Company will have the right to charge Licensee a re-inspection fee (in the then-current amount set forth in Company's Manuals) plus Company's costs of making additional inspections in connection with Licensee's failure to comply, including, without limitation, all travel expenses of Company's or its authorized representative's personnel. If Company or its authorized representatives give Licensee notice of any deficiency detected during an inspection, Licensee must diligently correct the deficiency as soon as possible. Licensee must allow Company or Company's authorized representatives to make extracts from or copies of any of Licensee's business records and to take samples of any products sold at the Licensed Restaurant and immediately remove any unauthorized products without any payment or other liability to Licensee. Licensee will allow Company or Company's authorized representatives to take photographs, videos or any electronic record of the Licensed Restaurant and to interview and otherwise communicate with team members and customers. Company will have the exclusive right to use any photograph, video, electronic record or other material prepared in connection with an inspection and to identify the Licensed Restaurant and Company will not have any obligation to obtain Licensee's authorization, or to compensate Licensee in any manner, in connection with the use of these materials for advertising, training or other purposes.

13. Performance of Licensee's Obligations: If Licensee fails to make any payment or perform any act required by this Agreement, Company may, but will not be obligated to, make such payment or perform such act for the account of and at the expense of Licensee, without notice to or demand upon Licensee and without waiving or releasing any obligation or default. Licensee agrees to indemnify and hold harmless Company from and against all losses and expenses (including but not limited to reasonable attorneys' fees, costs, and expenses, and interest on such fees, costs, and expenses) suffered or incurred by Company by reason of any acts performed by it.

14. Confidentiality:

14.1. Licensee, Principal and Other Owners of Licensee (collectively referred to as "Franchise Owners") acknowledge that they are to receive information in specialized training from Company and during the term of this Agreement, which Company has developed over time and at great expense including but not limited to Proprietary Rights. Franchise Owners further acknowledge that Proprietary Rights are not generally known in the industry and are beyond the Franchise Owners own present skills and experience, and that to develop Proprietary Rights on their own would be expensive, time consuming and difficult. Franchise Owners also acknowledge that Proprietary Rights provide a competitive advantage; that they are valuable to Franchise Owners in the development of their franchise business; and that gaining access to Proprietary Rights is a primary reason for entering into this Agreement.

14.2. In consideration of Company's confidential disclosure of Proprietary Rights, Franchise Owners agree that at no time during the term of this Agreement or at any time thereafter will any of them use Proprietary Rights in connection with any business other than the Licensed Restaurant or disclose any portion of Proprietary Rights whatsoever to any third party except to team members of Licensee as necessary for their training for the operation of the Licensed Restaurant and then only upon taking all necessary steps to maintain the confidentiality of Proprietary Rights and the prevention of further disclosure. Licensee shall not copy or reproduce any documents or materials containing Proprietary Rights. Notwithstanding any other provision of this Agreement, there may be certain, limited



circumstances where applicable law allows for the disclosure of certain Proprietary Rights in limited circumstances, as specified in the Manuals. If Licensee desires additional copies of the Manuals or any portion of the Manuals, Licensee shall request them from Company and pay Company's then current fee.

15. Noncompetition:

15.1. No Unauthorized Use of the Proprietary Rights. Licensee and the designated manager will use best and continuing efforts during the term of this Agreement to promote and develop the business of the Licensed Restaurant. In consideration of the substantial value to Licensee to receive disclosure of and to use the Proprietary Rights, Franchise Owners will not, during the term of this Agreement and for 24 months after the expiration, transfer or termination of this Agreement, regardless of the cause of termination, or after the date on which Licensee ceases to operate the Licensed Restaurant following the expiration, transfer or termination of this Agreement, whichever is later, own, maintain, engage in, be employed by, finance, or have any interest in any restaurant, other than a Restaurant licensed by Company, which uses or duplicates the Proprietary Rights in whole or in part, or is a colorable imitation of a Restaurant, or offer or sell any Pizza Ranch® brand products and/or services or colorable imitations of them, other than in or from the Licensed Restaurant.

15.2. Limited Covenant Against Competitive Activities During Term. During the term of this Agreement, Franchise Owners will not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person or entity:

15.2.1. divert or attempt to divert any business or customer of the Licensed Restaurant, including the FunZone, to any competitor, including a competitor in which the Franchise Owners have a direct or indirect interest;

15.2.2. own, maintain, engage in, be employed by, finance or perform any services in any capacity for any restaurant, pizzeria, sandwich shop or food service operation offering principal menu entrees or items which are the same as or similar to those offered at any Licensed Restaurant, or a game room, arcade or other similar business that offers arcade games and amusement devices that are the same or similar to those offered in a typical FunZone.

15.3. Limited Covenant Against Competitive Activities Post Term. For 24 months after the expiration, transfer or termination of this Agreement, regardless of the cause of termination, or after the date on which Licensee ceases to operate the Licensed Restaurant following the expiration, transfer or termination of this Agreement, whichever is later, Franchise Owners will not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person or entity engage in any of the acts proscribed by Section 15.2, which are incorporated by reference, or otherwise own, maintain, engage in, be employed by, finance or perform any services in any capacity for or have any interest in any restaurant, pizzeria, sandwich shop or food service operation offering principal menu entrees or items which are the same as or similar to those offered at any Restaurant, or any game room, arcade or other similar business that offers arcade games and amusement devices that are the same or similar to those offered at a typical FunZone, at the premises of or within a radius of 10 miles of (i) the Licensed Restaurant, (ii) any

existing Restaurant using the Proprietary Rights or (iii) any proposed Restaurant using the Proprietary Rights.

- 15.4. Company's Reduction in Scope of Covenants. Company has the right to reduce the scope of any of the covenants set forth in this Section 15, without Franchise Owners' consent, effective immediately upon receipt by written notice of Company's election to do so and Franchise Owners will immediately comply with any covenant as so modified.
- 15.5. Court Reduction in Scope of Covenants. If any court or other tribunal having jurisdiction to determine the validity or enforceability of this Section 15 determines that this Section 15, or any part of this Section 15 would be invalid or unenforceable as written, then this Section 15 will be deemed to be modified to the extent or in the manner necessary to be valid and enforceable to the greatest extent possible.
- 15.6. Additional Franchise; Small Ownership of Public Entity. This Section 15 will not prohibit Franchise Owners from operating any other franchise which Company grants, or owning less than a 2% beneficial interest of the outstanding equity securities of any publicly held entity.
- 15.7. Independent Covenants. Each of the covenants above in this Section 15 will be construed as independent of each other and any other covenant or provision of this Agreement.

16. Advertising:

- 16.1. Marketing and Production Fund. Company has established a Marketing and Production Fund to be operated as described below.
  - 16.1.1. The Marketing and Production Fund will be funded with contributions from each Licensee of the Company. All contributions to the Marketing and Production Fund will be used solely for development of sales, advertising materials and public relations for the Licensed Restaurants.
  - 16.1.2. Licensee shall pay Company a monthly Marketing and Production Fund contribution in an amount determined by Company, but not to exceed 5% of the Gross Revenues of the Licensed Restaurant during the preceding month. Payment of this fee will be considered past due if not received by the 10th day of each month. The current contribution is 2.25% of Gross Revenues. Company will give a 6-month written notice to Licensee before increasing this percentage.
  - 16.1.3. Although Company does not profit from the Marketing and Production Fund contributions, Company has no duty to segregate any amounts paid into the Marketing and Production Fund. All Company expenses relating to public relations, advertising and marketing and the production of master copies of advertising, merchandising and promotional materials (including the compensation of Company's team members who render Marketing and Production Fund services) will be paid from the Marketing and Production Fund. Company, in its sole discretion, will determine all content of advertising, merchandising and promotional materials to be produced under the Marketing and Production Fund. Company is not required to produce financial statements of the Marketing and

Production Fund for review or audit by Licensee. Company reserves the right to include a message or statement in any advertisement indicating that franchises are available for purchase and related information.

- 16.2. Cooperative Advertising. Licensee agrees to participate in cooperative advertising with other Licensees of Company under the following procedures.
- 16.2.1. Licensee understands and agrees that cooperative advertising with other licensees, including the use of a professional advertising agency for the development of advertising and marketing programs, is fundamental to the success of all Restaurants. Licensee shall participate with other licensees in cooperative advertising in its market coverage area. Company reserves the right, in its sole discretion exercisable at any time, to establish local or regional advertising cooperatives (“Advertising Cooperatives”) as deemed necessary by Company by notifying in writing Licensees in each market coverage area of the creation of such Advertising Cooperatives.
- 16.2.2. Licensee agrees to be bound by the terms of an Advertising Cooperative Agreement, approved in writing by Company, to be entered into with Company’s other Licensees in the market coverage area.
- 16.2.3. In the event that Licensees in Licensee’s market coverage area cannot reach an agreement as to the terms of an Advertising Cooperative Agreement approved by Company within a reasonable time, Licensee agrees to execute an Advertising Cooperative Agreement recommended by Company.
- 16.2.4. Licensee must participate in its Advertising Cooperative on the basis the voting structure approved by a majority vote of the Cooperative.
- 16.3. Local and Regional Advertising. Licensee must expend for local and regional advertising, marketing, and business promotion the difference between the amounts paid pursuant to Sections 16.1.2 and up to 5% of the Gross Revenue of the Licensed Restaurant for the preceding month. Currently, we require that you spend the difference between the amounts paid pursuant to Sections 16.1.2 and 3% of Gross Revenue of the Licensed Restaurant for the preceding month. We may increase this amount upon 6 months’ notice to you. The advertising will include the items set forth in Section 16.7 below. If Licensee qualifies under an incentive program offered by Company, Company will direct company sponsored funds into the new restaurant marketing program, of which such funds will not count toward any of the required percentage spend as mentioned above.
- 16.4. Promotions. Licensee must participate, at its own expense, in the programs, local, regional or national, relating to sales promotions as may be established by Company, including but not limited to marketing start-up materials, prize contests, sweepstakes, Ranch Rewards, FunZone Rewards for Restaurants with a FunZone, or other company sponsored loyalty programs, coupon programs, posters, give-away items and gift cards. These expenditures, if any, will be in addition to those required in Sections 16.1, 16.2 and 16.3 above.
- 16.5. Advertising Benefit. Licensee acknowledges that the Marketing and Production Fund, local, regional and other advertising and promotions are intended to maximize general

- public recognition and patronage of the Restaurants in the manner determined to be most effective by Company, and that Company undertakes no obligation in developing, implementing or administering these programs to ensure that expenditures which are proportionate or equivalent to Licensee's contributions are made for the market coverage area of the Licensed Restaurant or that any particular Restaurant will benefit directly or pro rata from the placement of advertising or promotions.
- 16.6. Reports. Company may require to be submitted, within 90 days after the end of each fiscal year of Licensee, a report detailing all amounts expended on advertising for such year. If Licensee has not expended the required amounts on advertising pursuant to this Section 16, Licensee must immediately expend such deficient amounts in such manner and over such time period as Company deems necessary.
- 16.7. Definitions of Certain Advertising and Marketing Terms. Licensee agrees that the following terms shall be defined as specified.
- 16.7.1. Advertising and media - the direct costs of media for television, radio, newspaper and print, outdoor (billboard or transit), door hanging, telephone directory advertising, including any Internet based advertising and direct mail, including space or time charges, agency planning, selection, placement and production; the direct costs of in-store materials, including window signs, counter signs and other promotional signs.
- 16.7.2. Promotions - the direct costs of market area efforts to (i) stimulate trade, (ii) increase frequency of purchase or (iii) increase average amounts of purchase, including direct advertising costs and costs incurred for planning and execution of same.
- 16.7.3. Direct out-of-pocket expenses - the directly related expenses incurred by an Advertising Cooperative approved by Company for the cost of advertising and marketing, including postage, shipping, meeting room charges, telephone and photocopying.
- 16.8. Costs Excluded From Advertising and Marketing. Licensee understands and agrees that costs or expenses incurred in connection with any of the following will not satisfy the requirements of Sections 16.1, 16.2 and 16.3 above, and Licensee must not include in its report of the amounts expended on advertising and marketing, any costs or expenses incurred in connection with any of the following:
- 16.8.1. Incentive programs, including the cost of honoring coupons;
- 16.8.2. Market research;
- 16.8.3. Food costs for promotions;
- 16.8.4. Salaries and expenses of any team members of Licensee for attendance at advertising meetings or activities;
- 16.8.5. Contributions or donations;

16.8.6. Publicity expenses;

16.8.7. Seminar and educational costs;

16.8.8. Specialty items (such as clothing, premiums, pins and awards) unless such items are part of a market area advertising program and the cost of such items is not recovered by the promotion; and

16.8.9. Such other items as Company determines in its reasonable discretion in writing.

16.9. Company's Prior Approval; Website and Local Advertising. All advertising and promotions are subject to Company's prior written approval, and will be designed and produced in such a way and in accordance with Company's procedures to protect Company's Proprietary Property. Licensee will not develop, own or operate any website, webpage, domain name, email address or other identification of the Restaurant using the Licensed Marks or otherwise referring to the Licensed Restaurant or the products or services sold at Restaurants (the "Website") without Company's prior written approval. The restrictions on your advertising in this Section include any electronic medium for communication, including websites, webpages, email, texting, blogs and social networking sites. All content of a Website is deemed to be advertising and must comply with the requirements Company establishes for websites in the Manuals or otherwise. If Company requires, you will establish the Website as part of Company's website(s) Company or the Marketing and Production Fund or Company's designee establish. Licensee will establish electronic links to Company's website(s) or any other website Company designates. All local advertising, including electronic or website advertising, must be targeted to Licensee's Territory. Licensee must obtain Company's prior written approval to direct any advertising outside of Licensee's Territory.

17. Indemnification: Licensee agrees, during and after the term of this Agreement, to indemnify and hold Company harmless from all judgments, settlements, fines, suits, proceedings, claims, demands, liabilities, expenses (including reasonable attorneys' fees, costs, and expenses, and interest on such fees, costs and expenses) or actions of any kind or nature, from any person or entity, arising or otherwise connected with Licensee's construction or operation of the Licensed Restaurant, including without limitation Licensee's or Licensee's employee's actions or inaction, whether or not related to or involving Company's negligence or performance or nonperformance of any obligations under this Agreement. If any liability is asserted against Company with respect to which Company is entitled to an indemnity under this section, Company must give Licensee prompt written notice of the assertion of such liability. Licensee must then, if requested by Company, take charge of the disposition of the asserted liability including compromise or the conduct of litigation, at Licensee's expense, including attorneys' fees, costs, and expenses, and any interest on such fees, costs, and expenses (except that any such compromise must require Company's prior approval which will not be unreasonably withheld). If Licensee does not, through counsel satisfactory to Company, take charge of the disposition of the asserted liability if requested, Company may take charge of the disposition of such liability, but any failure by Company to do so will not adversely affect Company's right to indemnity under this section. If Licensee, through counsel satisfactory to Company, takes charge of the disposition of the asserted liability, Company, at its own expense, may retain its own counsel and share in the conduct of any litigation, but any failure by Company to do so will not adversely affect Company's right to indemnity under this section.

18. Insurance Coverages:

- 18.1. During the term of this Agreement and any renewal, Licensee must maintain in full force and effect the following insurance: (i) fire, extended coverage, vandalism and malicious mischief; (ii) comprehensive general liability insurance, including food products liability insurance; (iii) motor vehicle liability insurance (including, but not limited to motor vehicle liability coverage for the operation of motor vehicles not owned by Licensee but used in the business operation of the restaurant by hired team members); (iv) worker's compensation insurance as required by law; and (v) all other insurance required by law (including applicable alcoholic beverage laws) or by Company. All of the foregoing policies of insurance must contain coverages and limits as described by Company from time-to-time in the Manuals.
- 18.2. Each policy must be issued by an insurer reasonably satisfactory to Company, must name Company and Licensee as insureds and must provide that it will not be cancelled without 30 days' prior written notice to Company. The general liability insurance must insure Company, Licensee and the officers and team members of each of them against any liability for personal injury, death or property damage arising or occurring upon or in connection with the Licensed Restaurant or by reason of Licensee's operation upon or occupancy of the Licensed Restaurant, whether the injury occurs or the cause arises on or off the site of the Licensed Restaurant. If Licensee does not use a Company approved insurance plan, a fee will be charged for an outside consultant to review the adequacy of the Licensee's insurance coverage. If Licensee fails to maintain the required insurance, Company has the right, but not the obligation, to obtain the required insurance and charge Licensee for it, together with a fee for Company's expenses, which will be payable immediately upon request.
- 18.3. At least 10 days before the Licensed Restaurant opens, and annually thereafter (at least 10 days before each anniversary date of the opening), Licensee must furnish to Company endorsements or other proof of insurance Company requires evidencing that Licensee has obtained and is maintaining in force all required insurance policies.
- 18.4. Licensee's obligation to obtain and maintain these insurance policies in the amounts specified shall not be limited in any way by reason of any insurance that Company may maintain, nor does Licensee's procurement of required insurance relieve Licensee of liability under the indemnity obligations described in Section 17. Licensee's insurance procurement obligations under this Section are separate and independent of Licensee's indemnity obligations. Company does not represent or warrant that any insurance that Licensee is required to purchase will provide adequate coverage for Licensee. The requirements of insurance specified in this Agreement are for Company's protection. Licensee should consult with its own insurance agents, brokers, attorneys and other insurance advisors to determine the level of insurance protection it needs and desires, in addition to the coverage and limits required by Company.

19. Transfer: This Agreement is subject to the following limitations on transfer:

- 19.1. By Company. This Agreement and the franchise is fully transferable by Company and shall inure to the benefit of any transferee or other legal successor to the interest of Company.

- 19.2. Licensee Assignment to Corporation or Limited Liability Company. Licensee may assign this Agreement to a corporation or a limited liability company that conducts no business other than the Restaurant (or other Pizza Ranch® restaurants under franchise agreements with Company), provided (1) Licensee is the Principal of the Licensed Restaurant; (2) Licensee owns at least 51% of the ownership interest in the corporation or limited liability company; (3) Licensee, Principal and all Other Owners of the assignee entity sign the Guaranty attached as Exhibit 3; (4) Licensee provides Company with 15 days' written notice before the proposed date of assignment of this Agreement to the corporation or limited liability company; and (5) Licensee provides Company with a certified copy of the articles of incorporation, operation agreement, organization documents, or any other documents requested by Company. Licensee will not pay a transfer fee for an assignment under this Section.
- 19.3. By Licensee or Principals. Licensee understands and acknowledges that the rights and duties created by this Agreement are personal to Licensee or its Principals and that Company has granted the franchise in reliance upon the skill aptitude, attitude, business ability and financial capacity of Licensee or its Principals. Accordingly, Licensee and its Principals will not, without the express written consent of Company, assign or otherwise transfer to any person any part of Licensee's interest under this Agreement, the assets of the Licensed Restaurant, or the ownership interests in Licensee if Licensee is a corporation or other entity.
- 19.4. Conditions For Approval of Transfer: If Licensee is in full compliance with this Agreement, Company shall not unreasonably withhold its approval of a transfer, provided that the proposed transferee meets Company's applicable standards for Licensees, and all of the following conditions are met:
- 19.4.1. All obligations of Licensee or its Principals incurred in connection with this Agreement have been assumed by the assignee;
- 19.4.2. Licensee shall have paid such royalty and service fees, advertising contributions, amounts owed for purchases by Licensee from the Company and its affiliates and any other amounts owed to Company or its affiliates which are then due and unpaid;
- 19.4.3. The assignee or at least one of its Principals shall complete the training program required of new Licensees;
- 19.4.4. The assignee and its Principal have executed and agreed to be bound by Company's then-existing Franchise Agreement which shall provide for the same fees, and advertising contributions required and a term equal to the remaining term of this Agreement;
- 19.4.5. The assignee agrees to perform such remodeling, repairs, replacements, redecoration or relocation as Company may require to cause the Licensed Restaurant, equipment, fixtures, furnishings and furniture to conform to the Standard Specifications being used for new or remodeled Restaurants on the transfer date;

- 19.4.6. Licensee gives Company a 60-day advance written notice stating Licensee's intent to assign and provide Company with sufficient information to determine if the proposed assignee meets the Company's applicable standards for licensees;
- 19.4.7. Licensee or the assignee shall have paid a transfer and training fee to the Company in an amount equal to \$10,000, unless such fee is waived by the Company;
- 19.4.8. Licensee and its Principals shall have executed a general release in a form satisfactory to the Company of all claims against Company and its affiliates, officers, directors, team members and agents.
- 19.4.9. Company may expand upon, and provide more details related to, the conditions for transfer and Company's consent as described in this Section 19.4, and may do so in the Manuals or otherwise in writing.
- 19.5. Company's Right of Refusal. If Licensee or its Principals shall at any time decide to sell an interest in this Agreement, the assets of the Licensed Restaurant or an ownership interest in Licensee, Licensee shall first obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and shall submit an exact copy of such offer to Company. Company shall have the right, exercisable by written notice delivered to Licensee within 45 days from the date of delivery of a copy of the offer to the Company, to purchase such interest in this Agreement, the assets of the Licensed Restaurant or such ownership interest in Licensee for the price and on the terms and conditions contained in such offer. If Company does not exercise its right of first refusal, Licensee or its Principals may complete the sale to such purchaser pursuant to and on the terms of such offer, subject to the Company's approval of the purchaser as provided above in this section, provided that if the sale to such purchaser is not completed within 120 days after delivery of such offer to the Company, or there is a material change in the terms of the sale, the Company shall again have the right of first refusal provided. The failure of Company to exercise its rights under this Section 19.5 shall not affect Company's rights to consent to an assignment as set forth in this Section 19 above.
- 19.6. Transfer Upon Death or Incapacity. In the event of death, disability or permanent incapacity of Licensee or its Principals, Company will not unreasonably withhold its consent to the transfer of all of the interest of Licensee to Licensee's spouse or relatives by blood or marriage, whether such transfer is made by will or by law, provided that the requirements of Section 19.3 have been met. In the event Licensee's heirs do not obtain the consent of Company as prescribed, the executor, administrator, conservator or other personal representative of Licensee will have 6 months to dispose of the ownership interest subject, however, to all of the terms and conditions on transfers under this Agreement.
- 19.7. Transfer of Ownership Interest. If Licensee is a corporation, limited liability or other entity, it will be deemed a violation of this section if, without Company's prior written consent, there is a change in or transfer of any ownership interest in Licensee, or Licensee merges or consolidates with any other entity even if Licensee is the surviving entity. If Licensee is a corporation or limited liability company, the stock certificates or membership interests of Licensee must bear an appropriate, conspicuous legend substantially as follows: "The transfer of this stock [membership interest] is subject to the terms and conditions of a Franchise Agreement between Pizza Ranch, Inc. and the corporation [limited liability



company] dated \_\_\_\_\_, 20\_\_\_\_. Reference is made to the Franchise Agreement and to the Articles of Incorporation and Bylaws of this corporation [Certificate of Organization and Operating Agreement of this limited liability company].” The Articles of Incorporation and Bylaws of the corporation or Certificate of Organization and Operating Agreement of the limited liability should contain language to reflect the transfer restrictions set out in this section. Licensee will provide copies of the entity’s governing documents to evidence compliance with these requirements.

20. Restaurant Training Program:

20.1. Licensee Training. After signing this Agreement and upon Company’s reasonable request, Licensee, Principal or General Manager; Assistant General Manager; Kitchen Managers (2); and a Guest Services Manager (a total of 5 individuals), must attend and satisfactorily complete Company’s initial training program which will consist, among other things of a training period of approximately 6 weeks for the General Manager and the Assistant General Manager and approximately 3 weeks for the Kitchen Managers and Guest Services Manager at a Restaurant location or other location designated by Company. Company reserves the right to review Company’s training program and revise the length, content, location and manner of delivery as Company finds appropriate. Company will provide Company’s initial training program in effect at the time of training. Company may provide all or a portion of the classes via Intranet, webinar or other form of electronic communication. The training periods may be shortened at the discretion of Company depending on the prior restaurant experience and experience of the individuals attending training. Licensee, its Principal or General Manager; Assistant General Manager; Kitchen Managers; and a Guest Services Manager will be expected to learn how each job in the Licensed Restaurant is performed as well as general principles of running a business. In addition to the training described above, at Company’s sole discretion, the Principal must complete sufficient training to be fully versed in all aspects of Company’s concept and system. If Company must train a new operating Licensee or operating Principal or General Manager, Assistant General Manager; Kitchen Managers, or Guest Services Manager during the term of this Agreement, and Company provides this training at a “Certified Training Restaurant” or some other location designed by Company (other than the Licensed Restaurant), Licensee will pay Company a non-refundable additional training fee for each manager (currently \$1,500 for Kitchen Managers and Guest Service Managers, and \$3,000 for General Managers or Assistant General Managers, but subject to change by Company). This additional training fee is due to Company before any of its managers attend the initial training program. However, if Company provides this training at the Licensed Restaurant, Licensee must pay Company a non-refundable additional training fee (currently \$200/per day, but subject to change by Company), plus the travel and living expenses for each of Company’s personnel providing the training. In addition to any training fee and regardless of where the training takes place, Licensee is required pay the training materials fee described in Section 3.4 for each training attendee. In addition, Licensee will be responsible for all other expenses of the Licensee, Principal, or General Manager; Assistant General Manager; Kitchen Managers and Guest Services Manager associated with attendance at the initial training program, including without limitation all travel and living expenses.

- 20.2. Restaurant Operation By Trained Personnel. Licensee must, at all times that the Licensed Restaurant is open, maintain at least 1 individual present in the Restaurant and actively engaged in the operation of the Licensed Restaurant who has been trained by Licensee or by Company. If Company is requested to train any team member of Licensee to comply with the obligations of this paragraph (other than the initial operating Licensee, Principal or General Manager; Assistant General Manager; Kitchen Managers or Guest Services Manager), Licensee must pay to Company a non-refundable training fee (currently \$200/per day, but subject to change by Company), plus the travel and living expenses for each of Company's personnel providing this training. Licensee will also pay any travel and living expenses incurred by its team members. In addition, Company may, in its sole discretion and as it may deem appropriate in any specific instance, require that additional individuals be trained for the Licensed Restaurant.
- 20.3. Restaurant Training of Other Personnel. All personnel of Licensee must be trained by Licensee, Principal or General Manager of the Licensed Restaurant in accordance with the training guidelines contained in the Manuals. This on-the-job training must be completed no later than 2 weeks following the initial date of employment.
- 20.4. Supplemental Restaurant Training. Company may also, at Licensee's request or at Company's option, require Licensee, Principal, Manager or additional individuals to attend supplemental or additional training programs, at such locations and times as determined by Company, in its reasonable discretion, which may be offered from time to time by Company during the term of this Agreement. Company may provide all or a portion of any additional training program via Intranet, webinar or other form of electronic communication. In the event this training is required as a supplement to Company's initial training program or to assist Licensee to operate the Licensed Restaurant in compliance with the Manuals and is conducted at the Licensed Restaurant, Licensee agrees to pay Company a non-refundable training fee (currently \$200/per day, but subject to change by Company), plus the travel and living expenses for each of Company's personnel providing this training. Licensee will also pay any travel and living expenses incurred by its team members.
- 20.5. Restaurant Training Aids. Licensee must purchase, at a reasonable cost, all training aids which Company may from time-to-time require, including but not limited to films, video tapes, DVDs or other electronic media and printed materials including online Pizza Ranch University fees for team member-level training.

21. Delivery Service:

- 21.1. Licensee agrees that it will provide a timely and safe delivery service at all times during approved hours of operation at the time of the Licensed Restaurant opening.
- 21.2. In providing delivery service, Licensee must maintain Company's commitment to quality, safety and service, must take into consideration the least favorable driving conditions, must comply strictly with all laws, regulations and rules of the road and must exercise due care and caution in the operation of the delivery vehicles. Licensee may exclude an area of their Territory from delivery services only if it has legitimate and reasonable concerns regarding employee safety, and those concerns are supported by verifiable third-party information, such as crime statistics published by local authorities. Licensee must follow all delivery

standards and specifications, as described in the Company's Manuals. Licensee acknowledges that one or more franchisees (or Company owned restaurants) have the right to deliver and cater in the Territory.

21.3. Licensee must offer online ordering via our approved vendor.

22. Default and Specific Performance:

22.1. Immediate Termination. Upon the occurrence of any one or more of the events of default set forth below, Company may, at its option, give Licensee a notice of termination of this Agreement stating the event of default and upon the giving of such notice this Agreement will immediately terminate:

22.1.1. Licensee fails to have the Licensed Restaurant opened within the time period set forth in Section 1.2 above which has been constructed in every material regard in accordance with the contract and construction documents previously approved in writing by Company.

22.1.2. Licensee or Principal gives a voluntary petition or application under the Bankruptcy Code or any state insolvency or similar law seeking to be adjudicated a bankrupt or insolvent, seeking a corporate reorganization, if Licensee is a corporation, or seeking other relief under the Bankruptcy Code or any state insolvency or similar law; or any other person files a petition or application seeking to have the Licensee or Principal adjudicated a bankrupt or insolvent, or if Licensee is a corporation, for corporate reorganization, or seeking other relief against the Licensee or Principal under the Bankruptcy Code or any state insolvency or similar law, and the petition or application is not dismissed within 45 days after it is filed.

22.1.3. Licensee or Principal makes an assignment for the benefit of creditors.

22.1.4. A levy of execution is made upon the license granted hereunder.

22.1.5. Licensee or Principal makes a material misrepresentation or omission in connection with the application for the franchise or any renewal, relocation or transfer, or any of representations and warranties do not remain true throughout the term of this Agreement, including any representations regarding financial status and representations under Section 32.3.

22.1.6. Licensee, Principal or any franchise owner breaches any of the covenants set forth in Sections 14 or 15.

22.1.7. Licensee, Principal or any Other Owner is convicted of a felony, is convicted of a violation of any law which provides for criminal penalties or commits any act of moral turpitude, which in each case may impair the good will or affect the reputation associated with the Licensed Restaurant, the Restaurants or the Licensed Marks.

22.1.8. The Licensed Restaurant is closed or its business restricted or suspended, for any 3 consecutive days by any city, county, state or other governmental authority for any

violation of any health, food preparation or alcoholic beverage license, law, ordinance, code or standard.

22.1.9. Licensee ceases to occupy the premises in which the Licensed Restaurant is located; or Licensee has its lease terminated, mortgage foreclosed resulting in loss of possession, or has a material amount of equipment removed by reason of its failure to pay a rental or mortgage payment or for any other cause.

22.1.10. Licensee fails to operate the Licensed Restaurant actively for a period of more than 7 consecutive days for any reason other than a labor dispute, natural disaster or casualty which renders the Licensed Restaurant inoperable, or Licensee ceases operating the Licensed Restaurant and informs Company that it does not intend to operate the Licensed Restaurant any further.

22.2. Termination Upon Failure to Cure. Upon the occurrence of any one or more of the events of default set forth below, and upon Licensee's failure to cure said event of default within 30 days after the Company sends written notice stating the event of default, Company may at its option terminate this Agreement by giving written notice to Licensee, and this Agreement will then immediately terminate. Licensee shall have only 2 opportunities to cure, as to any or all of the events of default listed below in this Section 22.2, in any successive 12-month period, and upon the third event of default in any successive 12-month period, Licensee shall have no right to cure. Each notice sent by Company providing the opportunity to cure one or more events of default listed in this Section 22.2 shall constitute one opportunity to cure for the purpose of this Section; provided, however, that nothing shall limit the number, frequency, or contents of notices Company may send for any or all of the events of default listed below in this Section 22.2. Company reserves the right, in its sole discretion, to determine whether or how Licensee may cure any of the events of default listed below in this Section 22.2 to Company's satisfaction, including the right to determine that an event of default cannot be cured due to its historical or completed nature or because it goes to the essence of the parties' relationship. In the event Company determines, in its sole discretion, that any of the following events of default listed below in this Section 22.2 cannot be remedied due to their past or completed nature, Company may allow Licensee to cure such default by causing it not to occur again within 30 days after Company sends written notice stating the event of default, and if such default does occur again during that time, then Licensee shall have failed to cure it. For purposes of this Section 22.2, the following will be considered events of default:

22.2.1. Licensee or Principal, or any person acting on their behalf, fails to pay promptly when due any royalty or other sum required to be paid under this Agreement or any other agreement between Company or a parent, subsidiary or other affiliate of Company, and Licensee or Principal relating to the Licensed Restaurant.

22.2.2. Licensee or Principal fails to comply with any one or more of the material requirements, obligations or other provisions of this Agreement (not governed by Section 22.1 above), or fails to comply with any material obligation or required performance stated in the Manuals which have been sent by Company to Licensee.

- 22.2.3. Licensee or Principal violates or fails to use its best efforts to comply with any law relating to the maintenance or operation of the Licensed Restaurant (not governed by Section 22.1 above).
- 22.2.4. The Licensed Restaurant is rendered inoperable by casualty and Licensee fails to restore such restaurant to full operation within a period of 6 months after the date of the casualty; provided that this time period may be extended due to *force majeure*.
- 22.2.5. Licensee makes an assignment or transfer of the license granted hereunder, or any franchise owner makes an assignment or transfer of any ownership interest in Licensee not permitted herein, without the prior written consent of Company.
- 22.2.6. Licensee submits any written report or statement which understates the Gross Revenues from the restaurant for any monthly period by more than 2%.
- 22.2.7. Licensee, in the sole discretion of Company, fails to meet the high standards of quality and service required of it and by the Manuals, including the satisfactory completion of initial training.
- 22.3. Specific Performance. Notwithstanding anything provided in Section 22 above, Licensees acknowledge and agree that in the event of a breach of the covenants of Sections 4, 5, 14, 15, or 23, Company is without an adequate remedy at law, and in such event the covenants of Sections 4, 5, 14, 15 and 23 will be enforceable by Company by specific performance and injunctive relief without the need to show actual or threatened harm or to post a bond or other security. If any court of record finally adjudicates that the obligations provided for in any such Section are unreasonable or otherwise inappropriate, the obligation will be modified to whatever extent the court deems reasonable and appropriate and such obligation will be enforced as modified. Licensees will be liable to Company for all expenses reasonably incurred in obtaining such relief, including the costs of investigation and proof of facts, court costs and attorneys' fees, costs, and expenses (and interest). This remedy will be in addition to any other remedies Company may have under this Agreement, including the right to terminate this Agreement.
- 22.4. Default Relating to Territorial Rights. If Licensee, at any time during this Agreement, fails or ceases to service its Territory, including through its delivery service, in a manner satisfactory to Company it is a breach of this Agreement. In such case, Company will send Licensee written notice of the breach setting forth the act(s) or omission(s) resulting in the breach and a time period during which Licensee can cure.
- 22.5. Licensee's Right to Terminate. If prior to the commencement of construction, finish-out, or remodeling of the Licensed Restaurant of Licensee's approved site, Licensee reasonably determines that construction of the Licensed Restaurant is not economically feasible, Licensee may terminate this Agreement by written notice to Company. Once construction, finish-out, or remodeling of the Licensed Restaurant has begun, Licensee no longer has any right to terminate this Agreement.

23. Obligations Upon Termination of Agreement:

23.1. Upon the termination or expiration of this Agreement, regardless of the cause, all rights granted to Licensee will terminate and

23.1.1. Licensee must immediately cease to operate the Licensed Restaurant under this Agreement and must not thereafter, either directly or indirectly, represent itself to the public or hold itself out as a present or former Licensee of Company;

23.1.2. Licensee must, at Company's option, assign to Company or Company's designee all of Licensee's interest in any lease then in effect for the premises of the Licensed Restaurant, and Company will notify Licensee, to whom such interest is to be assigned, within 30 days after the termination or expiration of this Agreement. If the premises of the Licensed Restaurant are owned by Licensee or an affiliate, and this Agreement is terminated or expires, Company shall have the right to require Licensee or its affiliate, as applicable, to promptly enter into a lease with Company or Company's designee for the premises of the Licensed Restaurant, which lease shall be on commercially reasonable terms, including then-current market rates, and shall be for a term of 10 years, unless the parties to the proposed lease agree otherwise;

23.1.3. Licensee must immediately and permanently cease to use, by advertising or in any manner whatsoever, any confidential methods, procedures and techniques associated with Proprietary Rights, including, without limitation, any written materials provided to Licensee by Company, the Licensed Mark and any other proprietary marks and distinctive slogans, signs, or logos associated with Company. In particular, Licensee must cease to use, without limitation, all signs, advertising materials, stationery, forms, paper products, and any other articles which display the proprietary marks;

23.1.4. Licensee must immediately cease to use any telephone numbers, post office box, and any other business listings used by Licensee in the Licensed Restaurant. In the event that Company requires Licensee to assign its lease pursuant to this Section 23, Licensee must execute such documents and do such other acts as may be necessary to permit Company or its designee, at Company's option, to assume the telephone number and listing, receive mail, and otherwise commence operations immediately at the location of the Licensed Restaurant;

23.1.5. In the event that Licensee is permitted to and does remain in business at the premises of the Licensed Restaurant, Licensee must make such modifications or alterations to the premises (including without limitation, obtaining a new telephone number) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of the premises from that of any other premises of other Restaurant, and must make such specific additional changes as Company may reasonably request for that purpose so that the premises are completely de-identified with the Pizza Ranch® franchise system to Company's satisfaction;

In the event the Licensee ceases to conduct business on the premises for any reason, Licensee must, upon the cessation of business, make sufficient alterations to the premises immediately to distinguish the appearance of the premises from that of any other premises licensed by Company, so that the premises are completely de-identified with the Pizza Ranch® franchise system to Company's satisfaction. This must include, but in no way be limited to, taking down all signage bearing any proprietary marks of Company;

In the event that Licensee fails or refuses to comply with the requirements of this Section 23, Company will have the right to enter upon the premises where Licensee's franchised business was conducted without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at the expense of Licensee, which expense Licensee agrees to pay upon demand, and Licensee hereby consents to any such entry;

- 23.1.6. Licensee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of Licensed Marks, either in connection with such other business or in the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute Company's exclusive rights in and to the Licensed Marks, and further agrees not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with Company or its system.
- 23.1.7. Licensee must pay upon demand all sums owing to Company. In the event of termination for any default of Licensee, such sums will include all damages, costs, and expenses, including reasonable attorneys' fees, costs, and expenses (and interest) incurred by Company as a result of the default and termination, which obligation will give rise to and remain, until paid in full, a lien in favor of Company against any and all of the personal property, fixtures, equipment and inventory owned by Licensee at the premises used for the Licensed Restaurant at the time of default.
- 23.1.8. Licensee must pay to Company all damages, costs, and expenses including reasonable attorneys' fees, costs, and expenses (and interest) incurred by Company subsequent to the termination or expiration of this Agreement granted in obtaining injunctive or other relief for the enforcement of any provision of this Section 23.
- 23.1.9. Licensee must immediately turn over to Company the Manuals, all other manuals, confidential or proprietary software or related documentation provided to Licensee by Company, all records, files, instructions, correspondence, and brochures, and all other materials relating to the operation of the Licensed Restaurant in Licensee's possession, custody or control, and all copies thereof, (all of which are acknowledged to be Company's property), and retain no copy or record of the foregoing, excepting only Licensee's copy of this Agreement and of any correspondence between the parties and any other documents which Licensee reasonably needs for compliance with any provision of law.

- 23.1.10. Immediately upon termination or expiration, Licensee and Company will arrange for an inventory to be made, at Licensee's cost and expense, of all inventory, supplies, fixtures and equipment of Licensee related to the operation of the Licensed Restaurant. Company will have the right (but not the obligation) to exercise by notice of intent to do so within 30 days after termination or expiration, to purchase for cash any or all equipment, supplies, inventory, signs, advertising materials, and items bearing Licensed Marks, at the lesser of Licensee's cost or fair market value (less the amount of any outstanding liens or encumbrances). If the parties cannot agree on fair market value within a reasonable time, a qualified independent appraiser will be designated by the parties, and his determination will be binding. If the parties are unable to agree upon an independent appraiser, each party must designate a qualified independent appraiser and the fair market value will be the average of the 2 determinations thereof by the 2 independent appraisers. If Company elects to exercise any option to purchase herein provided, it will have the right to set off all amounts due from Licensee and the cost of the appraisal, if any, against any payment. Each party will bear the cost of the appraiser it appoints; the parties will share equally the cost of any independent appraiser they mutually appoint. Licensee will cease use of all of Company's proprietary products.
- 23.1.11. Licensee must take such action as may be necessary to cancel any assumed or fictitious name or equivalent registration which contains the mark "Pizza Ranch<sup>®</sup>" or any other Licensed Mark of Company, and Licensee must furnish Company with evidence satisfactory to Company of compliance with this obligation within 10 days after termination or expiration of this Agreement.
- 23.1.12. Licensee must comply with all provisions of this Agreement which explicitly or implicitly concern Licensee's obligations after termination, including without limitation, the covenants contained in Sections 4, 5, 14, 15 and 23 of this Agreement.
- 23.1.13. All covenants, obligations and agreements of Licensee which by their terms or by reasonable implication are to be performed, in whole or in part, after the termination or expiration of this Agreement, will survive such termination or expiration.
24. Term of Agreement: Unless terminated under other provisions, this Agreement will be effective and binding from the date of its execution and will expire 10 years from the date on which the Licensed Restaurant is first opened for business under the terms of this Agreement; but the term of this Agreement will be and remain subject to a renewal as set forth in Section 25. Company may prepare and deliver to Licensee a certificate in order to memorialize the date on which the Licensed Restaurant first opened for business and the resulting expiration date of this Agreement. Licensee will sign and return the requested certificate within 14 days after request. If Licensee fails to sign and return the certificate within the 14-day period, Licensee will be conclusively deemed to have agreed that the information in the certificate is accurate and Licensee will have waived any right to object to the accuracy of the information unless Company has, during the 14-day period, received written notice from Licensee objecting to the information and describing in detail Licensee's reasons for so objecting.



25. Renewal of Franchise: Upon the expiration of the initial term of this Agreement, Licensee will have 2 renewal options to extend the license, each for an additional period of 10 years upon the following terms and conditions for each such period:
- 25.1. Neither Licensee or Principal are in default of any of the material terms and conditions in this Agreement, in the Manuals or any terms, conditions or covenants of any other agreements between Company and Licensee and Licensee or Principal;
  - 25.2. Licensee and Principal must not have had more than an aggregate of 10 events of material default occur over the term of this Agreement, nor more than 3 events of material default occur within the last 2 years of the term of this Agreement;
  - 25.3. Licensee and Principal must attend and satisfactorily complete such retraining or refresher training program as Company may reasonably require, in its sole discretion, at such time and place prior to the expiration of this Agreement as Company may reasonably designate;
  - 25.4. Licensee performs such remodeling, repairs, replacements, redecoration or relocation as Company may require to cause the Licensed Restaurant, equipment, fixtures, furnishings and furniture to conform to the Standard Specifications being used for new or remodeled Restaurants on the renewal date;
  - 25.5. Licensee and Principal execute then-current standard Franchise Agreement being used by Company, which may include materially different terms and may modify the Territory in the event of population or geographic changes within the market where the Restaurant is located;
  - 25.6. Licensee and Principal sign Company's then current release of claims form; and
  - 25.7. Licensee pays to Company a renewal fee of \$2,500, which payment is due in full on or before the renewal date. Licensee will be invoiced for this amount, and if not paid in 30 days, Company has the right to debit Licensee's bank account for this amount.
26. Name Conflict:
- 26.1. Licensee shall promptly notify Company of any unauthorized use of the Licensed Marks or other Proprietary Rights or of any colorable imitation of the Licensed Marks or other Proprietary Rights. Licensee shall also cooperate in the prosecution or defense of any action Company undertakes related to the Licensed Marks or other Proprietary Rights and will render any assistance Company thinks is reasonably required to assist in this prosecution or defense, at Company's expense (except the cost of your separate counsel), unless the action is due to Licensee's conduct, acts or omissions. Company shall take reasonable efforts to protect and defend the Licensed Marks.
  - 26.2. From time to time Company may, through changes in the Manuals or by other notice to Licensee, change, add or cease to use any of the Licensed Marks applicable to the operation of the Licensed Restaurant and may require Licensee to change the name of the Licensed Restaurant to a name of Company's choice by giving Licensee a 60-day written notice of such name change. Licensee shall take all actions, at Licensee's expense, to implement these changes by the date or dates Company directs.

27. Dispute Resolution:

- 27.1. Governing Law. This Agreement takes effect when accepted and executed by Company in Iowa. This Agreement will be construed under the laws of the State of Iowa and any dispute between the parties will be governed by and determined in accordance with the substantive law of the State of Iowa, which laws will prevail in the event of any conflict of law; except Licensee, Principal and Other Owners of Licensee will not be entitled to any rights under any franchise registration or disclosure law or any franchise relationship law of the State of Iowa unless the Licensed Restaurant is located in the State of Iowa or the jurisdictional requirement of the law is otherwise met without reference to the choice of law provision in this Section. If Company moves its corporate headquarters, Company will have the option of determining that the substantive law of the state to which Company moves will replace all references to Iowa law in this Agreement, or of continuing to have Iowa law apply. If Company chooses to have the law of the new state apply, Company will notify all franchisees within 6 months of Company's move, and the chosen law will apply to all franchisees; except any franchise registration or disclosure law or any franchise relationship law of the new state will only apply where the jurisdictional requirements of the law are otherwise met.
- 27.2. Forum. Licensee, Principal and Other Owners of Licensee acknowledge that they have and will continue to develop a substantial and continuing relationship with Company at Company's offices in the State of Iowa, where Company's decision-making authority is vested and franchise operations are conducted and supervised. Except for Company's right to obtain injunctive relief in any appropriate forum, any action arising out of or relating to this Agreement will be commenced, conducted and concluded only in a state or federal court of general jurisdiction in the State of Iowa for the district or county in which Company's headquarters are then located, unless otherwise not allowed by the state law in which the Licensed Restaurant is located. Licensee, Principal and Other Owners of Licensee irrevocably submit to the jurisdiction of these courts, waive any objection they may have to either the jurisdiction or venue of these courts and agree not to argue that these courts are inconvenient forums. If Company moves its corporate headquarters, Licensee, Principal and Other Owners of Licensee acknowledge that they will have a substantial and continuing relationship with Company in the state to which Company moves and that any references to Iowa in this Section will be deemed to be references to the new state.
- 27.3. Injunctive Relief; Declaratory Relief. Notwithstanding the above, nothing in this Agreement will prevent Company from obtaining injunctive relief from a court of competent jurisdiction for Licensee's, Principal's and Other Owners of Licensee's unauthorized use of Company's trademark, or for violation of any of the covenants of Sections 4, 5, 14, 15, 19 and 23 of this Agreement, without the need to show actual or threatened harm or to post a bond or other security, nor will Company be obligated to pursue any informal resolution of these claims before seeking injunctive relief. Licensee, Principal and Other Owners of Licensee will be liable to Company for all expenses reasonably incurred in obtaining such relief, including the costs of investigation and proof of facts, court costs and attorneys' fees, costs, and expenses (and interest). This remedy will be in addition to any other remedies Company may have under this Agreement, including the right to terminate this Agreement.

- 27.4. **NO CLASS PROCEEDINGS.** LICENSEE, PRINCIPAL AND OTHER OWNERS OF LICENSEE AGREE TO LITIGATE EACH DISPUTE WITH COMPANY ON AN INDIVIDUAL BASIS. LICENSEE, PRINCIPAL AND OTHER OWNERS OF LICENSEE WILL NOT CONSOLIDATE ANY DISPUTE WITH A CLAIM OF ANY OTHER FRANCHISEE, INDIVIDUAL, OR ENTITY, AND WILL NOT PURSUE ANY CLASS CLAIMS IN ANY MEDIATION, ARBITRATION, OR LITIGATION FORUM THAT ARISE OUT OF OR RELATE TO THIS AGREEMENT.
- 27.5. **ONLY THE COMPANY ENTITY HAS ANY LIABILITY.** LICENSEE, PRINCIPAL AND OTHER OWNERS OF LICENSEE MAY SEEK DAMAGES UNDER THIS AGREEMENT OR ANY REMEDY UNDER LAW OR EQUITY ONLY AGAINST COMPANY'S BUSINESS ENTITY. LICENSEE, PRINCIPAL AND OTHER OWNERS OF LICENSEE AGREE THAT COMPANY'S AFFILIATES AND COMPANY'S AND COMPANY'S AFFILIATES' RESPECTIVE OFFICERS, DIRECTORS, MANAGERS, MEMBERS, LIMITED PARTNERS, GENERAL PARTNERS, SHAREHOLDERS, INDEPENDENT CONTRACTORS AND TEAM MEMBERS WILL NOT BE LIABLE AND MAY NOT BE NAMED AS A PARTY IN ANY LITIGATION, ARBITRATION OR OTHER PROCEEDING COMMENCED BY LICENSEE, PRINCIPAL AND OTHER OWNERS OF LICENSEE IF THE CLAIM ARISES OUT OF OR RELATES TO THIS AGREEMENT. LICENSEE, PRINCIPAL AND OTHER OWNERS OF LICENSEE FURTHER AGREE THAT ALL OF THE FOREGOING PARTIES ARE INTENDED BENEFICIARIES OF THIS CLAUSE.
- 27.6. **NO PUNITIVE, EXEMPLARY, SPECIAL OR CONSEQUENTIAL DAMAGES.** A COURT MAY AWARD INJUNCTIVE RELIEF AS WELL AS DAMAGES, BUT WILL HAVE NO AUTHORITY TO AWARD PUNITIVE, EXEMPLARY, SPECIAL OR CONSEQUENTIAL DAMAGES.
- 27.7. **JURY TRIAL WAIVER.** COMPANY AND LICENSEE, PRINCIPAL AND OTHER OWNERS OF LICENSEE, RESPECTIVELY, WAIVE ANY RIGHT COMPANY, LICENSEE, PRINCIPAL AND OTHER OWNERS OF LICENSEE MIGHT HAVE TO TRIAL BY JURY ON ANY AND ALL CLAIMS ASSERTED AGAINST THE OTHER. COMPANY AND LICENSEE, PRINCIPAL AND OTHER OWNERS OF LICENSEE, RESPECTIVELY, EACH ACKNOWLEDGE THAT COMPANY AND LICENSEE, PRINCIPAL AND OTHER OWNERS OF LICENSEE, RESPECTIVELY HAVE HAD A FULL OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL CONCERNING THIS WAIVER, AND THAT THIS WAIVER IS INFORMED, VOLUNTARY, INTENTIONAL AND NOT THE RESULT OF UNEQUAL BARGAINING POWER.
- 27.8. **Survival.** Licensee and Company acknowledge and agree that this Section 27 shall survive the termination or expiration of this Agreement.

28. **Notices and Addresses:**

- 28.1. **Notice.** Any notice or other communication required under this Agreement will be in writing and may be personally delivered or delivered by a nationally recognized overnight

courier service or mailed by registered or certified mail. Notices will be sent to the parties at their respective addresses listed below unless a different address has been designated in writing. Notices will become effective upon receipt except any notice by certified or registered mail is deemed to have been given at the date and time of mailing with adequate postage paid.

28.2. Mailing Addresses.

28.2.1. Company's and Licensee's initial designated mailing addresses are the following addresses:

Pizza Ranch, Inc.  
Attn.: President  
204 19<sup>th</sup> Street SE  
Orange City, Iowa 51041

Licensee

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Principal/Other Owners of Licensee

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28.2.2. Company and Licensee, Principal and Other Owners of Licensee may from time to time change their respective designated mailing addresses by an express written notice of such change given by one to the other at its then most recently designated mailing address.

29. Guaranty of Payment. The Principal, and Other Owners of Licensee joining in the execution of this Agreement, jointly and severally, guarantee the payment of Licensee of all indebtedness of any kind of Licensee to Company and agree to sign the guaranty included in **Exhibit 3** to this Agreement ("Guaranty Agreement"). This guaranty shall not be affected by any forbearance of extension that Company may grant Licensee.
30. Severability of Provisions. Should any provision of this Agreement be for any reason held invalid, illegal or unenforceable, that provision shall be deemed restricted in application to the extent required to render it valid, and the remainder of this Agreement shall in no way be affected and shall remain valid and enforceable for all purposes. If any applicable law or rule of any jurisdiction requires a greater notice of the termination of or election not to renew this Agreement, or the taking of some other action with respect to the termination or election not to renew than is required in this Agreement, the prior notice or other action required by law or rule will be substituted for the notice of other action required in this Agreement.
31. Whole Agreement; Amendments. This Agreement and any attachments constitute the complete and integrated agreement between the parties concerning the subject matter of this Agreement and supersede all prior agreements; no other representations have induced Licensee, Principal and Other Owners of Licensee to execute this Agreement except Licensee, Principal and Other Owners may rely on Company's representations in the most recent Franchise Disclosure Document (the "FDD") Company delivered in connection with this Agreement. No representations, promises or

agreements, oral or otherwise, not appearing in, attached to or specifically referenced in this Agreement or in the FDD were made by either party and none will have any effect with reference to this Agreement. No change in this Agreement will be binding on either party unless it is mutually agreed to in writing. The BACKGROUND Section at the beginning of this Agreement contains contractual terms that are not mere recitals. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed or electronically signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement. The use of the term “including” in this Agreement shall mean “including without limitation.”

32. Relationship of Company and Licensee: This Agreement does not create a fiduciary relationship between Company and Licensee, Principal and Other Owners of Licensee. Licensee will be and remain an independent contractor under this Agreement without any expressed or implied authority or power as agent or otherwise to act for or bind Company, and Company will have no liability or other responsibility to Licensee or to any other person or persons for financial or other commercial success of Licensee. Although Licensee must comply with this Agreement and Company’s Proprietary Rights, Licensee will have full and complete control of the manner in which Licensee complies and full and complete control of the day-to-day operation and performance of its obligations under this Agreement, the operation of the Licensed Restaurant and Licensee’s business policies and practices.
33. Acknowledgments: Licensee, Principal and Other Owners of Licensee, jointly and severally make the following warranties, representations, agreements and acknowledgments to Company:
- 33.1. They are entering into this Agreement after having conducted an independent investigation of the business franchised and Company’s operations and all facts they deem relevant. They acknowledge that no salesperson, representative or other person has made any representation regarding the actual or potential sales, income or profit from franchised or company or affiliate-owned Restaurants other than what is stated in Item 19 of Company’s Franchise Disclosure Document, except as permitted as described in Item 19 relating to (1) the actual records of an existing outlet they considered buying; or (2) a supplement to the information provided in Item 19.
- 33.2. All information and materials, including all financial statements and business plans they provided to Company individually or collectively are true and correct and complete to the best knowledge of the persons providing the materials, and all assets listed on their respective financial statements and business plans are available to satisfy their obligations arising under this Agreement.
- 33.3. Neither they, nor any person or entity with an ownership interest in the franchise, nor any officer, director, manager, member or employee of theirs or of these other persons or entities or of any affiliate or theirs, is, or at any time will be named, either directly or by an alias or nickname, on the list of Specially Designated Nationals or Blocked Persons, which includes the names of suspected terrorists, as designated by the United States Department of the Treasury’s Office of Foreign Assets Control, available at <http://www.ustreas.gov/offices/eotffc/ofac/sdn/index.html>. They acknowledge that Company intends to comply, and they must comply, with all prohibitions against corrupt business practices, money laundering and support of terrorist activities, including those

contained in the United States Patriot Act (available at <http://www.epic.org/privacy/terrorism/hr3162.html>), Executive Order 13224 (available at <http://www.treas.gov/offices/enforcement/ofac/legal/eo/13224.pdf>), and related United States Treasury regulations and any similar law (“Anti-Terrorism Law”). They will immediately notify Company of any misrepresentation or breach of this Section. Company may terminate this Agreement without any opportunity for cure as provided in Section 22.1 upon any misrepresentation or breach of this Section.

- 33.4. They acknowledge receipt of this Agreement, with all blanks completed and with any amendments and exhibits, at least 7 calendar days before they signed this Agreement, except differences that were a result of negotiated changes they requested and had an opportunity to review before signing this Agreement. They also acknowledge that they received Company’s Franchise Disclosure Document at least 14 calendar days (and at least 10 business days in Michigan) before they signed this Agreement or paid Company any monies, refundable or otherwise, or earlier in the sales process if they requested it. They also acknowledge that before furnishing a Franchise Disclosure Document to them, Company or its agent advised them of the formats in which the Franchise Disclosure Document is made available and any prerequisites for obtaining and conditions necessary for reviewing the Franchise Disclosure Document in a particular format.
- 33.5. They acknowledge Company has the right to use information they provide Company or which concerns them for business purposes relating to the administration of this Agreement and the Marketing and Production Fund and the operation of the System. This information includes their name, business or home address, business or home telephone number, email address, financial information and business records. Company may disclose all or a portion of this information to vendors, the Marketing and Production Fund, the Advertising Cooperative, any purchasing cooperative or corporation, prospective franchisees, existing franchisees, governmental authorities and others for legitimate business purposes. They acknowledge Company will disclose certain information in Company’s Franchise Disclosure Document as required by federal or state laws and regulations. Company will also honor validly served subpoenas, warrants and court orders. They also acknowledge that circumstances may arise when Company deems it advisable to conduct an investigative background search on them. They authorize Company or Company’s designee to conduct an investigative background search, which may reveal information about business experience, education, criminal record, civil judgments, property ownership, liens, association with other individuals, creditworthiness, job performance and other matters.
- 33.6. **THEY ACKNOWLEDGE THEY HAVE READ THIS AGREEMENT AND THEY WOULD NOT SIGN THIS AGREEMENT IF THEY DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

[ Signature Page Follows ]

Intending to be legally bound, the parties have executed this Franchise Agreement, either electronically or in writing, as of the date above first written.

**LICENSEE:** \_\_\_\_\_ [Entity Name]

By: \_\_\_\_\_ [Signature]  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**PRINCIPAL**

Signature \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_

The undersigned Other Owners of Licensee join in the execution of this Agreement to evidence their intention and agreement to be bound by the provisions of Sections 4, 14, 15, 23 and 29.

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
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Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_

The terms and conditions of this Agreement are agreed to and accepted by a representative of Company at its home office in Orange City, Iowa.

**PIZZA RANCH, INC.**  
an Iowa Corporation

By: \_\_\_\_\_ [Signature]  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT 1  
TO FRANCHISE AGREEMENT**

**RESTAURANT LOCATION  
(ALTERNATIVE)**

This Exhibit is attached to and is an integral part of the Pizza Ranch® Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”), between Company and Licensee.

1. Area for Restaurant Location. Within six (6) months after the Effective Date, Licensee will select and obtain Company’s acceptance of a Restaurant location in accordance with the provisions of this Exhibit within the following market (the “Market”):

2. Acceptance of Restaurant Location. To obtain Company’s acceptance of the proposed premises for a Pizza Ranch® restaurant, Licensee must deliver to us a complete site report (containing information we require) for the location within the Market at which Licensee proposes to establish and operate the Restaurant and which Licensee reasonably believes will satisfy the standardized site selection criteria we establish. In evaluating the proposed location, we will consider matters we deem material, including without limitation demographic characteristics of the proposed location, traffic patterns, parking, the predominant character of the neighborhood, the proximity to other businesses, including other Pizza Ranch® restaurants, and other commercial characteristics, the purchase price or rental obligations and other lease terms for the proposed location, and the size of premises, appearance and other physical characteristics. Within thirty (30) days following our receipt of the complete site report and other materials we request, we will accept or reject (in writing) the location Licensee proposes for the Restaurant.

LICENSEE ACKNOWLEDGES AND AGREES THAT COMPANY’S ACCEPTANCE OF A PROPOSED LOCATION DOES NOT REPRESENT A WARRANTY OR REPRESENTATION OF ANY KIND, EXPRESSED OR IMPLIED, AS TO THE SUITABILITY OF THE PROPOSED LOCATION FOR A PIZZA RANCH® RESTAURANT.

3. Termination of Franchise Agreement. Company has the right to terminate the Franchise Agreement, effective upon delivery of notice of termination to Licensee, if Licensee fails to obtain approval of a Restaurant location within six (6) months after the Effective Date.

4. Defined Terms. All capitalized terms contained in this Exhibit and not defined in this Exhibit will have the same meaning as provided in the Franchise Agreement.



*[Signature Page to Exhibit 2 to the Franchise Agreement]*

**LICENSEE:** \_\_\_\_\_ [Entity Name/Name]

By: \_\_\_\_\_ [Signature]

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

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

Date: \_\_\_\_\_

If you are an individual, you must sign individually and if you are a partnership, all partners must sign below:

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

**PIZZA RANCH, INC.**

an Iowa Corporation

By: \_\_\_\_\_ [Signature]

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

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

Date: \_\_\_\_\_

**EXHIBIT 2**  
**TO FRANCHISE AGREEMENT**  
**RESTAURANT LOCATION AND TERRITORY**

This Exhibit is attached to and is an integral part of the Pizza Ranch® Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”), between Company and Licensee. This Exhibit 2 is entered into and effective on \_\_\_\_\_, 20\_\_\_\_.

1. Licensed Restaurant. Company and Licensee agree that the Restaurant will be located at the following premises:

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(the “Licensed Restaurant”). Licensee acknowledges that Company’s acceptance of a proposed location does not represent a warranty or representation of any kind as to the suitability of the proposed location for a Pizza Ranch® restaurant.

2. Territory. Company and Licensee agree that the Territory consists of:

3. Restaurant Opening. Licensee agrees to complete the development and open the Restaurant for business within six (6) months after this Exhibit 2 is signed.

4. Defined Terms. All capitalized terms contained in this Exhibit not defined herein will have the same meaning as provided in the Franchise Agreement.

**[Signature Page Follows]**

*[Signature Page to Exhibit 2 to the Franchise Agreement]*

**LICENSEE:** \_\_\_\_\_ [Entity Name/Name]

By: \_\_\_\_\_ [Signature]  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

If you are an individual, you must sign individually and if you are a partnership, all partners must sign below:

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_

**PIZZA RANCH, INC.**  
an Iowa Corporation

By: \_\_\_\_\_ [Signature]  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT 3  
TO FRANCHISE AGREEMENT  
GUARANTY AGREEMENT**

In consideration of the execution by Pizza Ranch, Inc. (“Company”) of Pizza Ranch® Franchise Agreement (the “Franchise Agreement”) with \_\_\_\_\_ (“Licensee”), which has an Effective Date of \_\_\_\_\_, 20\_\_\_\_, and for other good and valuable consideration, the undersigned (“Guarantors” and each a “Guarantor”), for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Franchise Agreement, to be paid, kept and performed by Franchisee, including without limitation the arbitration and other dispute resolution provisions of the Franchise Agreement.

Further, the Guarantors, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Franchise Agreement, including without limitation the non-compete provisions contained in Section 15, and agree that this Guaranty will be construed as though each of the Guarantors executed a Franchise Agreement containing the identical terms and conditions of this Franchise Agreement.

Each of the Guarantors waives: (1) acceptance and notice of acceptance by us of the foregoing undertaking; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and (4) any right he/she may have to require that an action be brought against the Licensee or any other person as a condition of liability.

In addition, each of the Guarantors consents and agrees that:

(1) Guarantor’s liability under this undertaking will be direct and independent of the liability of, and will be joint and several with, Licensee and Licensee’s other Guarantors;

(2) Company may proceed against Guarantor and Licensee jointly and severally, or Company may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against the undersigned or any other Guarantor;

(3) Guarantor will make any payment or perform any obligation required under the Franchise Agreement upon demand if Licensee fails to do so;

(4) Guarantor’s liability hereunder will not be diminished, relieved or otherwise affected by Licensee’s insolvency, bankruptcy or reorganization of Licensee or any assignee or successor, the invalidity, illegality or unenforceability of all or any part of the Franchise Agreement, or the amendment or extension of the Franchise Agreement with or without notice to Guarantor;

(5) Guarantor’s liability will not be diminished, relieved or otherwise affected by any extension of time or credit which Company may grant to the Licensee or the undersigned, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims; and

(6) Guarantor will pay all attorneys' fees, costs and, expenses, and all costs and other expenses (including interest) Company incurs in enforcing this Guaranty against Guarantor or any negotiations relative to the obligations hereby guaranteed.

It is further understood and agreed by the Guarantors that the provisions, covenants and conditions of this Guaranty will inure to the benefit of our successors and assigns.

**LICENSEE:** \_\_\_\_\_

**GUARANTORS:**

\_\_\_\_\_  
Individually

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

\_\_\_\_\_  
Address

\_\_\_\_\_  
City State Zip Code

\_\_\_\_\_  
Telephone

\_\_\_\_\_  
Individually

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

\_\_\_\_\_  
Address

\_\_\_\_\_  
City State Zip Code

\_\_\_\_\_  
Telephone

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Individually

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Print Name

\_\_\_\_\_  
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City State Zip Code

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Individually

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Print Name

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Address

\_\_\_\_\_  
City State Zip Code

\_\_\_\_\_  
Telephone

**EXHIBIT B**

**AREA DEVELOPMENT AGREEMENT**

**PIZZA RANCH, INC.**

**AREA DEVELOPMENT AGREEMENT**

THIS AREA DEVELOPMENT AGREEMENT (“Agreement”) is made effective \_\_\_\_\_, 20\_\_\_\_ by and between PIZZA RANCH, INC., an Iowa corporation (“Company”), \_\_\_\_\_ (“Licensee”), and \_\_\_\_\_ (“Principal”).

**BACKGROUND**

A. Company is the owner of unique restaurant development and operational specifications which include, without limitation, site selection criteria, building design, signs and equipment, layout plans, the trade name “Pizza Ranch®”, the secret recipes, food products, and the Advertising, Marketing and Brand Standards Manual, the Manual for Kitchen Operations, the Handbook for Excellent Ranch Operations and the FunZone Operations Manual (collectively, the “Manuals”) and other written materials (all collectively referred to as “Proprietary Rights”) for the development and operation of restaurants under the trade name “Pizza Ranch®” (“Restaurants”);

B. Company is engaged in the business of granting licenses for Restaurants using Proprietary Rights and any and all service marks, trademarks, trade names, slogans, copyrights and logos (“Licensed Marks”) as adopted by Company in connection with the operation of Restaurants; and

C. Licensee desires to obtain certain development rights to establish and operate Restaurants in certain designated areas; and, in reliance upon all of the representations made by Licensee and Principal and in connection with their application for development rights, including, but not limited to, the manner in which the Restaurants will be developed, owned and operated, Company is willing to grant development rights upon the terms and conditions set out in this Agreement;

D. LICENSEE AND PRINCIPAL ACKNOWLEDGE THAT (1) THEY ARE ENTERING INTO THIS AGREEMENT AFTER HAVING MADE AN INDEPENDENT INVESTIGATION OF COMPANY’S OPERATIONS, AND NOT BASED UPON ANY REPRESENTATION OR PROMISES TO THEM (INCLUDING, BUT NOT LIMITED TO, ANY PROJECTIONS OR PRO FORMAS) AS TO INCOME OR EARNINGS POTENTIAL OF ANY KIND; AND (2) COMPANY HAS MADE NO REPRESENTATIONS, PROMISES OR STATEMENTS, ORAL OR WRITTEN, TO OR WITH THEM WHICH ARE NOT CONTAINED IN THIS AGREEMENT; AND (3) VENTURES IN THE RESTAURANT INDUSTRY, INCLUDING THE BUSINESS VENTURE CONTEMPLATED BY LICENSEE UNDER THIS AGREEMENT, INVOLVE A HIGH DEGREE OF FINANCIAL RISK AND DEPEND, TO A LARGE EXTENT, UPON THE ABILITIES OF LICENSEE AND PRINCIPAL, AND LICENSEE AND PRINCIPAL ACKNOWLEDGE THAT THEY HAVE NEITHER RELIED UPON, NOR HAS COMPANY MADE, ANY WARRANTIES, EXPRESS OR IMPLIED, AS TO THE POTENTIAL SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED IN THIS AGREEMENT.

**E. Company, Licensee and Principal WAIVE ANY RIGHT TO TRIAL BY JURY on any and all claims brought by any party, as provided in Section 11.7.**

## AGREEMENT

THEREFORE, in consideration of the mutual covenants and agreements set out in this Agreement and other valuable consideration, the receipt of which are acknowledged, Company, Licensee and Principal agree as follows:

1. Development Rights and Procedures: Development will be effected and permitted in the following manner under this Agreement:

1.1. Rights:

1.1.1. Company grants to Licensee the right during the term of this Agreement to develop and then to operate as licensee under Company's then current form of Franchise Agreement ("Franchise Agreement") Restaurants ("Licensed Restaurants") within the development area specified in **Exhibit "1"** attached (the "Development Area"). Company will grant to no other person the right to develop Restaurants in the Development Area during the term of this Agreement.

1.1.2. Certain of Company's products, whether now existing or developed in the future, may be distributed in the Development Area by others including Company, Company's affiliates, or Company's franchisees, licensees or representatives, through channels of distribution other than a traditional Restaurant. Alternate channels of distribution shall include, but are not limited to, sales of products offered under the Licensed Marks at or through, grocery stores, supermarkets, catering services, theme parks, institutional feeding facilities, military bases, airports, stadiums, arenas, gas stations, and sales of products by mail order or catalog business or via the Internet, and any similar outlets or distribution methods as Company shall determine. This Agreement grants Licensee no rights to develop any location except a traditional Restaurant nor to distribute products through other channels of distribution. Licensee has no right to share, nor does it expect to share, in any of the proceeds received by Company or any other party in connection with the other channels of distribution.

1.2. Procedure: The following will govern the course and order of development under this Agreement:

1.2.1. Licensee will complete development of and open and maintain in business not fewer than \_\_\_\_\_ ( ) Restaurants ("Licensed Restaurants") as specified in **Exhibit "2"** attached (Development Timeline).

The protected territory for each restaurant developed under this agreement will be defined pending execution of a Franchise Agreement which will more fully describe the parties' respective rights and obligations, and which will supersede this Agreement once signed; the Franchise Agreement will define the protected territory within the Development Territory.

1.2.2. Licensee must obtain Company's written approval of the sites for the Licensed Restaurants to be developed under this Agreement, and commence and complete development of each Licensed Restaurant in time to meet the development quota



contained in Section 1.1.1. Company will use commercially reasonable best efforts to assist Licensee in evaluating possible sites submitted for the Licensed Restaurants. Company will make up to 3 visits to Licensee's proposed site to assist with the site selection process at no charge to Licensee. If Licensee requests Company to make additional site visits, and Company agrees, Licensee must pay the reasonable travel and other expenses including Company's then current standard per diem fee associated with such visits. LICENSEE ACKNOWLEDGES THAT NEITHER COMPANY'S APPROVAL OF, NOR ITS ASSISTANCE WITH REGARD TO, THE SELECTION OR DEVELOPMENT OF THE SITE CONSTITUTES A REPRESENTATION, WARRANTY OR GUARANTY BY COMPANY THAT THE SITE CHOSEN BY LICENSEE WILL BE A SUCCESSFUL LOCATION FOR THE LICENSED RESTAURANT, AND LICENSEE ASSUMES ALL RISKS ASSOCIATED WITH THE PROFITABILITY OF THE SITE.

1.2.3. Company and Licensee will enter into a Franchise Agreement when the site is approved for each Licensed Restaurant and Licensee will pay the initial franchise fee at the commencement of construction of each Licensed Restaurant throughout the term of this Agreement, provided that Company does not have to enter into a Franchise Agreement unless Licensee is in substantial compliance with this Agreement and all other Franchise Agreements with Company.

1.2.4. Licensee will have no rights after termination of this Agreement for exclusive or nonexclusive development to any locations within the Development Area for which no Franchise Agreement has been signed by Licensee as required by this Agreement.

2. Location Approval:

2.1. Licensee will, throughout the term of this Agreement submit to Company for its prior written approval the location of each proposed Licensed Restaurant and Licensee will, with timeliness adequate to assure the commencement of development of the first Licensed Restaurant, promptly submit to Company for its prior written approval the location of one or more first proposed Licensed Restaurants.

2.2. Company will promptly advise Licensee of its approval or disapproval of each Licensed Restaurant location so designated and proposed by Licensee, and Company will not unreasonably withhold such approval.

3. Charges and Fees: Licensee will pay Company the following fees:

3.1. Development Fee: Licensee will upon the effective date of this Agreement pay to Company a nonrefundable fee as specified in **Exhibit "3"** (the "Development Fee").

3.2. Franchise Fee for Agreement: During the term of this Agreement and each extension, Licensee will at the issuance of each Franchise Agreement pay Company the full initial franchise fee in the amount of \$30,000 with a reduction or offset on account of the amount allocated to each potential site in the computation of the Development Fee as specified in **Exhibit "3"**.

4. Representations and Limitations: The following representations will apply to this Agreement.
  - 4.1. Company Representations: Company represents to Licensee that it has the exclusive right to license Pizza Ranch restaurants in the Development Area and it will discharge and perform all of its service and other obligations under this Agreement and under each Franchise Agreement issued.
  - 4.2. Licensee Representation: Licensee represents to Company that it has the capacity and will otherwise discharge and perform all of its development and other obligations under this Agreement and under each Franchise Agreement signed by Licensee.
  - 4.3. Control of Name: Licensee will not without the express written consent of the Company make any use whatever of the name, “Pizza Ranch” or any other Licensed Marks, or the Proprietary Rights, except to the extent permitted or required each Franchise Agreement entered into between the parties.
5. Transfer: This Agreement will be subject to the following limitations on transfer:
  - 5.1. Transfer by Company: Company will have the right to assign to any other person all or part of its interest under this Agreement.
  - 5.2. Transfer by Licensee: Except as set forth in this Agreement, Licensee’s rights under this Agreement are personal, and Licensee will not, without the express written consent of Company, involuntarily or voluntarily assign or otherwise transfer to any person any part of its interests under this Agreement. Any unauthorized transfer shall be void and shall subject this Agreement to termination.
6. Term of Agreement: Unless sooner terminated as provided in this Agreement, this Agreement will be in effect for a term beginning with the effective date of this Agreement and ending as stipulated in the Development Timeline outlined in **Exhibit “2”**. The parties may extend the term of this Agreement only by an express written agreement.
7. Termination:
  - 7.1. Immediate Termination. Upon the occurrence of any 1 or more of the events of default set forth below, Company may, at its option, give Licensee a notice of termination of this Agreement stating the event of default and upon the giving of such notice this Agreement will immediately terminate:
    - 7.1.1. Licensee fails to obtain written site approval, and/or sign a Franchise Agreement and pay the initial franchise fee, commence development, effect completion of and open the first Licensed Restaurant and thereafter, each additional Licensed Restaurant within the time periods required under Section 1.2.
    - 7.1.2. Licensee or Principal gives a voluntary petition or application under the Bankruptcy Code or any state insolvency or similar law seeking to be adjudicated a bankrupt or insolvent, seeking a corporate reorganization, if Licensee is a corporation, or seeking other relief under the Bankruptcy Code or any state insolvency or similar law; or any other person files a petition or application seeking to have the Licensee or Principal adjudicated a bankrupt or insolvent, or if Licensee is a corporation, for

corporate reorganization, or seeking other relief against the Licensee or Principal under the Bankruptcy Code or any state insolvency or similar law, and the petition or application is not dismissed within 45 days after it is filed.

- 7.1.3. Licensee or Principal makes an assignment for the benefit of creditors.
- 7.1.4. A levy of execution is made upon the license granted hereunder.
- 7.1.5. Licensee or Principal makes a material misrepresentation or omission in connection with the application for the development rights granted under this Agreement or any renewal, or any of representations and warranties do not remain true throughout the term of this Agreement, including any representations regarding financial status and representations under Section 4.2.
- 7.1.6. Licensee, Principal or any franchise owner breaches any of the covenants set forth in Section 4.3.
- 7.1.7. Licensee, Principal or any other owner of Licensee is convicted of a felony, is convicted of a violation of any law which provides for criminal penalties or commits any act of moral turpitude, which in each case may impair the good will or affect the reputation associated with the Licensed Marks.

7.2. Termination Upon Failure to Cure. Company shall have the right to terminate this Agreement upon breach of any one or more of the material requirements, obligations or other provisions of this Agreement (not governed by Section 7.1 above), upon the giving of written notice to Licensee of an intent to terminate within 60 days unless such breach is cured, and the sending of a written notice at the end of the 60-day period to Licensee of termination if Licensee does not cure within the 60-day period, and this Agreement will then immediately terminate; provided, however, that Licensee will only be allowed 2 cure periods, as to any or all of events of default under this Section 7.2, in any successive 12-month period, and upon the third event of default in any successive 12-month period, Licensee will have no right to cure.

- 8. Conflict of Provisions: This Agreement will supersede the provisions of any Franchise Agreement and of any agreement issued to the extent required for resolution of any discrepancy or the inconsistency between such provisions.
- 9. Post-termination Rights: Upon termination of this Agreement, Licensee will retain all rights under each Franchise Agreement issued and not then in default upon the part of Licensee as Licensee, subject, however, to the provisions of each Franchise Agreement; and Company will thereafter issue no like Franchise Agreement to any other person for any Licensed Restaurant within the protected territory of any Licensed Restaurant governed by any such Franchise Agreement in accordance with the terms of the Franchise Agreement, but will have the right otherwise to arrange for development of the Development Area.
- 10. Relationship of Company and Licensee: This Agreement does not create a fiduciary relationship between Company and Licensee. Licensee will be and remain an independent contractor under this Agreement without any expressed or implied authority or power as agent or otherwise to act for or bind Company, and Company will have no liability or other responsibility to Licensee or to

any other person or persons for financial or other commercial success of Licensee. Although Licensee must comply with this Agreement and the Company's Proprietary Rights, Licensee will have full and complete control of the manner in which Licensee complies and full and complete control of the day-to-day operation and performance of its development and other obligations under this Agreement, the operation of each Licensed Restaurant under each Franchise Agreement and Licensee's business policies and practices.

11. Dispute Resolution:

- 11.1. Governing Law. This Agreement takes effect when accepted and executed by Company in Iowa. This Agreement will be construed under the laws of the State of Iowa and any dispute between the parties will be governed by and determined in accordance with the substantive law of the State of Iowa, which laws will prevail in the event of any conflict of law; except Licensee and Principal will not be entitled to any rights under any franchise registration or disclosure law or any franchise relationship law of the State of Iowa unless the Development Area is located in the State of Iowa or the jurisdictional requirement of the law is otherwise met without reference to the choice of law provision in this Section. If Company moves its corporate headquarters, Company will have the option of determining that the substantive law of the state to which Company moves will replace all references to Iowa law in this Agreement, or of continuing to have Iowa law apply. If Company chooses to have the law of the new state apply, Company will notify all franchisees and Licensee within 6 months of Company's move, and the chosen law will apply to all franchisees and Licensee and Principal; except any franchise registration or disclosure law or any franchise relationship law of the new state will only apply where the jurisdictional requirements of the law are otherwise met.
- 11.2. Forum. Licensee and Principal acknowledges that Licensee has and will continue to develop a substantial and continuing relationship with Company at Company's offices in the State of Iowa, where Company's decision-making authority is vested and franchise operations are conducted and supervised. Except for Company's right to obtain injunctive relief in any appropriate forum, any action arising out of or relating to this Agreement will be commenced, conducted and concluded only in a state or federal court of general jurisdiction in the State of Iowa for the district or county in which Company's headquarters are then located, unless otherwise not allowed by the state law in which the Licensed Restaurant is located. Licensee and Principal irrevocably submit to the jurisdiction of these courts, waive any objection they may have to either the jurisdiction or venue of these courts and agree not to argue that these courts are inconvenient forums. If Company moves its corporate headquarters, Licensee and Principal acknowledge that Licensee will have a substantial and continuing relationship with Company in the state to which Company moves and that any references to Iowa in this Section will be deemed to be references to the new state.
- 11.3. Injunctive Relief; Declaratory Relief. Notwithstanding the above, nothing in this Agreement will prevent Company from obtaining injunctive relief from a court of competent jurisdiction for Licensee's and/or Principal's unauthorized use of Company's trademark, or for violation of any of the covenants of Sections 4.3 or 14 of this Agreement, without the need to show actual or threatened harm or to post a bond or other security, nor will Company be obligated to pursue any informal resolution of these claims before seeking injunctive relief. Licensee and Principal will be liable to Company for all expenses

reasonably incurred in obtaining such relief, including the costs of investigation and proof of facts, court costs and attorneys' fees, costs, and expenses (and interest). This remedy will be in addition to any other remedies Company may have under this Agreement, including the right to terminate this Agreement.

- 11.4. **NO CLASS PROCEEDINGS.** LICENSEE AND PRINCIPAL AGREE TO LITIGATE EACH DISPUTE WITH COMPANY ON AN INDIVIDUAL BASIS. LICENSEE AND PRINCIPAL WILL NOT CONSOLIDATE ANY DISPUTE WITH A CLAIM OF ANY OTHER FRANCHISEE, INDIVIDUAL, OR ENTITY, AND LICENSEE AND PRINCIPAL WILL NOT PURSUE ANY CLASS CLAIMS IN ANY MEDIATION, ARBITRATION, OR LITIGATION FORUM THAT ARISE OUT OF OR RELATE TO THIS AGREEMENT.
- 11.5. **ONLY THE COMPANY ENTITY HAS ANY LIABILITY.** LICENSEE AND PRINCIPAL MAY SEEK DAMAGES UNDER THIS AGREEMENT OR ANY REMEDY UNDER LAW OR EQUITY ONLY AGAINST COMPANY'S BUSINESS ENTITY. LICENSEE AND PRINCIPAL AGREE THAT COMPANY'S AFFILIATES AND COMPANY'S AND COMPANY'S AFFILIATES' RESPECTIVE OFFICERS, DIRECTORS, MANAGERS, MEMBERS, LIMITED PARTNERS, GENERAL PARTNERS, SHAREHOLDERS, INDEPENDENT CONTRACTORS AND EMPLOYEES WILL NOT BE LIABLE AND MAY NOT BE NAMED AS A PARTY IN ANY LITIGATION, ARBITRATION OR OTHER PROCEEDING COMMENCED BY LICENSEE IF THE CLAIM ARISES OUT OF OR RELATES TO THIS AGREEMENT. LICENSEE AND PRINCIPAL FURTHER AGREE THAT ALL OF THE FOREGOING PARTIES ARE INTENDED BENEFICIARIES OF THIS CLAUSE.
- 11.6. **NO PUNITIVE, EXEMPLARY, SPECIAL OR CONSEQUENTIAL DAMAGES.** A COURT MAY AWARD INJUNCTIVE RELIEF AS WELL AS DAMAGES, BUT WILL HAVE NO AUTHORITY TO AWARD PUNITIVE, EXEMPLARY, SPECIAL OR CONSEQUENTIAL DAMAGES.
- 11.7. **JURY TRIAL WAIVER.** COMPANY AND LICENSEE AND PRINCIPAL, RESPECTIVELY, WAIVE ANY RIGHT THEY MIGHT HAVE TO TRIAL BY JURY ON ANY AND ALL CLAIMS ASSERTED AGAINST THE OTHER. COMPANY AND LICENSEE AND PRINCIPAL, RESPECTIVELY, EACH ACKNOWLEDGE THAT THEY HAVE HAD A FULL OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL CONCERNING THIS WAIVER, AND THAT THIS WAIVER IS INFORMED, VOLUNTARY, INTENTIONAL AND NOT THE RESULT OF UNEQUAL BARGAINING POWER.
- 11.8. **Survival.** Licensee and Company acknowledge and agree this Section 11 shall survive the termination or expiration of this Agreement.

12. Notices and Addresses:

- 12.1. Notice. Any notice or other communication required under this Agreement will be in writing and may be personally delivered or delivered by a nationally recognized overnight courier service or mailed by registered or certified mail. Notices will be sent to the parties at their respective addresses listed below unless a different address has been designated in

writing. Notices will become effective upon receipt except any notice by certified or registered mail is deemed to have been given at the date and time of mailing with adequate postage paid.

12.2. Mailing Addresses.

12.2.1. The parties' initial designated mailing addresses are the following:

Pizza Ranch, Inc.  
Attn.: President  
204 19<sup>th</sup> Street SE  
Orange City, IA 51041

Licensee

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Principal/Other Owners of Licensee

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12.2.2. Company and Licensee, Principal and other owners of Licensee may from time to time change their respective designated mailing addresses by an express written notice of such change given by one to the other at its then most recently designated mailing address.

13. Guaranty of Payment. The Principal, and other owners of Licensee joining in the execution of this Agreement, jointly and severally, guarantee the payment by Licensee of all indebtedness of any kind of Licensee to Company. This guaranty shall not be affected by any forbearance of extension that Company may grant Licensee.

14. Noncompetition:

14.1. No Unauthorized Use of the System. Licensee, Principal and other owners of Licensee joining in the execution of this Agreement (collectively referred to as "Franchise Owners") will use best and continuing efforts during the term of this Agreement to develop Licensed Restaurants. In consideration of the substantial value to Licensee and Franchise Owners to receive disclosure of and to use the Proprietary Rights, Franchise Owners will not, during the term of this Agreement and for 24 months after the expiration, transfer or termination of this Agreement, regardless of the cause of termination, or after the date on which Licensee ceases to operate any Licensed Restaurant following the expiration, transfer or termination of this Agreement, whichever is later, own, maintain, engage in, be employed by, finance, or have any interest in any restaurant, other than a Restaurant licensed by Company, which uses or duplicates the Proprietary Rights in whole or in part, or is a colorable imitation of a Restaurant, or offer or sell any Pizza Ranch® brand products and/or services or colorable imitations of them, other than in or from a Restaurant licensed by Company.

- 14.2. Limited Covenant Against Competitive Activities During Term. During the term of this Agreement, Franchise Owners will not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person or entity:
- 14.2.1. divert or attempt to divert any business or customer of a Restaurant, including the FunZone, to any competitor, including a competitor in which the Franchise Owners have a direct or indirect interest; or
  - 14.2.2. own, maintain, engage in, be employed by, finance or perform any services in any capacity for any restaurant, pizzeria, sandwich shop or food service operation offering principal menu entrees or items which are the same as or similar to those offered at any Restaurant, or a game room, arcade or other similar business that offers arcade games and amusement devices that are the same or similar to those offered in a typical FunZone.
- 14.3. Limited Covenant Against Competitive Activities Post Term. For 24 months after the expiration, transfer or termination of this Agreement, regardless of the cause of termination, or after the date on which Licensee ceases to operate any Licensed Restaurant following the expiration, transfer or termination of this Agreement, whichever is later, Franchise Owners will not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person or entity engage in any of the acts proscribed by Section 14.2, which are incorporated by reference, or otherwise own, maintain, engage in, be employed by, finance or perform any services in any capacity for or have any interest in any restaurant, pizzeria, sandwich shop or food service operation offering principal menu entrees or items which are the same as or similar to those offered at any Restaurant, or any game room, arcade or other similar business that offers arcade games and amusement devices that are the same or similar to those offered at a typical FunZone within the Development Area or at the premises of any former Licensed Restaurant or at or within a radius of 10 miles of (i) the boundaries of the Development Area, (ii) any former Licensed Restaurant, (iii) any existing Restaurant using the Proprietary Rights or (iv) any proposed Restaurant using the Proprietary Rights.
- 14.4. Company's Reduction in Scope of Covenants. Company has the right to reduce the scope of any of the covenants set forth in this Section 14, without Franchise Owners' consent, effective immediately upon receipt by written notice of Company's election to do so and Franchise Owners will immediately comply with any covenant as so modified.
- 14.5. Court Reduction in Scope of Covenants. If any court or other tribunal having jurisdiction to determine the validity or enforceability of this Section 14 determines that this Section 14, or any part of this Section 14 would be invalid or unenforceable as written, then this Section 14 will be deemed to be modified to the extent or in the manner necessary to be valid and enforceable to the greatest extent possible.
- 14.6. Additional Franchise; Small Ownership of Public Entity. This Section 14 will not prohibit Franchise Owners from operating any other franchise which Company grants, or owning less than a 2% beneficial interest of the outstanding equity securities of any publicly held entity.

- 14.7. Independent Covenants. Each of the covenants above in this Section 14 will be construed as independent of each other and any other covenant or provision of this Agreement.
15. Severability of Provisions. Should any provision of this Agreement be for any reason held invalid, illegal or unenforceable, that provision shall be deemed restricted in application to the extent required to render it valid, and the remainder of this Agreement shall in no way be affected and shall remain valid and enforceable for all purposes. If any applicable law or rule of any jurisdiction requires a greater notice of the termination of or election not to renew this Agreement, or the taking of some other action with respect to the termination or election not to renew than is required in this Agreement, the prior notice or other action required by law or rule will be substituted for the notice of other action required in this Agreement.
16. Whole Agreement; Amendments. This Agreement and any attachments constitute the complete and integrated agreement between the parties concerning the subject matter of this Agreement and supersede all prior agreements except Licensee, Principal and Other Owners may rely on Company's representations in the most recent Franchise Disclosure Document (the "FDD") Company delivered in connection with this Agreement; no other representations have induced Licensee, Principal and Other Owners of Licensee to execute this Agreement. No representations, promises or agreements, oral or otherwise, not appearing in, attached to or specifically referenced in this Agreement or in the FDD were made by either party and none will have any effect with reference to this Agreement. No change in this Agreement will be binding on either party unless it is mutually agreed to in writing. The BACKGROUND Section at the beginning of this Agreement contains contractual terms that are not mere recitals.
17. Acknowledgments: Licensee, Principal and Other Owners of Licensee, jointly and severally make the following warranties, representations, agreements and acknowledgments to Company:
- 17.1. They are entering into this Agreement after having conducted an independent investigation of the business franchised and Company's operations and all facts they deem relevant. They acknowledge that no salesperson, representative or other person has made any representation regarding the actual or potential sales, income or profit from franchised or company or affiliate-owned restaurants other than what is stated in Item 19 of Company's Franchise Disclosure Document.
- 17.2. All information and materials, including all financial statements and business plans they provided to Company individually or collectively are true and correct and complete to the best knowledge of the persons providing the materials, and all assets listed on their respective financial statements and business plans are available to satisfy their obligations arising under this Agreement.
- 17.3. Neither they, nor any person or entity with an ownership interest in the franchise, nor any officer, director, manager, member or employee of theirs or of these other persons or entities or of any affiliate or theirs, is, or at any time will be named, either directly or by an alias or nickname, on the list of Specially Designated Nationals or Blocked Persons, which includes the names of suspected terrorists, as designated by the United States Department of the Treasury's Office of Foreign Assets Control, available at <http://www.ustreas.gov/offices/eotffc/ofac/sdn/index.html>. They acknowledge that Company intends to comply, and they must comply, with all prohibitions against corrupt business practices, money laundering and support of terrorist activities, including those



contained in the United States Patriot Act (available at <http://www.epic.org/privacy/terrorism/hr3162.html>), Executive Order 13224 (available at <http://www.treas.gov/offices/enforcement/ofac/legal/eo/13224.pdf>), and related United States Treasury regulations and any similar law (“Anti-Terrorism Law”). They will immediately notify Company of any misrepresentation or breach of this Section. Company may terminate this Agreement without any opportunity for cure as provided in Section 7.1 upon any misrepresentation or breach of this Section.

- 17.4. They acknowledge receipt of this Agreement, with all blanks completed and with any amendments and exhibits, at least seven calendar days before they signed this Agreement, except differences that were a result of negotiated changes they requested and had an opportunity to review before signing this Agreement. They also acknowledge that they received Company’s Franchise Disclosure Document at least 14 calendar days (and at least 10 business days in Michigan) before they signed this Agreement or paid Company any monies, refundable or otherwise, or earlier in the sales process if they requested it. They also acknowledge that before furnishing a Franchise Disclosure Document to them, Company or its agent advised them of the formats in which the Franchise Disclosure Document is made available and any prerequisites for obtaining and conditions necessary for reviewing the Franchise Disclosure Document in a particular format.
- 17.5. They acknowledge Company has the right to use information they provide Company or which concerns them for business purposes relating to the administration of this Agreement and the operation of the franchise system. This information includes their name, business or home address, business or home telephone number, email address, financial information and business records. Company may disclose all or a portion of this information to vendors, prospective franchisees, existing franchisees, governmental authorities and others for legitimate business purposes. They acknowledge Company will disclose certain information in Company’s Franchise Disclosure Document as required by federal or state laws and regulations. Company will also honor validly served subpoenas, warrants and court orders. They also acknowledge that circumstances may arise when Company deems it advisable to conduct an investigative background search on them. They authorize Company or Company’s designee to conduct an investigative background search, which may reveal information about business experience, education, criminal record, civil judgments, property ownership, liens, association with other individuals, creditworthiness, job performance and other matters.
- 17.6. **THEY ACKNOWLEDGE THEY HAVE READ THIS AGREEMENT AND THEY WOULD NOT SIGN THIS AGREEMENT IF THEY DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

**[Signature Page Follows]**

[Signature Page to Area Development Agreement]

Intending to be legally bound, Company, Licensee, Principal and Guarantors have executed this Agreement, either electronically or in writing, as of the day and year first above written.

**LICENSEE:** \_\_\_\_\_ [Entity Name]

By: \_\_\_\_\_ [Signature]  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**PRINCIPAL**

Signature \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_

The undersigned Other Owners of Licensee join in the execution of this Agreement to evidence their intention and agreement to be bound by the provisions of Sections 4.3, 5.2, 9, 13 and 14 of this Agreement, and Sections 4, 5, 14, 15, 19, 23 and 29 of each Franchise Agreement.

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_

**GUARANTORS:**

As an inducement to Company to enter into this Area Development Agreement with Licensee, the undersigned hereby unconditionally (and if more than one, jointly and severally) guarantee(s) the performance by Licensee of all of Licensee's obligations under this Area Development Agreement and any other Agreements that Licensee may have with Company.

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_

The terms and conditions of this Agreement are agreed to and accepted by a representative of Company at its home office in Orange City, Iowa.

**PIZZA RANCH, INC.**  
an Iowa Corporation

By: \_\_\_\_\_ [Signature]  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**AREA DEVELOPMENT AGREEMENT**  
**Exhibit 1**

**DEVELOPMENT AREA**

Licensee Initials \_\_\_\_\_ Date: \_\_\_\_\_

Company Representative Initials \_\_\_\_\_ Date: \_\_\_\_\_

**AREA DEVELOPMENT AGREEMENT**  
**Exhibit 2**

**DEVELOPMENT TIMELINE**

Licensee Initials \_\_\_\_\_ Date: \_\_\_\_\_

Company Representative Initials \_\_\_\_\_ Date: \_\_\_\_\_

**AREA DEVELOPMENT AGREEMENT  
Exhibit 3**

**DEVELOPMENT FEES**

Licensee Initials \_\_\_\_\_ Date: \_\_\_\_\_

Company Representative Initials \_\_\_\_\_ Date: \_\_\_\_\_

## **EXHIBIT C**

### ADVERTISING COOPERATIVE AGREEMENT FOR PIZZA RANCH RESTAURANTS

#### ARTICLE I

##### Purpose

The purpose of this Agreement is to create and provide guidance for a nonprofit, unincorporated cooperative of operators of Pizza Ranch restaurants within the Market Area Guidelines as identified on Exhibit “A” (the “Market Area Guidelines”). Corporate Pizza Ranch will determine which Advertising Co-op each restaurant will be placed at the time of franchise agreement signing. This association formed by this Agreement will be for the cooperative benefit of its members.

#### ARTICLE II

##### Members and Management

SECTION 1. Membership. The members of the Co-op shall be all persons or entities which operate Pizza Ranch restaurants of any kind under a validly existing franchise agreement with Pizza Ranch, Inc. and any restaurants owned by Pizza Ranch, Inc. or any affiliated entity located anywhere within the Market Area. Membership for all persons and entities operating Pizza Ranch restaurants shall automatically commence when the authorized owner of the franchise has signed this Agreement. In addition, once the Co-op has been formed, membership shall automatically commence for new members when a person or entity acquires a Pizza Ranch restaurant anywhere in the Market Area, when an entity opens a new franchise in the Market Area, or if Pizza Ranch, Inc. or an affiliated entity should open a company-owned store in the Market Area.

SECTION 2. Co-op Management. The Co-op shall be managed by its members. Each member shall designate an authorized representative to attend Co-op meetings and to vote on matters that come before the Co-op. Each member who owns a Pizza Ranch restaurant in the Market Area shall be entitled to 1 vote for each restaurant owned.

To be in good standing, the member must be in compliance with the rules and policies of the Co-op. In addition, each Franchisee must be in compliance with the terms of its Franchise Agreement, and current on all franchise and other fees due to Pizza Ranch, Inc. All references in this Agreement to members or membership shall mean members in good standing, unless the context otherwise requires.

SECTION 3. Voting and Policies. Each member of the Co-op shall be bound by any action which has previously been adopted at a meeting of the Co-op members by majority vote as set forth in this Agreement, even though such member voted against the action, or did not participate in the vote. If a particular proposal receives a tie vote, then such proposal will not be adopted.

If any member conducts a promotion or advertisement on the member’s own behalf, the ads for such promotion or advertisement shall clearly identify the address of the participating restaurant.

SECTION 4. Transfer of membership. Membership shall be transferable only by reason of the transfer of a member's Pizza Ranch restaurant to another entity. The transferee shall automatically become a member of the Co-op. Before the transfer or sale of a restaurant (whether by direct or indirect sale, by changing ownership of the franchisee, by merger, or otherwise), a member shall be required to give not less than 30 days' advance written notice to the Co-op of the proposed transfer or sale.

SECTION 5. Enforcement of the Co-op Agreement. Members may take legal action against a member to enforce the Co-op rules and policies as set forth in this Agreement or as adopted by the Co-op meetings or programs, such members shall, nevertheless, continue to be obligated to abide by the Co-op's rules and policies until such time as this Agreement is terminated.

### ARTICLE III

#### Purpose of Co-op

SECTION 1: The purpose of the co-op and meetings is to be a forum for information exchange between Pizza Ranch, Inc. and franchisees. Meetings shall be a collaborative discussion between the Pizza Ranch franchisees and the Pizza Ranch Support Center.

SECTION 2: The co-op meetings will be a forum for the Pizza Ranch support center to discuss chain-wide marketing initiatives, operational initiatives and any other information which is important to discuss with a franchise group.

### ARTICLE IV

#### Meetings of Members

SECTION 1. Meetings. The members of the Co-op shall meet as needed at a pre-designated time and place. Special meetings may be called at any other time by a majority of the Co-op members. Members shall not be reimbursed for expenses incurred in coming to and attending meetings. Meetings will have 2 areas of focus: 1. Information and updates from the Pizza Ranch Support Center, and 2. Franchisee discussion around best practices.

SECTION 2. Notice of Co-op Meetings. Notice stating the time, place, and purpose of Co-op meetings shall be given to each member at least 5 days before the meeting date. Notice may be given by telephone, by fax, by oral conversation, by email or by first class mail. Mailed notice shall be deemed delivered when placed in the U.S. Mail to the member's address shown on the Co-op's records at least 10 (ten) days before the meeting. Attendance at a meeting shall be a waiver of notice, except when a member objects that the meeting is not lawfully called.

SECTION 3. Informal Action. Co-op members may take action by unanimous written consent (including via email) without a meeting. The members may also have meetings and take action by telephone conference provided that during said conference all participants can hear and speak to each other.

SECTION 4. Quorum. The presence in person of a majority of the entire Co-op membership shall be a quorum for all meetings, formal or informal. A quorum shall not be lost by reason of members leaving the meeting before adjournment.



SECTION 5. Proxies. Unless a majority of the members decide otherwise, members may vote by proxy, provided said proxy is in writing.

SECTION 6. Majority Vote. Unless otherwise required by this Agreement, a majority vote of the members who are present at a meeting where a quorum is present shall be required and shall be sufficient for the adoption of any action by the members.

## ARTICLE V

### Officers

SECTION 1. General. The Co-op shall have officers which shall be elected by a majority vote of the members. The officers of the Co-op shall be a President and Vice President.

SECTION 2. Term of Office. Each officer shall serve for 1 year; provided that any officer may be removed from office at any time, with or without cause, by a majority vote of the members. Elections for officers will be held every year in the third quarter, with the new officers taking office October 1.

SECTION 3. President. The President shall supervise the business and affairs of the Co-op. The President shall do the following:

- a) Arrange and preside at all Co-op meetings;
- b) Coordinate the Co-op's affairs with Pizza Ranch marketing personnel;
- c) Be compensated for travel expenses for travel to Co-op President's meetings;
- d) Perform such other activities as may be designated by a majority of the members;
- e) Represent the designated co-op area with questions or concerns from its members and act as a communicator between Pizza Ranch support center and the franchisees;
- f) Attend periodic co-op president's meetings/calls with the Pizza Ranch Support Center.

SECTION 4. Vice President. The Vice President will provide back up for the President on all affairs of the Co-op, and preside over meetings where the President cannot attend.

SECTION 5. Vacancies. A vacancy in any office may be filled by a vote of the majority of the members at any time. The person elected to fill the vacancy will then serve for the unexpired portion of the term of office of his or her predecessor.

## ARTICLE VI

### Contracts, Checks and Fiscal Year

SECTION 1. Contracts. The Co-op shall only enter into contracts whose subject matter is authorized by a majority vote of the members. Such authority may be general or specific.

SECTION 2. Notes or Contracts. All notes or contracts of the Co-op shall be signed by two officers.

SECTION 3. Fiscal Year. The fiscal year of the Co-op shall be the period beginning the first day of January, and ending the last day of December.

## ARTICLE VII

### Miscellaneous

SECTION 1. Office and Records. The Co-op shall maintain records of its affairs at a place which may be the office of a member. The records may be inspected by any member or his or her representative at reasonable times, without prior formal notice.

SECTION 2. Conduct of Meetings. Subject to this Agreement, Co-op meetings shall be governed by Robert's Rules of Order, as amended from time to time.

SECTION 3. Amendments. This Agreement may only be amended, by the written consent of a majority of Co-op members.

## ARTICLE VIII

### Indemnification

Any person made party to any action, suit, or proceeding of any kind because the person was an officer or member of the Co-op shall be indemnified by the Co-op against reasonable expenses, including attorneys' fees, costs, and expenses, and interest, actually incurred by the person to defend the action, suit or proceeding, and any appeal, unless the person is found to have been negligent or to have committed malfeasance in the performance of the person's duties. A majority of Co-op members must approve any proposed settlement of any suit, action, or proceeding, in which a party claims indemnification under this paragraph.

I HEREBY APPROVE AND AGREE TO THE FOREGOING TERMS.

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RESTAURANT ADDRESS

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CITY, STATE

---

FRANCHISEE LEGAL ENTITY NAME

---

AUTHORIZED FRANCHISEE SIGNATURE

---

PRINT NAME

---

TITLE

---

DATE

## **EXHIBIT A**

Western Iowa Co-op – State of Iowa west of Highway 169 & Nebraska, Missouri, Kansas, Tennessee and Arkansas

Eastern Iowa Co-op – State of Iowa east of and on Highway 169

Southern Minnesota Co-op – State of Minnesota south of and on Highway 12 and the greater Minneapolis/St. Paul metropolitan area.

Northern Co-op – State Minnesota north of Highway 12 & North Dakota, Montana and Wyoming

South Dakota Co-op – State of South Dakota and Colorado

Great Lakes Co-op – States of Wisconsin, Illinois, and Michigan

**EXHIBIT D**

**PIZZA RANCH, INC.**

**FRANCHISEE DISCLOSURE QUESTIONNAIRE**

You (either individually or as a principal of a corporation, partnership or limited liability company and on such entity's behalf) are preparing to enter into a Franchise Agreement or Area Development Agreement with Pizza Ranch, Inc. ("we" or "us") for the operation of a Pizza Ranch® family restaurant. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that were not authorized and that may be untrue, inaccurate or misleading, and to be certain that you understand the factors that may affect your business and the limitations on claims you may make against us. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Did you receive a copy of our Franchise Disclosure Document (individually or on behalf of an entity) at least 14 calendar days (i) before signing the Franchise Agreement, Area Development Agreement or other binding franchise related agreement or (ii) before paying us or our affiliates any monies, refundable or otherwise; and if you are a resident of **Michigan** or your Restaurant will be located in **Michigan**, did you also receive our Franchise Disclosure Document at least 10 *business* days before you signed or paid any monies?

Yes \_\_\_ No \_\_\_

2. Did you receive a copy of the signature versions of the Franchise Agreement, Area Development Agreement or other binding franchise related agreements at least 7 calendar days before signing the agreement, not including merely inserting your name and address and other fill-in-the-blank information, or incorporating any changes that were a result of negotiated changes you requested and had an opportunity to review before signing the agreement?

Yes \_\_\_ No \_\_\_

3. Have you personally studied and reviewed the Franchise Disclosure Document and the Franchise Agreement or Area Development Agreement that you are signing today and each exhibit and schedule attached to it?

Yes \_\_\_ No \_\_\_

4. Do you understand all of the information contained in the Franchise Disclosure Document and in each agreement that you are signing today?

Yes \_\_\_ No \_\_\_

5. Have you discussed the benefits and risks of operating the franchise with an attorney, accountant or other professional advisor, and do you understand those risks?

Yes \_\_\_ No \_\_\_

If you have answered “No” to any of the questions 1 through 5, please provide a full explanation of your answer in the following blank lines, and attach additional pages, if necessary.

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6. Has any employee or other person speaking on behalf of Pizza Ranch, Inc. made any oral, written or visual claim or statement or promise concerning the revenue, profit or operating costs of franchises operated by Franchisor or its affiliates or franchisees that is not contained in the Franchise Disclosure Document or that is contrary to or different from the information contained in the Franchise Disclosure Document?

Yes \_\_\_ No \_\_\_

7. Has any employee or other person speaking on behalf of Pizza Ranch, Inc. made any oral, written or visual claim, statement, promise, or prediction regarding the total amount of sales or revenue you may realize or the amount of profit or earnings you may make or success you may enjoy in operating the franchise?

Yes \_\_\_ No \_\_\_

8. Has any employee or other person speaking on behalf of Pizza Ranch, Inc. made any oral, written or visual claim, statement, promise, or prediction regarding the costs you may incur in operating the franchise that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes \_\_\_ No \_\_\_

9. Has any employee or other person speaking on behalf of Pizza Ranch, Inc. made any oral, written or visual claim, statement, promise, prediction or agreement concerning advertising, marketing, training, support service or assistance that Pizza Ranch, Inc. will furnish to you that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes \_\_\_ No \_\_\_

If you have answered “Yes” to any of the questions 6 through 9, please provide a full explanation of your answer in the following blank lines, and attach additional pages, if necessary.

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10. Do you understand that the franchise is granted for the right to develop and operate 1 Pizza Ranch<sup>®</sup> Restaurant at an approved location, as stated in Section 1.1 of the Franchise Agreement, and that as also stated in Section 1.1, us and our affiliates have the right both within and outside your Territory (i) to distribute products under the Pizza Ranch<sup>®</sup> marks through alternative channels of distribution, which may include sales at or through grocery stores, supermarkets, gas stations, catering, other special venues, mail order, catalog or via the Internet, and (2) to franchise or operate competing businesses operating under marks different than those used for Pizza Ranch<sup>®</sup> Restaurants?

Yes \_\_\_ No \_\_\_

11. Do you understand that the Franchise Agreement and Area Development Agreement each contains the entire agreement between you and us concerning the franchise or area development rights for the Pizza Ranch<sup>®</sup> Restaurant(s), meaning that any prior representations, promises or agreements, oral or otherwise, not appearing in, attached to or specifically referenced in the agreement, will not be binding, except for representations in the most recent Franchise Disclosure Document we delivered to you, which you may rely on?

Yes \_\_\_ No \_\_\_

12. Do you understand that the success or failure of your franchise will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors, and that the economic and business factors that exist currently or when you open your Pizza Ranch® Restaurant may change?

Yes \_\_\_ No \_\_\_

13. Do you understand that you are bound by noncompetition covenants (both during the term of your agreement and post-term) listed in Sections 15.2 and 15.3 of the Franchise Agreement and Sections 14.2 and 14.3 of the Area Development Agreement and that an injunction is an appropriate remedy to protect the interests of the Pizza Ranch® franchise system if you violate the covenants? Do you also understand that the term “you” includes those holding any ownership interest in the franchise or area development rights or the entity that holds these rights and that these individuals will also be bound by the covenants?

Yes \_\_\_ No \_\_\_

14. Do you understand that your Pizza Ranch® Restaurant may be impacted by other risks, including those outside your or our control such as economic, political or social disruption, including pandemics or epidemics?

Yes \_\_\_ No \_\_\_

If you have answered “No” to any of the questions 10 through 13, please provide a full explanation of your answer in the following blank lines. Attach additional pages, if necessary, and refer to them below.

\_\_\_\_\_
\_\_\_\_\_
\_\_\_\_\_
\_\_\_\_\_
\_\_\_\_\_
\_\_\_\_\_

\* \* \* \* \*

You understand that your answers are important to us and that we will rely on them in entering into the Franchise Agreement or Area Development Agreement with you.

By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. Your answers in this Questionnaire are not intended to nor shall they act as a release, estoppel or waiver of any of our liability under the Illinois Franchise Disclosure Act.

Signature \_\_\_\_\_
Print Name: \_\_\_\_\_
Date: \_\_\_\_\_

Signature \_\_\_\_\_
Print Name: \_\_\_\_\_
Date: \_\_\_\_\_

Signature \_\_\_\_\_
Print Name: \_\_\_\_\_
Date: \_\_\_\_\_

Signature \_\_\_\_\_
Print Name: \_\_\_\_\_
Date: \_\_\_\_\_

**EXHIBIT E**

**DESIGNATED SUPPLIERS**

<b>SUPPLIER</b>	<b>PRODUCTS</b>
Martin Bros/Cash-Wa/US Foods	All our private label products and other food and paper supplies, except those specified by us.
DarPro Solutions, Inc.	Oil Reclamation System
P.R. Financial Services, LLC	Accounting Services
P.R. Production Fund, Inc.	Marketing Start-Up Materials
The Coca-Cola Company	Soft Drinks
Zepole Supply	Booths & Tables, Kitchen & Buffet Equipment
/ Revel Systems	Point of Sale Cash Register System
CI Sport Apparel	Uniforms
Givex	Gift Card Processing
Revel Advantage / Worldpay	Credit Card Processing
Nagel Signs / Atlas Signs	Signs
INFINITY	Interior Décor
Ecolab	Chemicals
EcoSure	Third Party Food Safety Audits
McCormack Distributing	Pressure Fryers
PHT (Henny Penny)	Pressure Fryers
SageNet	Payment Card Industry Compliance
Kuusoft	Menu Board Display Software
Smart Packaging, LLC	Delivery Bags
Betson*	Arcade Games
Shaffer Distributing Company*	Arcade Games
Redemption Plus*	Toys/Prizes
BMI Merchandise*	Toys/Prizes
Embed*	POS System/Debit & Credit Cards
Revel Advantage / WorldPay*	Credit Card Processing
Chowly	Third-party Delivery Aggregator Services
DoorDash / Uber Eats	Third Party Delivery
Discoverlink	On-line Learning

\*FunZone suppliers

We may change the designated suppliers at any time.



**EXHIBIT F**

**THE MANUALS' TABLES OF CONTENTS**

**MANUAL FOR KITCHEN OPERATIONS**

SIDE ORDERS	13 pages
DOUGH/CRUST	19 pages
PIZZA	44 pages
CHICKEN	38 pages
RANCH WRAPS	5 pages
BUFFET	25 pages
MISCELLANEOUS	19 pages
<b>TOTAL</b>	<b>163 pages</b>

## **HANDBOOK FOR EXCELLENT RANCH OPERATIONS**

Introductions	Section 1 (5 pages)
Front of House	Section 2 (13 pages)
Back of House	Section 3 (3 pages)
Public Relations	Section 4 (16 pages)
Food Recall	Section 5 (4 pages)
Training	Section 6 (3 pages)
Evaluations & Audits	Section 7 (2 pages)
Human Resources	Section 8 (25 pages)
Job Descriptions	Section 9 (6 pages)
Managing Team Member Performance	Section 10 (34 pages)
Carry Out & Delivery	Section 11 (5 pages)
Profit & Loss	Section 12 (5 pages)
Security & Safety	Section 13 (15 pages)
Computer & Credit Card Safety	Section 14 (30 pages)
Food Safety	Section 15 (26 pages)
Insurance Coverage	Section 16 (2 pages)
Uniform Standards	Section 17 (5 pages)
Awards	Section 18 (4 pages)
Vendors	Section 19 (6 pages)
Building & Grounds	Section 20 (4 pages)
Equipment	Section 21 (9 pages)
Hours of Operation	Section 22 (4 pages)
<b>TOTAL</b>	<b>226 pages</b>

## **BRAND STANDARDS MANUAL**

The Brand:Mission & Vision / Voice	7 pages
Visual Identity	29 pages
Supporting Brands	5 pages
FunZone Arcade	1 page
Country’s Best Chicken	1 page
Ranch Rewards	1 page
Chief Buffet Officer	1 page
Appendix A – Uniform Dress Standards	3 pages
Appendix B – Fleet Graphic Standards	4 pages
Appendix C – Remodel Standards	7 pages
Appendix D – Décor Standards	1 page
Appendix E – FunZone Standards	4 pages
<b>TOTAL</b>	<b>60 pages</b>

## **FUNZONE OPERATIONS MANUAL**

INTRODUCTIONS & DEFINITIONS	15 pages
APPROVALS & ROYALTIES	1 pages
VENDOR INFORMATION	4 pages
CONSTRUCTION & DESIGN	6 pages
OPERATIONS	20 pages
TRAINING	4 pages
FINANCIAL & REPORTING	6 pages
MARKETING	3 pages
SECURITY & SAFETY	2 pages
EXHIBITS	58 pages
<b>TOTAL</b>	<b>119 pages</b>

### **MANUAL SUMMARY**

<b>MANUAL FOR KITCHEN OPERATIONS</b>	<b>TOTAL</b>	<b>163 pages</b>
<b>HANDBOOK FOR EXCELLENT RANCH OPERATIONS</b>	<b>TOTAL</b>	<b>226 pages</b>
<b>BRAND STANDARDS MANUAL</b>	<b>TOTAL</b>	<b>60 pages</b>
<b>FUNZONE OPERATIONS MANUAL</b>	<b>TOTAL</b>	<b>119 pages</b>
<b><u>ALL MANUALS</u></b>	<b><u>TOTAL</u></b>	<b><u>568 pages</u></b>

**EXHIBIT G**  
**LIST OF FRANCHISEES DECEMBER 31, 2023**

Restaurant Number	Owner (Principal)	Restaurant Address	City	State	Zip Code	Restaurant Phone
PIZZA RANCH # 6810	Bamber Grady	1761 S. PUEBLO DRIVE	PUEBLO	CO	81005	719-281-3957
PIZZA RANCH # 0100	Brett Pfaltzgraff	634 MAIN	ACKLEY	IA	50601	641-847-2244
PIZZA RANCH # 0225	Scott Groeneweg	1325 HWY. 169 NORTH	ALGONA	IA	50511	515-295-6995
PIZZA RANCH # 0230	Russell Weis	465 CENTER PLACE SW	ALTOONA	IA	50009	515-967-8800
PIZZA RANCH # 0240	Russell Weis	1404 BOSTON AVENUE	AMES	IA	50010	515-232-1999
PIZZA RANCH # 0260	Russell Weis	201 SE ORALABOR ROAD	ANKENY	IA	50021	515-964-9990
PIZZA RANCH # 0380	Dean Junker	1512 E. 7TH STREET	ATLANTIC	IA	50022	712-243-2552
PIZZA RANCH # 0412	Mike Middendorp	880 LINCOLN ROAD	BETTENDORF	IA	52722	563-355-9400
PIZZA RANCH # 0460	Russ Weis	1703 S. STORY AVENUE	BOONE	IA	50036	515-432-2222
PIZZA RANCH # 0575	John Mohr	233 LEGACY DRIVE	BURLINGTON	IA	52601	319-754-5555
PIZZA RANCH # 0750	Scott Groeneweg	425 US HIGHWAY 30 WEST	CARROLL	IA	51401	712-792-3456
PIZZA RANCH # 0900	Brandon Pratt	4302 UNIVERSITY AVENUE	CEDAR FALLS	IA	50613	319-266-2555
PIZZA RANCH # 0910	Brandon Pratt	2450 WESTDALE DRIVE SW	CEDAR RAPIDS	IA	52404	319-365-6800
PIZZA RANCH # 0950	Len Jentz	1000 BLUNT PARKWAY	CHARLES CITY	IA	50616	641-228-4100
PIZZA RANCH # 1000	Lorrie Allen	102 S. MAIN	CLARION	IA	50525	515-532-3215
PIZZA RANCH # 1025	Mike Middendorp	1347 11TH STREET NW	CLINTON	IA	52732	563-242-3598
PIZZA RANCH # 1370	Scott Groeneweg	520 LIVINGSTON AVENUE	CRESTON	IA	50801	641-782-7337
PIZZA RANCH # 1400	John Dambek	212 COLLEGE DR.	DECORAH	IA	52101	563-382-8744
PIZZA RANCH # 1510	Scott Groeneweg	510 N. HWY 39	DENISON	IA	51442	712-393-3333
PIZZA RANCH # 1596	Adrie Groeneweg	2020 RADFORD ROAD	DUBUQUE	IA	52002	563-556-4488
PIZZA RANCH # 1700	Brett Pfaltzgraff	1914 EDGINGTON ST.	ELDORA	IA	50627	641-858-2323
PIZZA RANCH # 1800	Amy Martini	2120 11TH ST.	EMMETSBURG	IA	50536	712-852-2222
PIZZA RANCH # 1850	Tony Naylor	1103 WEST BURLINGTON	FAIRFIELD	IA	52556	641-472-0123
PIZZA RANCH # 1995	Russell Weis	3311 5 <sup>TH</sup> AVENUE SOUTH	FORT DODGE	IA	50501	515-955-5599
PIZZA RANCH # 2090	Brett Pfaltzgraff	405 STATE STREET	GARNER	IA	50438	641-923-7262
PIZZA RANCH # 2100	Bert Reitsma	108 E. MICHIGAN AVE.	GEORGE	IA	51237	712-475-2865
PIZZA RANCH # 2230	Russell Weis	613 WEST STREET SOUTH	GRINNELL	IA	50112	641-260-8020
PIZZA RANCH # 2500	Scott Groeneweg	613 COURT	HARLAN	IA	51537	712-755-2262
PIZZA RANCH # 2800	Darrell Westra	723 CENTRAL AVE.	HAWARDEN	IA	51023	712-551-2455
PIZZA RANCH # 3000	Adrie Groeneweg	1015 MAIN ST.	HULL	IA	51239	712-439-1853
PIZZA RANCH # 3100	William Turner	1900 1ST STREET WEST	INDEPENDENCE	IA	50644	319-334-9000
PIZZA RANCH # 3110	Brad Cleveringa	1709 N. JEFFERSON WAY	INDIANOLA	IA	50125	515-961-7492
PIZZA RANCH # 3150	Brandon Pratt *	1610 SYCAMORE STREET	IOWA CITY	IA	52240	319-337-6800
PIZZA RANCH # 3200	Dave Gritsch	706 WASHINGTON AVE.	IOWA FALLS	IA	50126	641-648-3322
PIZZA RANCH # 3700	Brad Cleveringa	11 CENTRAL AVE SW	LE MARS	IA	51031	712-546-7272
PIZZA RANCH # 4300	William Turner	1100 WEST MAIN STREET	MANCHESTER	IA	52057	563-927-4600
PIZZA RANCH # 4500	Steve Phillips	109 N MAIN	MARCUS	IA	51035	712-376-2168
PIZZA RANCH # 4526	Brandon Pratt	6095 CARLSON WAY, SUITE D	MARION	IA	52302	319-377-6767
PIZZA RANCH # 4530	Mike Flanagan	2305 S. CENTER STREET	MARSHALLTOWN	IA	50158	641-753-7711
PIZZA RANCH # 4550	Brad Cleveringa	1617 S. MONROE AVENUE	MASON CITY	IA	50401	641-423-3100
PIZZA RANCH # 5220	Mike Dworak	104 W. ERIE STREET	MISSOURI VALLEY	IA	51555	712-642-5050
PIZZA RANCH # 5000	Nicholas Danover	505 E. OAK STREET	MONTICELLO	IA	52310	319-465-6000
PIZZA RANCH # 5140	John Mohr	708 N. GRAND AVENUE	MT. PLEASANT	IA	52641	319-986-2222
PIZZA RANCH # 5170	Myron Eichelberger	106 FORD AVENUE	MUSCATINE	IA	52761	563-263-3535
PIZZA RANCH # 5350	Brandon Pratt	1500 W. 18TH STREET S.	NEWTON	IA	50208	641-792-3447
PIZZA RANCH # 5400	Brandon Pratt	395 BEAVER KREEK CENTRE	NO. LIBERTY	IA	52317	319-626-7999
PIZZA RANCH # 5625	Gerald Hershey	125 1ST AVENUE SE	OELWEIN	IA	50662	319-283-5858
PIZZA RANCH # 5800	Marla Groeneweg	1505 8TH STREET SE	ORANGE CITY	IA	51041	712-737-3711
PIZZA RANCH # 5925	Robert Rehm, Jr.	120 HIGH AVENUE WEST	OSKALOOSA	IA	52577	641-672-0222
PIZZA RANCH # 5930	Curt Hopkins	1791 VENTURE DRIVE	OTTUMWA	IA	52501	641-684-0800
PIZZA RANCH # 6400	Brad Cleveringa	508 MAIN ST	PELLA	IA	50219	641-628-8844
PIZZA RANCH # 6700	Brian DeVaul	211 N. MAIN	POCAHONTAS	IA	50574	712-335-4555
PIZZA RANCH # 6800	Joni Irwin	103 1ST ST. SE	PRIMGHAR	IA	51245	712-957-0053
PIZZA RANCH # 6850	Scott Groeneweg	1511 N. BROADWAY	RED OAK	IA	51566	712-623-2332
PIZZA RANCH # 7000	Adrie Groeneweg	205 S. UNION ST.	ROCK RAPIDS	IA	51246	712-472-3258
PIZZA RANCH # 7100	Clint Wolthuizen	1513 14TH ST.	ROCK VALLEY	IA	51247	712-476-9930
PIZZA RANCH # 7375	Spencer Groeneweg	206 1ST STREET	SERGEANT BLUFF	IA	51054	712-943-7499
PIZZA RANCH # 7401	Anthony Madsen	104 NORTH RUNGER AVENUE	SHELDON	IA	51201	712-324-4800
PIZZA RANCH # 7500	Chad Klocke	316 9TH ST.	SIBLEY	IA	51249	712-754-4196
PIZZA RANCH # 7600	John Mohr	416 W. JACKSON STREET	SIGOURNEY	IA	52591	641-622-9990
PIZZA RANCH # 7700	Jeff Van Schepen	251 N. MAIN #100	SIOUX CENTER	IA	51250	712-722-3988
PIZZA RANCH # 7710	Adrie Groeneweg	3116 FLOYD BLVD	SIOUX CITY	IA	51104	712-222-1777

<b>Restaurant Number</b>	<b>Owner (Principal)</b>	<b>Restaurant Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Restaurant Phone</b>
PIZZA RANCH # 8000	Scott Groeneweg	528 N. GRAND AVENUE	SPENCER	IA	51301	712-262-6262
PIZZA RANCH # 8100	Terry Veldman	2003 18TH ST.	SPIRIT LAKE	IA	51360	712-336-1419
PIZZA RANCH # 8170	Andy Kosky	517 W. MILWAUKEE AVENUE	STORM LAKE	IA	50588	712-732-1524
PIZZA RANCH # 8176	Russell Weis	1513 BROAD STREET	STORY CITY	IA	50248	515-733-4111
PIZZA RANCH # 8325	Russell Weis	4954 86TH STREET	URBANDALE	IA	50322	515-331-4610
PIZZA RANCH # 8375	Todd Pearce	219 W. 4TH STREET	VINTON	IA	52349	319-472-4000
PIZZA RANCH # 8500	John Mohr	201 SOUTH WILEY	WASHINGTON	IA	52353	319-653-5553
PIZZA RANCH # 8600	Russell Weis	448 SE UNIVERSITY AVENUE	WAUKEE	IA	50263	515-978-6603
PIZZA RANCH # 8650	Scott Davis	2020 W. BREMER	WAVERLY	IA	50677	319-352-2222
PIZZA RANCH # 8820	Russell Weis	1009 JOHN WAYNE DRIVE	WINTERSSET	IA	50273	515-493-1223
PIZZA RANCH # 0458	Robert Rehm, Jr.	1211 HOLIDAY DRIVE	BLOOMINGTON	IL	61704	309-820-9777
PIZZA RANCH #2075	Brandon Pratt	2590 NORTH SEMINARY STREET	GALESBURG	IL	61401	309-351-7860
PIZZA RANCH # 5125	Julie McVey	903 W. JACKSON STREET	MORTON	IL	61550	309-263-1200
PIZZA RANCH # 6425	Robert Rehm, Jr.	4114 N. BRANDYWINE DRIVE	PEORIA	IL	61614	309-839-1420
PIZZA RANCH # 7150	Dan Moore	4797 BLUESTEM ROAD	ROSCOE	IL	61073	815-623-3800
PIZZA RANCH # 7475	Govind Patel	19735 NE FRONTAGE ROAD	SHOREWOOD	IL	60404	815-630-2587
PIZZA RANCH # 8110	Brandon Pratt	1001 LEJUNE DRIVE	SPRINGFIELD	IL	62703	217-679-8844
PIZZA RANCH # 8147	Mike Middendorp	3900 E LINCOLNWAY	STERLING	IL	61081	815-716-8599
PIZZA RANCH # 0265	Caleb Pence	320 N LL 7 G AVENUE	ANTHONY	KS	67003	620-800-3226
PIZZA RANCH # 0300	Brandon Jellings	2825 N. SUMMIT STREET	ARKANSAS CITY	KS	67005	620-741-5063
PIZZA RANCH # 1810	Daniel Nichols	3000 W. 18TH AVENUE	EMPORIA	KS	66801	620-343-8646
PIZZA RANCH # 3075	Dick Korvana	1805 E.17TH AVENUE	HUTCHINSON	KS	67501	620-662-2066
PIZZA RANCH # 8810	Doug Wessley	2121 N. TYLER #144	WICHITA	KS	67212	316-867-2007
PIZZA RANCH # 2875	Dan Westra	734 E. 16 <sup>TH</sup> STREET	HOLLAND	MI	49423	616-499-3900
PIZZA RANCH # 2900	Dan Westra	3492 CHICAGO DR.	HUDSONVILLE	MI	49426	616-669-7030
PIZZA RANCH # 2224	Robert Rehm, Jr.	3858 28 <sup>th</sup> STREET SE	KENTWOOD	MI	49512	616-942-2200
PIZZA RANCH # 5175	Dan Westra	1848 E. SHERMAN BLVD.	MUSKEGON	MI	49444	231-739-3300
PIZZA RANCH # 0205	Adrie Groeneweg	2430 N. BRIDGE AVENUE	ALBERT LEA	MN	56007	507-377-2166
PIZZA RANCH # 0210	Dan Gray	1522 BROADWAY STREET	ALEXANDRIA	MN	56308	320-762-4010
PIZZA RANCH # 0255	Randall Hubin	13797 JAY STREET NW	ANDOVER	MN	55304	763-710-4555
PIZZA RANCH # 0385	Adrie Groeneweg	1300 18TH AVENUE NW	AUSTIN	MN	55912	507-396-2677
PIZZA RANCH # 0392	Trent Carr	14643 EDGEWOOD DRIVE/STE 110	BAXTER	MN	56425	218-454-3290
PIZZA RANCH # 0405	Dennis Johnson	1635 PAUL BUNYAN DRIVE	BEMIDJI	MN	56601	218-333-0600
PIZZA RANCH # 0590	Daniel Michaels	111 FILLMORE STREET	CAMBRIDGE	MN	55008	763-645-1444
PIZZA RANCH # 0945	Randall Hubin	12443 CHAMPLIN DRIVE	CHAMPLIN	MN	55316	763-421-2558
PIZZA RANCH # 1290	Ernie Swanson, Sr.	7855 HARKNESS AVE S	COTTAGE GROVE	MN	55106	651-528-8990
PIZZA RANCH # 1591	Mike Christianson	1504 CENTER AVENUE WEST	DILWORTH	MN	56529	218-287-6001
PIZZA RANCH # 1594	Darren Kelderman	1600 MILLER TRUNK WAY STE H17A	DULUTH	MN	55811	218-464-0751
PIZZA RANCH # 1705	Robert McDonald	19141 FREEPORT STREET NW	ELK RIVER	MN	55330	763-441-3000
PIZZA RANCH # 1855	Adrie Groeneweg	1101 N. STATE STREET	FAIRMONT	MN	56031	507-235-8822
PIZZA RANCH # 1875	Dan Schell	604 FRONTIER AVENUE	FERGUS FALLS	MN	56538	218-739-5888
PIZZA RANCH # 2210	Robert Lucas, Jr.	14 E. MINNESOTA AVE.	GLENWOOD	MN	56334	320-634-4261
PIZZA RANCH # 2830	Darren Kelderman	2502 E. BELTLINE	HIBBING	MN	55746	218-440-1371
PIZZA RANCH # 3080	Doug Lake	1320 HWY 15 SOUTH	HUTCHINSON	MN	55350	302-587-0123
PIZZA RANCH # 3300	Jeff Sauter	206 3 <sup>RD</sup> STREET	JACKSON	MN	56143	507-847-5555
PIZZA RANCH #3441	Robert Rehm, Jr.	16995 KENYON AVENUE	LAKEVILLE	MN	55044	952-898-3333
PIZZA RANCH # 3860	Ron Tappe	124 N. 2ND STREET	LE SUEUR	MN	56058	507-665-2222
PIZZA RANCH # 4010	Trent Carr	202 LEMIUER STREET	LITTLE FALLS	MN	56345	320-632-8333
PIZZA RANCH # 4100	Lila Bauer	110 E. MAIN	LUVERNE	MN	56156	507-283-2379
PIZZA RANCH # 4350	Mike DeBoer	1551 TULLAMORE STREET	MANKATO	MN	56001	507-386-7077
PIZZA RANCH # 4528	Matt Schnoor	1302 BOYER DRIVE	MARSHALL	MN	56258	505-537-0000
PIZZA RANCH # 5010	Jerry Ager	1220 HWY 25 SOUTH	MONTICELLO	MN	55362	763-295-6500
PIZZA RANCH # 5100	Rob Lucas	7 E. 5TH ST.	MORRIS	MN	56267	320-589-2102
PIZZA RANCH # 5325	Scott Groeneweg	1927 S. BROADWAY	NEW ULM	MN	56073	507-354-7772
PIZZA RANCH # 5301	Scott Groeneweg	1102 1ST STREET NE	NEW PRAGUE	MN	56071	952-758-9440
PIZZA RANCH # 5550	Ernest Swanson, Sr.	5785 MINNESOTA AVENUE N	OAKPARK HEIGHTS	MN	55082	651-351-2150
PIZZA RANCH # 5950	Adrie Groeneweg	142 W. BROADWAY STREET	OWATONNA	MN	55060	507-446-9990
PIZZA RANCH # 6100	Rich Ulvin	16137 STATE 34	PARK RAPIDS	MN	56470	218-732-4030
PIZZA RANCH # 6500	Darren Kelderman	121 2ND AVENUE SE	PERHAM	MN	56573	218-346-7890
PIZZA RANCH # 6550	Thomas Ploeger	108 W. MAIN STREET	PIPESTONE	MN	56164	507-562-2222
PIZZA RANCH # 6900	Adrie Groeneweg	1360 E. BRIDGE ST.	REDWOOD FALLS	MN	56283	507-644-5936
PIZZA RANCH # 7385	Jan Lake	1266 VIERLING DRIVE EAST	SHAKOPEE	MN	55379	952-233-2122
PIZZA RANCH # 7801	Trevor Holm	2306 BROADWAY	SLAYTON	MN	56172	507-836-8856
PIZZA RANCH # 8150	Adrie Groeneweg	1580 2ND AVENUE NW	STEWARTVILLE	MN	55976	507-533-0117
PIZZA RANCH # 8400	Darren Kelderman	106 S. JEFFERSON	WADENA	MN	56482	218-631-2145
PIZZA RANCH # 8140	Darren Kelderman	110 2ND STREET SOUTH # 119	WAITE PARK	MN	56387	320-203-8646

Restaurant Number	Owner (Principal)	Restaurant Address	City	State	Zip Code	Restaurant Phone
PIZZA RANCH # 8475	Raymond Peter Madel III	212 17TH AVENUE NE	WASECA	MN	56093	507-833-9080
PIZZA RANCH # 8815	Matt Schnoor	1612 LAKELAND DRIVE	WILLMAR	MN	56201	320-222-3663
PIZZA RANCH # 8875	Scott Groeneweg	1132 OXFORD STREET, STE 4	WORTHINGTON	MN	56187	507-376-3711
PIZZA RANCH # 0510	Robert Rehm, Jr.	1464 STATE HWY 248	BRANSON	MO	65616	417-337-5060
PIZZA RANCH # 1295	Chad Brenneman	4732 MID RIVERS MALL	COTTLEVILLE	MO	63376	636-244-3255
PIZZA RANCH #3375	Josh Comer	3223 E. 20 <sup>th</sup> STREET	JOPLIN	MO	64801	417-691-8304
PIZZA RANCH # 4535	Gary Schenkelberg	213 CHE DRIVE	MARYVILLE	MO	64468	660-224-2185
PIZZA RANCH # 8620	Chad Brenneman *	1225 WENTZVILLE PARKWAY	WENTZVILLE	MO	63385	636-887-2890
PIZZA RANCH # 8145	Russell Kosky	3007 N. BELT HIGHWAY	ST. JOSEPH	MO	64506	816-259-5260
PIZZA RANCH # 8115	Mark Mosler	2825 S. GLENSTONE AVE	SPRINGFIELD	MO	65804	417-319-5021
PIZZA RANCH # 0419	Mike Christianson	2505 KING AVENUE WEST	BILLINGS	MT	59102	406-294-3663
PIZZA RANCH # 0421	Mike Christianson	1327 MAIN STREET, STE 6	BILLINGS HEIGHTS	MT	59105	406-839-2366
PIZZA RANCH # 0580	Mike Christianson	3541 HARRISON AVENUE	BUTTE	MT	59701	406-494-2822
PIZZA RANCH # 2810	Mike Christianson	3200 N. SANDERS STREET	HELENA	MT	59602	406-996-1235
PIZZA RANCH # 0420	Kyle Sedivec	1431 LASALLE DRIVE	BISMARCK	ND	58503	701-751-2636
PIZZA RANCH # 0700	Jim Weinmann	730 4TH AVENUE SOUTH	CARRINGTON	ND	58421	701-652-3232
PIZZA RANCH # 0800	Jaci Sullivan	638 FRONT STREET	CASSELTON	ND	58012	701-347-4099
PIZZA RANCH # 1200	Paul Paintner	HWY. 45 & MAIN	COOPERSTOWN	ND	58425	701-797-2800
PIZZA RANCH # 1590	Scott Otis	624 COLLEGE DRIVE SOUTH	DEVILS LAKE	ND	58301	701-665-6565
PIZZA RANCH # 1592	Jason Fridrich	2184 2ND AVENUE WEST	DICKINSON	ND	58601	701-483-0008
PIZZA RANCH # 1860	Mike Christianson	4480 23RD AVENUE SOUTH. STE A	FARGO	ND	58104	701-356-4141
PIZZA RANCH # 2220	Mike Christianson	3750 32ND AVENUE SOUTH	GRAND FORKS	ND	58206	701-775-2222
PIZZA RANCH # 2701	Brandon Kukowski	721 LINCOLN AVENUE	HARVEY	ND	58341	701-324-2332
PIZZA RANCH # 3310	Darren Kelderman	805 20TH STREET SW	JAMESTOWN	ND	58401	701-952-2000
PIZZA RANCH # 3900	Benjamin Gemar	520 MAIN	LISBON	ND	58054	701-683-4017
PIZZA RANCH # 4325	Kyle Sedivec	305 E. MAIN STREET	MANDAN	ND	58554	701-667-5400
PIZZA RANCH # 4725	Mike Christianson *	305 37TH AVENUE SW	MINOT	ND	58701	701-852-3663
PIZZA RANCH # 8350	Robert Bergan	1066 W. MAIN STREET	VALLEY CITY	ND	58072	701-845-4455
PIZZA RANCH # 8426	Jeff Ploeger	1110 3RD AVENUE NORTH	WAHPETON	ND	58075	701-672-7492
PIZZA RANCH # 1075	Scott Groeneweg	2266 33RD AVENUE	COLUMBUS	NE	68602	402-564-8131
PIZZA RANCH # 2222	Brad Cleveringa	1016 DIERS AVENUE, SUITE 124	GRAND ISLAND	NE	68803	308-675-3044
PIZZA RANCH # 3415	Dennis Johnson	123 3 <sup>RD</sup> AVENUE	KEARNEY	NE	68845	308-371-1110
PIZZA RANCH # 5375	Scott Groeneweg	1700 MARKET LANE	NORFOLK	NE	68701	402-792-3447
PIZZA RANCH # 8800	Harlyn Vander Griend	245 S. MAIN	WEST POINT	NE	68788	402-372-5099
PIZZA RANCH # 0025	Scott Schell	1010 6TH AVENUE SE	ABERDEEN	SD	57401	605-725-2525
PIZZA RANCH # 0500	Aaron Hansen	202 SPLITROCK BLVD.	BRANDON	SD	57005	605-582-6322
PIZZA RANCH # 0551	Ross Olson	1815 6 <sup>th</sup> STREET	BROOKINGS	SD	57006	605-692-3663
PIZZA RANCH # 0600	Matthew Cerwick	719 E. 5TH STREET	CANTON	SD	57013	605-987-0099
PIZZA RANCH # 1500	Robert Stykel	500 W. 4TH STREET	DELL RAPIDS	SD	57022	605-428-5967
PIZZA RANCH # 2000	Jim Larsen	321 E. HUSTAN	FORT PIERRE	SD	57532	605-223-9114
PIZZA RANCH # 2600	Adam De Jong	120 W. HWY. 38	HARTFORD	SD	57033	605-528-3663
PIZZA RANCH # 4200	Tom Bernard	1111 NW 2ND ST.	MADISON	SD	57042	605-256-3333
PIZZA RANCH # 4700	Jackielyn Pond	306 S. MAIN	MILBANK	SD	57252	605-432-5200
PIZZA RANCH # 4800	Matthew Cerwick	502 E. NORWAY	MITCHELL	SD	57301	605-996-8009
PIZZA RANCH # 6825	Steve Cronin	1556 LUNA AVENUE	RAPID CITY	SD	57701	605-348-9114
PIZZA RANCH # 6826	Steve Cronin	405 E. STUMER ROAD	RAPID CITY	SD	57701	605-791-5255
PIZZA RANCH # 7715	Aaron Hansen	3809 E. 10TH STREET SUITE 100	SIOUX FALLS	SD	57103	605-275-9777
PIZZA RANCH # 7720	Todd Pharis	2717 W. 41ST STREET	SIOUX FALLS	SD	57105	605-271-8646
PIZZA RANCH # 7900	Ted Schilling	2625 E. COLORADO BLVD.	SPEARFISH	SD	57783	605-642-4422
PIZZA RANCH # 8200	Kyle Sedivec	2711 LAZELLE STREET	STURGIS	SD	57785	605-347-3400
PIZZA RANCH # 8250	Todd Pharis	802 E. BRIAN STREET	TEA	SD	57064	605-368-5588
PIZZA RANCH # 8360	Aric Van Voorst	912 N. DAKOTA STREET	VERMILLION	SD	57069	605-658-0169
PIZZA RANCH # 8505	Darren Kelderman	217 10TH STREET NW	WATERTOWN	SD	57201	605-882-4040
PIZZA RANCH # 8900	Chris Anderson	1501 BROADWAY AVENUE	YANKTON	SD	57078	605-665-1222
PIZZA RANCH # 2815	Chris Egeland	476 WEST MAIN	HENDERSONVILLE	TN	37075	615-757-3267
PIZZA RANCH # 0275	Brent Balken	N. 139 EISENHOWER DRIVE	APPLETON	WI	54915	920-734-8800
PIZZA RANCH # 2228	Tabasum Khan	820 WILLARD DRIVE, SUITE 220	ASHWAUBENON	WI	54304	920-544-0046
PIZZA RANCH # 0390	Ken Dressen	1000 LOG LODGE COURT	W. BARABOO	WI	53913	608-448-2215
PIZZA RANCH #0395	Brian Marthaler	1520 NORTH SPRING STREET	BEAVER DAM	WI	53916	920-219-9676
PIZZA RANCH # 1597	Ernest Swanson, Sr.	2451 TRUAX BLVD	EAU CLAIRE	WI	54703	715-514-4143
PIZZA RANCH # 1710	Robert Rehm, Jr.	28 W. HIDDEN TRAIL	ELKHORN	WI	53121	262-723-7880
PIZZA RANCH # 1975	Andy Kosky	1235 WEST JOHNSON STREET	FOND DU LAC	WI	54935	920-929-8800
PIZZA RANCH # 0280	Robert Rehm, Jr.	5450 WEST INTEGRITY WAY	GRAND CHUTE	WI	54914	920-903-1470
PIZZA RANCH # 2227	Tabasum Khan	2206 E. MAIN STREET	GREEN BAY	WI	54302	920-468-3555
PIZZA RANCH # 3418	Robert Rehm Jr.	3130 CHESTNUT PLACE	LACROSSE	WI	54601	608-519-3118

<b>Restaurant Number</b>	<b>Owner (Principal)</b>	<b>Restaurant Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Restaurant Phone</b>
PIZZA RANCH # 8825	Steven Timlin	1031 WISCONSIN DELLS PKWY	LAKE DELTON	WI	53940	608-254-8200
PIZZA RANCH # 4345	Tabasum Khan	3212 CALUMET AVENUE	MANITOWOC	WI	54220	920-769-0015
PIZZA RANCH # 4533	Neil Krogman	1302 N. CENTRAL AVENUE	MARSHFIELD	WI	54449	715-502-9730
PIZZA RANCH # 5920	Tabasum Khan	1051 S. WASHBURN STREET	OSHKOSH	WI	54904	920-235-3360
PIZZA RANCH # 5750	Bjorn Kaashagen	944 CENTER AVENUE	OOSTBURG	WI	53070	920-564-6333
PIZZA RANCH # 6750	Sheryl Firari	2905 NEW PINERY ROAD	PORTAGE	WI	53901	608-566-1750
PIZZA RANCH # 8148	Robert Rehm, Jr.	1300 COMMERCIAL PLACE	PLOVER	WI	54467	715-544-1644
PIZZA RANCH # 6925	Dale Jorgensen	2670 E. MAIN ST.	REEDSBURG	WI	53959	608-768-5555
PIZZA RANCH # 6950	James Ferger	275 S. EISENHOWER PARKWAY	RHINELANDER	WI	54501	715-240-1981
PIZZA RANCH # 7390	Laura Kolberg	3518 KOHLER MEMORIAL DRIVE	SHEBOYGAN	WI	53081	920-395-2506
PIZZA RANCH # 8205	Ken Dressen	682 S. GRAND AVENUE	SUN PRAIRIE	WI	53590	608-825-6900
PIZZA RANCH # 4665	Mark Miller	100 KEENAN COURT	VERONA	WI	53593	608-848-3600
PIZZA RANCH # 8510	Bjorn Kaashagen	1726 S. CHURCH STREET	WATERTOWN	WI	53094	920-390-2782
PIZZA RANCH # 8610	Robert Rehm, Jr.	930 FLEETWOOD DRIVE	WAUKESHA	WI	53186	262-650-0207
PIZZA RANCH # 8625	Brian Marthaler	900 W MAIN	WAUPUN	WI	53963	920-324-9000
PIZZA RANCH # 8700	Matthew Gehring	2020 W. WASHINGTON STREET	WEST BEND	WI	53095	262-334-5099
PIZZA RANCH # 8630	James Ferger	2715 SCHOFIELD	WESTON	WI	54476	715-298-5378
PIZZA RANCH # 0775	Mike Christianson	5011 E 2 <sup>ND</sup> STREET	CASPER	WY	82609	307-237-1234
PIZZA RANCH #2150	Anthony Toscana	1000 W. 2 <sup>ND</sup> STREET	GILLETTE	WY	82707	307-696-8290

\* Area Developer

**FRANCHISE AGREEMENTS SIGNED BUT RESTAURANT NOT YET OPENED  
(as of December 31, 2023)**

<b>KANSAS</b>	McPherson	Dick Kovarna	806-898-1346
	Topeka	Dennis Johnson	712-898-9706
<b>KENTUCKY</b>	Paducah	Steven Ofarrell	850-607-3036
<b>MINNESOTA</b>	Thief River Falls	Daniel Lund	218-684-1180
	Detroit Lakes	Nicholas Price	218-346-7890
	Winona	Timothy Beier	507-458-6595
<b>NEBRASKA</b>	North Platte	Shae Caldwell	308-534-4437
<b>NORTH DAKOTA</b>	Williston	Jason Fridrich	701-483-0008
<b>TENNESSEE</b>	Clarksville	Kevin Addae	917-515-3500
<b>WISCONSIN</b>	Lisbon	Bjorn Kaashagen	608-445-4744
	Burlington	Bjorn Kaashagen	608-445-4744



**EXHIBIT H**

**List of Franchisees Who Have Ceased Business, Transferred or Had a Restaurant Terminated/Canceled/Not Renewed/Not Communicated**

**Terminated/Canceled/Not Renewed/Not Communicated**

**Operational Franchisees.** Below is a listing of franchisees who were operational who terminated, cancelled, not renewed or who voluntarily or involuntarily stopped doing business under their franchise agreement during the most recently completed fiscal year (2023) or who have not communicated with us within 10 weeks of the date of this Disclosure Document. If you license a franchise, your contact information may be disclosed to other prospective franchisees when you leave the franchise system.

Mobridge, SD	Gary Steuck	Mbish8@msn.com
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**Non-Operational Franchisees.** Below is a listing of franchisees who were not operational who terminated, cancelled, not renewed or who voluntarily or involuntarily stopped doing business under their franchise agreement during the most recently completed fiscal year (2023) or who have not communicated with us within 10 weeks of the date of this Disclosure Document. If you license a franchise, your contact information may be disclosed to other prospective franchisees when you leave the franchise system.

None

**Transferred**

**Operational Franchisees.** Franchisees who were operational who transferred their franchise agreement during the most recently completed fiscal year (2023) are:

<b>IOWA</b>		
Atlantic	Bruce Birge III	712-249-0964
Oskaloosa	Rick Danover	563-370-1031
Pella	Chad Ver Steeg	641-780-6848
<b>WISCONSIN</b>		
Oostburg	Bart Daniels	423-240-5724
<b>MINNESOTA</b>		
Slayton	Randy Pankonen	320-630-0753
<b>NEBRASKA</b>		
Norfolk	Harlyn Vander Griend	402-372-5099

**Non-Operational Franchisees.** Franchisees who were not operational who transferred their franchise agreement during the most recently completed fiscal year (2023) are:

None

If you license a franchise, your contact information may be disclosed to other prospective franchisees when you leave the franchise system.

**EXHIBIT I**

**FINANCIAL STATEMENTS**

**Audited Financial Statements  
December 31, 2023, 2022, and 2021**

PIZZA RANCH, INC. AND SUBSIDIARIES

Orange City, Iowa

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CONSOLIDATED FINANCIAL STATEMENTS  
(With Independent Auditor's Report Thereon)

December 31, 2023, 2022, and 2021



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Pizza Ranch, Inc. and Subsidiaries  
Orange City, Iowa

### **Opinion**

We have audited the accompanying consolidated financial statements of Pizza Ranch, Inc. (an Iowa subchapter S Corporation) and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2023, 2022, and 2021, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pizza Ranch, Inc. and Subsidiaries as of December 31, 2023, 2022, and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Pizza Ranch, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audits. 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 are free from material misstatement, whether due to fraud or error.



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

### **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 Pizza Ranch, Inc. and Subsidiaries' 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 Pizza Ranch, Inc. 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.

**Other Information**

Management is responsible for the other information included in the franchise disclosure document. The other information is included in the table of contents of the franchise disclosure document but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Sioux City, Iowa  
April 2, 2024

*King Reinisch Prosser & Co LLP*

PIZZA RANCH, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31,

ASSETS

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 6,945,589	\$ 7,577,671	\$ 8,675,356
Investment in equity securities	2,078,561	1,919,111	2,009,408
Certificates of deposit	2,057,608	-	-
Franchise royalties receivable	1,125,197	978,913	915,749
Accounts receivable	395,052	343,443	261,123
Volume allowance receivable	829,263	851,752	711,148
Inventory	99,967	109,432	93,176
Prepaid expenses	<u>1,018,752</u>	<u>274,372</u>	<u>189,116</u>
Total current assets	<u>\$ 14,549,989</u>	<u>\$ 12,054,694</u>	<u>\$ 12,855,076</u>
<b>PROPERTY AND EQUIPMENT:</b>			
Land	\$ 2,065,827	\$ 2,065,827	\$ 1,890,827
Buildings and improvements	7,543,164	7,560,368	6,409,731
Leasehold improvements	1,861,271	1,445,499	1,445,499
Furniture, fixtures, and equipment	4,786,931	4,352,034	3,800,654
Vehicles	943,236	871,869	774,459
Accumulated depreciation	<u>(5,811,512)</u>	<u>(5,321,973)</u>	<u>(4,919,779)</u>
Net property and equipment	<u>\$ 11,388,917</u>	<u>\$ 10,973,624</u>	<u>\$ 9,401,391</u>
<b>OTHER ASSETS:</b>			
Operating lease right-of-use assets	\$ 3,008,503	\$ 3,421,296	\$ -
Other investments	270,466	171,315	292,718
Other	<u>3,625</u>	<u>3,625</u>	<u>3,625</u>
Total other assets	<u>\$ 3,282,594</u>	<u>\$ 3,596,236</u>	<u>\$ 296,343</u>
Total assets	<u>\$ 29,221,500</u>	<u>\$ 26,624,554</u>	<u>\$ 22,552,810</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 594,216	\$ 512,590	\$ 393,025
Accrued expenses	1,388,645	1,092,071	1,435,191
Deferred revenue	122,717	103,945	113,390
Current portion of contract liability	207,300	200,683	157,613
Current portion of operating lease liability	412,812	377,713	-
Current portion of long-term debt payable	<u>225,252</u>	<u>284,594</u>	<u>228,085</u>
Total current liabilities	<u>\$ 2,950,942</u>	<u>\$ 2,571,596</u>	<u>\$ 2,327,304</u>
<b>LONG-TERM LIABILITIES:</b>			
Long-term portion of contract liability	\$ 546,655	\$ 507,626	\$ 510,218
Long-term portion of operating lease liability	2,665,860	3,078,666	-
Long-term debt payable, net of current portion	<u>3,480,102</u>	<u>3,667,035</u>	<u>2,928,386</u>
Total liabilities	<u>\$ 9,643,559</u>	<u>\$ 9,824,923</u>	<u>\$ 5,765,908</u>
<b>STOCKHOLDERS' EQUITY:</b>			
Common stock, \$10 par value; 100,000 shares authorized; 9,311 shares issued and outstanding (9,311 shares issued and outstanding at December 31, 2022 and 2021)	\$ 93,110	\$ 93,110	\$ 93,110
Additional paid-in capital	180,789	180,789	180,789
Retained earnings	<u>19,304,042</u>	<u>16,525,732</u>	<u>16,513,003</u>
Total stockholders' equity	<u>\$ 19,577,941</u>	<u>\$ 16,799,631</u>	<u>\$ 16,786,902</u>
Total liabilities and stockholders' equity	<u>\$ 29,221,500</u>	<u>\$ 26,624,554</u>	<u>\$ 22,552,810</u>

PIZZA RANCH, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
REVENUE:			
Franchise royalties	\$ 13,496,639	\$ 12,454,968	\$ 10,643,917
Franchise fees	234,354	187,022	135,167
Transfer fees	33,500	38,500	93,500
Franchise supplies and merchandise sales	3,676	7,154	3,741
Financial services revenue	1,287,403	1,121,562	1,093,335
Restaurant revenue	11,781,634	10,171,937	9,304,980
Volume allowance rebates	3,033,779	2,947,117	2,670,681
Other	<u>14,582</u>	<u>24,537</u>	<u>30,419</u>
Total revenue	\$ 29,885,567	\$ 26,952,797	\$ 23,975,740
COST OF SUPPLIES AND MERCHANDISE SOLD	3,405,811	3,072,036	2,602,752
OPERATING EXPENSES	19,140,179	17,478,061	16,061,689
FRANCHISE AND CONCEPT DEVELOPMENT COSTS	<u>599,053</u>	<u>626,907</u>	<u>514,793</u>
OPERATING INCOME (LOSS)	\$ <u>6,740,524</u>	\$ <u>5,775,793</u>	\$ <u>4,796,506</u>
OTHER INCOME (EXPENSE):			
Interest and dividend income	\$ 123,472	\$ 71,259	\$ 32,900
Interest expense	(167,947)	(161,287)	(163,246)
Equity in operations of investee	10,884	12,909	125,686
Net gain (loss) on sale of property and equipment	60,384	38,280	(15,033)
Investment gains (losses)	206,346	(119,580)	2,913
Lease income	15,840	15,840	15,840
Gain on extinguishment of debt	-	-	2,257,200
Miscellaneous income	22,458	13,591	1,592,625
Miscellaneous expense	<u>(409,105)</u>	<u>(334,076)</u>	<u>(430,470)</u>
Total other income (expense)	\$ <u>(137,668)</u>	\$ <u>(463,064)</u>	\$ <u>3,418,415</u>
NET INCOME	\$ <u>6,602,856</u>	\$ <u>5,312,729</u>	\$ <u>8,214,921</u>



PIZZA RANCH, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Earnings</u>	<u>Stockholders'</u>
			<u>Capital</u>		<u>Equity</u>
BALANCE JANUARY 1, 2021	9,311	\$ 93,110	\$ 180,789	\$ 9,623,892	\$ 9,897,791
Distributions paid	-	-	-	(1,325,810)	(1,325,810)
Net income	-	-	-	<u>8,214,921</u>	<u>8,214,921</u>
BALANCE DECEMBER 31, 2021	9,311	\$ 93,176	\$ 180,789	\$ 16,513,003	\$ 16,786,902
Distributions paid	-	-	-	(5,300,000)	(5,300,000)
Net income	-	-	-	<u>5,312,729</u>	<u>5,312,729</u>
BALANCE DECEMBER 31, 2022	9,311	\$ 93,176	\$ 180,789	\$ 16,525,732	\$ 16,799,631
Distributions paid	-	-	-	(3,824,546)	(3,824,546)
Net income	-	-	-	<u>6,602,856</u>	<u>6,602,856</u>
BALANCE DECEMBER 31, 2023	<u>9,311</u>	<u>\$ 93,176</u>	<u>\$ 180,789</u>	<u>\$ 19,304,042</u>	<u>\$ 19,577,941</u>

PIZZA RANCH, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 6,602,856	\$ 5,312,729	\$ 8,214,921
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,084,109	1,001,212	538,304
Investment (gains) losses	(219,079)	119,580	(2,913)
CARES Act debt relief	-	-	(46,761)
Net (gain) loss on sale of property and equipment	(60,384)	(38,280)	15,033
Income in operations of investee	5,617	130,590	(69,686)
Changes in current assets and liabilities:			
(Increase) decrease in franchise royalties receivable	(146,284)	(63,164)	(365,518)
(Increase) decrease in accounts receivable, net	(51,609)	(82,320)	400,347
(Increase) decrease in volume allowance receivable	22,489	(140,604)	(247,657)
(Increase) decrease in inventory and prepaid expenses	(734,915)	(101,512)	(43,805)
(Increase) decrease in other assets	-	-	2,790
Increase (decrease) in accounts payable	81,626	119,565	140,152
Increase (decrease) in accrued expenses	296,574	(343,120)	409,477
Increase (decrease) in deferred revenue	18,772	(9,445)	(9,816)
Increase (decrease) in contract liabilities	45,646	40,478	9,833
Increase (decrease) in operating lease liability	(377,707)	(369,724)	-
Net cash provided by operating activities	<u>\$ 6,567,711</u>	<u>\$ 5,575,985</u>	<u>\$ 8,944,701</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from sale of property and equipment	\$ 85,155	\$ 38,756	\$ 52,714
Investment in property and equipment	(1,111,358)	(2,169,114)	(212,015)
Return on capital from other investments	(104,768)	(9,187)	(7,642)
Purchase of equity securities	(693,141)	(1,011,506)	(2,121,668)
Proceeds from sale of equity securities	752,770	982,223	115,173
Purchases of certificates of deposit	(2,057,608)	-	-
Net cash used in investing activities	<u>\$ (3,128,950)</u>	<u>\$ (2,168,828)</u>	<u>\$ (2,173,438)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Distributions to stockholders	\$ (3,824,546)	\$ (5,300,000)	\$ (1,325,810)
Proceeds from issuance of long-term debt	469,000	1,040,000	-
Payments for retirement of long-term debt	(715,297)	(244,842)	(2,147,428)
Net cash provided by (used in) financing activities	<u>\$ (4,070,843)</u>	<u>\$ (4,504,842)</u>	<u>\$ (3,473,238)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ (632,082)	\$ (1,097,685)	\$ 3,298,025
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>7,577,671</u>	<u>8,675,356</u>	<u>5,377,331</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,945,589</u>	<u>\$ 7,577,671</u>	<u>\$ 8,675,356</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Cash paid during the year for interest	<u>\$ 169,253</u>	<u>\$ 161,895</u>	<u>\$ 163,127</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>			
Investment in property and equipment in accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,007</u>
Right-of-use assets established in exchange for operating use liabilities due to implementation of FASB ASC Topic 842	<u>\$ -</u>	<u>\$ 3,826,103</u>	<u>\$ -</u>

## PIZZA RANCH, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023, 2022, AND 2021

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Business - Pizza Ranch, Inc. and Subsidiaries (the Company) is a franchisor of 220 restaurants in Arkansas, Colorado, Illinois, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, Tennessee, Wisconsin, and Wyoming. PR Financial Services, L.L.C., the Company's wholly-owned subsidiary, provides monthly bookkeeping and payroll services to the franchisees. CBPR, L.L.C., Omaha Frederick PR, L.L.C., Liberty PR, L.L.C., North Oak PR, L.L.C., Papillion PR, L.L.C., Independence PR, L.L.C., Manhattan PR, L.L.C., and Lincoln PR, L.L.C., the Company's wholly-owned subsidiaries, operate Pizza Ranch restaurants and Fun Zones.

Basis of Accounting - Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting.

Basis of Presentation and Consolidation - The consolidated financial statements include the accounts of Pizza Ranch, Inc. and its wholly-owned subsidiaries PR Financial Services, L.L.C., CBPR, L.L.C., Omaha Frederick PR, L.L.C., Liberty PR, L.L.C., North Oak PR, L.L.C., Papillion PR, L.L.C., Independence PR, L.L.C., Manhattan PR, L.L.C., and Lincoln PR, L.L.C. after the elimination of all material intercompany transactions and balances.

Revenue Recognition - The Company recognizes most revenues utilizing a five step process that focuses on transfer of control, as opposed to transfer of risks and rewards. The five steps require the Company to: (1) identify the contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations, and (5) recognize revenue when (or as) each performance obligation is satisfied. Certain other revenues, such as lease revenues, grants, investment income, or gains and losses arising from sales of investments to business assets, are recognized in accordance with other specific guidance as codified in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

The Company has adopted a policy to account for different forms of government assistance, including forgivable loans, where it is permitted to analogize to International Accounting Standard 20. Under this model, government assistance is not recognized until there is reasonable assurance that the conditions attached to the assistance will be met. The earnings impact of government assistance is recorded on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. The Company recorded the cash inflow from the Paycheck Protection Program as a liability, and subsequent to initial recognition, the Company reduced the liability with the offset through earnings under "other income".

PIZZA RANCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023, 2022, AND 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Revenues are recognized based on the following categories:

Restaurant Revenue - Revenues from the sale of food and beverage items by company-owned restaurants are recognized when a customer purchases the food or beverage, which is when the obligation to perform is satisfied. Revenues from Fun Zone games and activities are also recognized at the time of purchase.

Franchise Royalties - The Company's franchise agreements require that the franchisee remit monthly fees as a percentage of the applicable restaurant's sales in exchange for the license of the intellectual property associated with use of proprietary rights and licensed marks. This revenue is recognized as it is received since it directly correlates with the monthly sales of the franchisee.

Franchise Fees - The Company's franchise agreements require an upfront fee upon the agreement being signed. A portion of this fee related to training conducted prior to the franchisee store's opening is recognized at the point in time the franchisee store is opened. The Company has elected the practical expedient to recognize these pre-opening services as a single performance obligation. The remaining fee is recognized evenly over the life of the franchise agreement. A franchise agreement is able to be renewed at the end of the term for an additional fee, which is also recognized evenly over the life of the renewed franchise agreement.

Transfer Fees - Any fees paid to the Company in the event that the franchise agreement is transferred to another franchisee are recognized when the transfer occurs.

Franchise Supplies and Merchandise Sales - Revenues from sale of supplies to franchisee stores are recognized when the franchisee purchases the supplies, which is when the obligation to perform is satisfied.

Financial Services - The Company provides its franchisees with financial services, including payroll processing and monthly financial statements. This revenue is recognized upon the services being rendered, which is when the obligation to perform is satisfied.

Volume Allowance - The Company receives rebates from suppliers for large quantities purchased by franchisee and company-owned stores. This revenue is recognized at the point in time that the Company has met the usage requirements of the agreement.

PIZZA RANCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023, 2022, AND 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Cash and Cash Equivalents - The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, unless held for investment purposes.

Investment in Equity Securities - The Company has investments in equity securities with readily determinable fair values which are reported at fair value. Realized gains and losses are determined using the first-in, first-out (FIFO) method. Both realized and unrealized gains and losses on equity securities are reported in net income.

Held-to-Maturity Debt Security - The Company classifies its debt securities as "held-to-maturity" if the Company has the positive intent and ability to hold the debt securities to maturity. Securities classified as held-to-maturity are carried at amortized cost.

Certificates of Deposit - The Company's certificates of deposit represent direct purchases from financial institutions for which there is no secondary market. The certificates of deposit are recorded at cost, adjusted for premiums and discounts that are recognized as interest income using the interest method over the period to maturity. The Company has the positive intent to hold the certificates of deposit to maturity and has evaluated the risk of losses to be remote due to a combination of federal deposit insurance and history with the holding financial institutions. As such no allowance for credit losses was deemed necessary. All certificates of deposit will mature in the next year.

Franchise Royalties Receivable and Accounts Receivable - The Company carries its receivables at cost, less an allowance for credit losses. Receivables over 60 days old are monitored closely and delinquencies are determined based on payment history.

During the year ended December 31, 2023, the Company retrospectively implemented new accounting guidance related to the allowance for credit losses as established by Accounting Standards Update 2016-13, *Financial Instruments - Credit Losses* (Topic 326). The implementation of this new standard did not have a material impact on the Company's consolidated financial statements. On a periodic basis, the Company evaluates its receivables and establishes an allowance for credit losses, based on a history of past write-offs and collections, and current credit conditions. Accounts are written off as uncollectible at the time the Company determines that collection is unlikely. Management has evaluated their risks of losses and determined that no allowance for credit losses is necessary at December 31, 2023, 2022, or 2021.

Inventories - Inventories are valued at the lower of cost or net realizable value using the FIFO method.

PIZZA RANCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023, 2022, AND 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property and Equipment - Property and equipment are recorded at historical cost. Depreciation is provided over estimated useful lives of 3 to 40 years utilizing the straight-line method. Depreciation expense was \$672,410 for the year ended December 31, 2023 (\$596,405 for December 31, 2022 and \$538,304 for December 31, 2021).

Ordinary maintenance and repairs are expensed as incurred. The cost of renewals and betterments are capitalized in the appropriate property and equipment accounts and are depreciated as set forth above. The historical cost and related accumulated depreciation of assets sold or retired are removed from the appropriate accounts and gains or losses, if any, are recognized.

Leases - Effective January 1, 2022, the Company adopted FASB ASC 842, *Leases* (Topic 842). The Company determines if an arrangement contains a lease at inception based on whether the Company has the right to control the asset during the contract period, and other facts and circumstances.

Topic 842 establishes a right-of-use (ROU) model that requires a lessee to report a ROU asset and a lease liability on the consolidated balance sheets for all leases. Leases are classified as either financing or operating, with classification affecting the pattern of expense recognition in the consolidated statements of income. The Company has elected the practical expedient for the treatment of short-term leases for any leases with an initial term of 12 months or less. ROU assets and lease liabilities associated with these short-term leases are not recorded in the consolidated balance sheets, instead the Company recognizes lease expense on a straight-line basis over the lease term.

The Company elected to adopt the following practical expedients available under the transition guidance: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Company also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the ROU assets.

Other Investments - The Company accounts for its investment in a related party, Pizza Ranch RE1, L.L.C., on the equity method of accounting due to the Company having the ability to exercise significant influence over operating and financial policies of the entity. The investment is recorded at cost and subsequently adjusted for the Company's share of undistributed earnings or losses of the entity and annually reviewed for impairment. The Company applies the cumulative earnings approach to determine the proper classification of distributions received from the equity method investee in the consolidated statements of cash flows.

PIZZA RANCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023, 2022, AND 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The Company has investments in equity securities without readily determinable fair values. The Company elects to value these investments at cost, less impairment, if any, plus or minus changes resulting from observable price changes. Investments are evaluated annually for impairment. The Company's investments in equity securities without readily determinable fair values consist of ownership interest in Prairie Winds Hotel Holdings, L.L.C. and an insurance contract deposit with WELLth Captive Collateral.

Income Taxes - The Company has elected to be treated as an S Corporation, whereby all taxable income is passed through to the individual stockholders. Accordingly, no deferred or current tax liabilities, assets, or provisions are provided for in the consolidated financial statements. Management has concluded that any income tax positions that would not meet the more-likely-than-not criterion of FASB ASC 740-10 would be the responsibility of the stockholders. Accordingly, the accompanying consolidated financial statements do not include any provisions for uncertain income tax positions, and no related interest or penalties have been recorded. Federal and state income tax returns of the Company are generally subject to examination by the respective taxing authorities for a period of three years from the date the returns are filed.

Research and Development - Research and development costs are charged to income as incurred.

Use of Estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain recorded amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising - Advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2023, 2022, and 2021 were \$786,244, \$755,730, and \$568,052, respectively.

Risks and Uncertainties - Certain risks and uncertainties are inherent in the Company's day-to-day operations and to the process of preparing its consolidated financial statements. The more significant of those risks and uncertainties are presented throughout the notes to the consolidated financial statements.

Subsequent Events - The Company evaluated for subsequent events through April 2, 2024, the date which the Company's consolidated financial statements were available to be issued.

PIZZA RANCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023, 2022, AND 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Reclassifications - Certain reclassifications have been made to the December 31, 2022 and 2021 consolidated financial statements to conform to the current year's presentation. Total stockholders' equity and net income are unchanged due to these reclassifications.

NOTE B - WHOLLY-OWNED SUBSIDIARY RESTAURANTS:

On July 1, 2017, the Company purchased Lincoln PR, L.L.C., which operates a Pizza Ranch restaurant, from a franchisee. In 2013, wholly-owned subsidiaries Papillion PR, L.L.C., Independence PR, L.L.C., and Manhattan PR, L.L.C. were established to operate a Pizza Ranch restaurant. Papillion PR, L.L.C.'s restaurant opened in November 2013, Independence PR, L.L.C.'s restaurant opened in April 2014, and Manhattan PR, L.L.C.'s restaurant opened in May 2014. In November 2021, Papillion PR, L.L.C.'s restaurant closed. In 2012, wholly-owned subsidiaries Liberty PR, L.L.C. and North Oak PR, L.L.C. were established to operate a Pizza Ranch restaurant. Liberty PR, L.L.C.'s restaurant opened in October 2012 and North Oak PR, L.L.C.'s restaurant opened in March 2013. In October 2020, Liberty PR, L.L.C.'s restaurant closed. In 2011, a wholly-owned subsidiary, Omaha Frederick PR, L.L.C. was established to operate a Pizza Ranch restaurant which opened in December 2011, with the addition of a Fun Zone in September 2020. In 2010, a wholly-owned subsidiary, CBPR, L.L.C. was established to operate a Pizza Ranch restaurant which opened in December 2010.

NOTE C - FAIR VALUE MEASUREMENTS:

The FASB ASC has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;



PIZZA RANCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023, 2022, AND 2021

NOTE C - FAIR VALUE MEASUREMENTS (CONTINUED):

- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These inputs reflect management's judgment about the assumptions that a market participant would use in pricing the investment and are based on the best available information.

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

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

PIZZA RANCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023, 2022, AND 2021

NOTE C - FAIR VALUE MEASUREMENTS (CONTINUED):

The following table sets forth by level, within the fair value hierarchy, the Company's assets subject to fair value measurements as of:

	<u>December 31, 2023</u>			
	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Investments in equity securities	<u>\$ 2,078,561</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,078,561</u>
	<u>December 31, 2022</u>			
	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Investments in equity securities	<u>\$ 1,919,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,919,111</u>
	<u>December 31, 2021</u>			
	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Investments in equity securities	<u>\$ 2,009,408</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,009,408</u>

PIZZA RANCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023, 2022, AND 2021

NOTE D - INVESTMENT IN EQUITY SECURITIES:

Cost and carrying value of the Company's investments in equity securities at December 31, 2023, 2022, and 2021 are as follows:

	2023			
	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Carrying Value</u>
Equity securities	\$ 1,992,812	\$ 85,749	\$ -	\$ 2,078,561
	2022			
	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Carrying Value</u>
Equity securities	\$ 2,051,031	\$ -	\$ 131,920	\$ 1,919,111
	2021			
	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Carrying Value</u>
Equity securities	\$ 2,019,778	\$ -	\$ 10,370	\$ 2,009,408

The change in unrealized holding gains and (losses) on equity securities in the amount of \$217,669, (\$121,550) and (\$10,370) has been included in net income for the years ended December 31, 2023, 2022, and 2021, respectively.

The Company's investment gains (losses) for the years ended December 31, 2023, 2022, and 2021 consist of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Gross realized gains (losses) on sale of investments	\$ 1,410	\$ 1,970	\$ 13,283

PIZZA RANCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023, 2022, AND 2021

NOTE E - OTHER INVESTMENTS:

The Company's other investments consist of the following as of December 31, 2023, 2022, and 2021:

	<u>Ownership Interest</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Equity method investments:				
Pizza Ranch RE1, L.L.C.	10%	\$ (9,579)	\$ (3,962)	\$ 126,628
Equity securities without readily determinable fair values:				
Prairie Winds Hotel Holdings, L.L.C.		\$ 100,000	\$ 100,000	\$ 100,000
WELLth, L.L.C.		<u>180,045</u>	<u>75,277</u>	<u>66,090</u>
		<u>\$ 280,045</u>	<u>\$ 175,277</u>	<u>\$ 166,090</u>
		<u>\$ 270,466</u>	<u>\$ 171,315</u>	<u>\$ 292,718</u>

The Company's share of net income (losses) of its equity method investment was \$10,884, \$12,909, and \$125,689 for the years ended December 31, 2023, 2022, and 2021, respectively. The Company's share of distributions of its equity method investment was \$16,500, \$143,500, and \$56,000 for the years ended December 31, 2023, 2022, and 2021, respectively. As of December 31, 2023, the Company has no outstanding commitments to contribute capital to any investments.

Summary financial information for Pizza Ranch RE1, L.L.C. as of December 31, 2023, 2022, and 2021 is as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets	\$ 1,904,212	\$ 1,960,375	\$ 4,101,147
Liabilities	<u>-</u>	<u>-</u>	<u>834,863</u>
Equity	<u>\$ 1,904,212</u>	<u>\$ 1,960,375</u>	<u>\$ 3,266,284</u>
Revenue	\$ 190,153	\$ 214,249	\$ 596,727
Expenses	(81,316)	(126,457)	(251,523)
Gain on sale of assets	<u>-</u>	<u>41,298</u>	<u>911,656</u>
Net income	<u>\$ 108,837</u>	<u>\$ 129,090</u>	<u>\$ 1,256,860</u>

PIZZA RANCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023, 2022, AND 2021

NOTE E - OTHER INVESTMENTS (CONTINUED):

The Company evaluates available financial reports from each of its investments in equity securities without readily determinable fair values. To the extent observable price changes have occurred, including changes in circumstances that suggest a significant adverse effect on the fair value of the investments, the Company applies upward or downward adjustments.

There were no upward, downward, or impairment adjustments made during the years ending December 31, 2023, 2022, and 2021.

NOTE F - LONG-TERM DEBT PAYABLE:

The Company's long-term debt payable at December 31, 2023, 2022, and 2021, including current portions, consists of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Note payable to U.S. Small Business Administration (SBA) collateralized with equipment, fixtures, furniture, and leasehold improvements with interest of 4.11 percent. Principal and interest due in monthly installments through April 2031.	\$ 298,084	\$ 340,160	\$ 380,544
Note payable to American State Bank collateralized with a security agreement, deed of trust, and assignment of rents with interest of 3.75 percent. Principal and interest due in monthly installments through October 2037.	1,445,387	1,027,094	-
Note payable to U.S. SBA collateralized with a security agreement, deed of trust, and assignment of rents with interest of 3.21 percent. Principal and interest due in monthly installments through August 2033. Note was paid off in December 2023.	-	468,230	511,199
Note payable to U.S. SBA collateralized with a security agreement, deed of trust, and assignment of rents with interest of 2.79 percent. Principal and interest due in monthly installments through October 2034.	387,422	424,174	459,918

PIZZA RANCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023, 2022, AND 2021

NOTE F - LONG-TERM DEBT PAYABLE (CONTINUED):

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Note payable to Iowa State Bank collateralized with a security agreement, deed of trust, and assignment of rents with interest of 4.10 percent. Principal and interest due in monthly installments through October 2030.	\$ 1,221,145	\$ 1,274,094	\$ 1,325,020
Note payable to Peoples Bank collateralized with a security agreement, deed of trust, and assignment of rents with interest fixed at 4.15 percent for the first five years and variable thereafter. Principal and interest due in monthly installments through October 2028.	<u>353,316</u>	<u>417,877</u>	<u>479,790</u>
	\$ 3,705,354	\$ 3,951,629	\$ 3,156,471
Less current portion of long-term debt payable	<u>225,252</u>	<u>284,594</u>	<u>228,085</u>
	<u>\$ 3,480,102</u>	<u>\$ 3,667,035</u>	<u>\$ 2,928,386</u>

During 2021, the notes payable to the U.S. SBA were allowed to defer payments. As a result of certain CARES Act debt relief programs enacted during the COVID-19 pandemic, payments were made by the SBA on the Company's behalf. Income resulting from payments made on the Company's behalf was recognized as other income in the Company's consolidated statements of income.

The Company received \$2,257,200 of funding through the Paycheck Protection Program (PPP) during 2021. All expenses related to the allowable costs for which the funding was intended were incurred prior to year-end, therefore the cash inflow is recorded as "other income" in the Company's consolidated statements of income. During the years ended December 31, 2021, the Company received full forgiveness on all PPP funding.

PIZZA RANCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023, 2022, AND 2021

NOTE F - LONG-TERM DEBT PAYABLE (CONTINUED):

All long-term debt at December 31, 2023 is subject to certain covenants and is secured by substantially all of the Company's assets.

Maturities of long-term debt are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2024	\$ 225,252
2025	232,329
2026	241,457
2027	251,135
2028	247,293
Thereafter	<u>2,507,888</u>
	<u>\$ 3,705,354</u>

NOTE G - SHORT-TERM OPERATING NOTE:

The Company has maintained a revolving loan agreement that provided up to \$500,000 with Iowa State Bank, Hull, Iowa. In 2023, the Company elected not to renew the line of credit. In 2022 and 2021, a variable rate of interest equal to the prime rate published in the Wall Street Journal plus one percent, 4.00 percent at December 31, 2022, 3.95 percent at December 31, 2021, was used. The Company signed a general security agreement pledging accounts receivable, inventory, and equipment as collateral for the term of the line of credit. The loan and security agreements expired in June 2023. There was no outstanding balance at December 31, 2023, 2022, and 2021.

PIZZA RANCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023, 2022, AND 2021

NOTE H - LEASES:

Effective January 1, 2022, the Company adopted FASB ASC Topic 842 for leases using a modified retrospective approach. The implementation required the Company to recognize an additional \$3,826,103 of right-of-use assets and lease liability in its consolidated balance sheets, but did not have a material impact on net income or stockholders' equity. In accordance with allowable transition guidance for Topic 842, the Company elected the practical expedient to continue to present comparative information for the year ended December 31, 2021 in accordance with previous guidance under Topic 840.

The Company leases buildings, vehicles, and land under operating leases with 5 to 20 year initial terms. Most leases include renewal options which can extend the initial lease term. The exercise of these renewal options is at the sole discretion of the Company, and only lease options that the Company believes are reasonably certain to be exercised are included in the measurement of the lease assets and liabilities. The Company's lease agreements may contain both lease and non-lease components. The Company has elected to combine and account for lease and non-lease components as a single lease component for its leases.

While all of the agreements provide for minimum lease payments, some agreements may include variable payments based on a percentage of sales. Variable payments are not determinable at the lease commencement and are not included in the measurement of the lease assets and liabilities. The lease agreements do not include any material residual value guarantees or restrictive covenants. As most leases do not provide an implicit discount rate, the Company has used the incremental borrowing rate based on information available at the commencement date in determining the present value of lease payments for operating leases.

The components of operating lease expenses that are included in "operating expenses" on the consolidated statements of income are as follows for the year ended December 31:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 539,458	\$ 557,510
Variable lease cost	\$ 67,539	\$ 57,932
Short-term lease cost	\$ 19,745	\$ 19,538



PIZZA RANCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023, 2022, AND 2021

NOTE H - LEASES (CONTINUED):

The following summarizes the cash flow information related to operating leases for the year ended December 31:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 528,400	\$ 509,090
Lease assets obtained in exchange for lease liabilities:		
Operating leases	\$ -	\$ 3,826,103

Weighted average lease term and discount rate are as follows for the year ended December 31:

	<u>2023</u>	<u>2022</u>
Weighted average lease term - operating leases	9.49 years	10.05 years
Weighted average discount rate - operating leases	4.00%	4.00%

Maturities of operating lease liabilities are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2024	\$ 528,400
2025	520,405
2026	520,405
2027	385,405
2028	196,405
Thereafter	<u>1,586,900</u>
Total lease payments	\$ 3,737,920
Less: imputed interest	<u>(659,248)</u>
Present value of lease liabilities	<u>\$ 3,078,672</u>

PIZZA RANCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023, 2022, AND 2021

NOTE I - REVENUE FROM CONTRACTS WITH CUSTOMERS:

Revenues by Source - The following table presents the Company's revenues disaggregated by source:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Recognized over time:			
Franchise fees	\$ 234,354	\$ 187,022	\$ 135,167
Recognized at a point in time:			
Franchise royalties	13,496,639	12,454,968	10,643,917
Transfer fees	33,500	38,500	93,500
Franchise supplies and merchandise sales	3,676	7,154	3,741
Financial services revenue	1,287,403	1,121,562	1,093,335
Restaurant revenue	11,781,634	10,171,937	9,304,980
Volume allowance rebates	3,033,779	2,947,117	2,670,681
Other	<u>14,582</u>	<u>24,537</u>	<u>30,419</u>
	<u>\$ 29,885,567</u>	<u>\$ 26,952,797</u>	<u>\$ 23,975,740</u>

Contract Balances - The Company's contract assets are comprised of unpaid recognized revenues. The Company's contract liabilities are comprised of unamortized franchise fees received from franchisees and unused restaurant gift cards. Contract balances are as follows:

	<u>2023</u>		<u>2022</u>		<u>2021</u>	
	<u>January 1</u>	<u>December 31</u>	<u>January 1</u>	<u>December 31</u>	<u>January 1</u>	<u>December 31</u>
Contract assets:						
Franchise royalties receivable	\$ 978,913	\$ 1,125,197	\$ 915,749	\$ 978,913	\$ 550,231	\$ 915,749
Accounts receivable	343,443	395,052	261,123	343,443	661,470	261,123
Volume allowance receivable	<u>851,752</u>	<u>829,263</u>	<u>711,148</u>	<u>851,752</u>	<u>463,491</u>	<u>711,148</u>
Total contract assets	<u>\$ 2,174,108</u>	<u>\$ 2,349,512</u>	<u>\$ 1,888,020</u>	<u>\$ 2,174,108</u>	<u>\$ 1,675,192</u>	<u>\$ 1,888,020</u>
Contract liabilities:						
Contract liabilities	\$ 708,309	\$ 753,955	\$ 667,831	\$ 708,309	\$ 657,998	\$ 667,831
Deferred revenue	<u>103,945</u>	<u>122,717</u>	<u>113,390</u>	<u>103,945</u>	<u>123,206</u>	<u>113,390</u>
Total contract liabilities	<u>\$ 812,254</u>	<u>\$ 876,672</u>	<u>\$ 781,221</u>	<u>\$ 812,254</u>	<u>\$ 781,204</u>	<u>\$ 781,221</u>

The Company has applied the optional exemption, as provided for under FASB ASC 606, which allows the Company to not disclose the transaction price allocated to unsatisfied performance obligations when the transaction price is a sales-based royalty.

PIZZA RANCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023, 2022, AND 2021

NOTE J - RETIREMENT PLAN:

The Company sponsors a 401(k) plan which covers substantially all employees meeting certain eligibility requirements. Participants may contribute a portion of their compensation to the plan, up to the maximum amount permitted under Section 401(k) of the Internal Revenue Code. At the Company's discretion, it can match a portion of the participants' contributions. The Company's retirement plan expense for the year ended December 31, 2023 was \$299,270 (\$261,084 at December 31, 2022 and \$262,213 at December 31, 2021).

NOTE K - RISK MANAGEMENT:

The Company participates in a captive health insurance plan, in which the Company makes an annual capital contribution deposit. Reimbursement of the deposit is contingent upon the activity in the captive health insurance plan. The Company covers amounts in excess of an employee's deductible up to \$40,000 of insurance claims. The captive takes effect between \$40,000 and \$250,000 of insurance claims. Reinsurance takes effect after \$250,000 of insurance claims. The total deposits outstanding at December 31, 2023, 2022, and 2021 were \$180,045, \$75,277, and \$66,090, respectively, which are included in "other investments" on the Company's consolidated balance sheets.

NOTE L - STOCKHOLDER AGREEMENTS:

The Company and its stockholders have entered into agreements which give the Company and non-selling stockholders the right of first refusal in the event a stockholder wishes to sell his or her shares. In addition, the agreement contains provisions requiring certain stockholders, or their appointed legal representatives, to sell their shares upon the occurrence of certain events. Valuation methods and requirements are specified in the agreements for the sale of shares among the stockholders or to the Company.

PIZZA RANCH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023, 2022, AND 2021

NOTE M - RELATED PARTY TRANSACTIONS:

The Company enters into various transactions with related parties. These related parties consist of stockholders and various Pizza Ranch franchisees owned or partially owned by officers and stockholders of the Company. The consolidated balance sheets and consolidated statements of income include the following amounts resulting from transactions with the related parties as of and for the years ended December 31, 2023, 2022, and 2021:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Franchise royalties receivable	\$ 126,017	\$ 110,888	\$ 73,103
Accounts receivable	14,190	11,830	7,916
Accounts payable	2,666	2,621	2,200
Franchise royalties	1,490,015	1,179,527	714,105
Franchise fees	6,000	4,000	37,500
Financial services	136,869	111,758	71,894
Supplies and promotional expense	4,912	2,639	3,254
Lease expense	324,000	324,000	539,640
Miscellaneous expense	5,016	3,905	2,655

NOTE N - CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments. At December 31, 2023, 2022, and 2021 and at various times throughout the year, the Company's cash balances on deposit with financial institutions exceeded the \$250,000 amount insured by the Federal Deposit Insurance Company. The Company has not experienced any losses on such accounts.

Management continually monitors the financial strength of the financial institutions with which it maintains relationships, along with monitoring the cash balances on deposit with these financial institutions in order to minimize this potential risk.

NOTE O - SUBSEQUENT EVENTS:

In January 2024, the Company declared and subsequently paid \$1,400,000 of dividends to its stockholders based on \$6,602,856 of net income for the year ended December 31, 2023.

**EXHIBIT J**

**STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS**

The name and address of the registered agent authorized to receive service of process in Iowa is:

Adrie Groeneweg  
Registered Agent  
204 19<sup>th</sup> Street SE  
Orange City, IA 51041

Listed here are the names, addresses and telephone numbers of state agencies having responsibility for the franchising disclosure/registration laws. Where we are registered to offer franchises, we have appointed the state agency, or as noted below, a state officer, as our agent to receive service of process in the state. We may not yet be registered to offer franchises in any or all of these states. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

**STATE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>STATE ADMINISTRATOR/AGENT</b>	<b>ADDRESS</b>
Illinois	Franchise Division Office of the Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Securities Commissioner Indiana Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204 317-232-6681
Indiana (Agent)	Indiana Secretary of State	200 West Washington Street Indianapolis, IN 46204
Michigan	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit	G. Mennen Williams Building, 1st Floor 525 West Ottawa Street Lansing, MI 48913
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7th Place East, Suite 280 St. Paul, MN 55101-2198
North Dakota	Securities Commissioner North Dakota Securities Department	600 East Boulevard Avenue State Capitol, Fourteenth Floor, Dept 414 Bismarck, ND 58505-0510 701-328-4712
South Dakota	Department of Labor and Regulation Division of Insurance - Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501
Texas	Secretary of State Registrations Unit	1019 Brazos Austin, TX 78701
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705

**EXHIBIT K**

**TERMINATION OF AGREEMENT FOR LICENSE AND SERVICE  
AND MUTUAL RELEASE**

## TERMINATION OF AGREEMENT FOR LICENSE AND SERVICE AND MUTUAL RELEASE

This Termination of Agreement for License and Service and Mutual Release (this “Agreement”) is effective on \_\_\_\_\_, 20\_\_ among (i) **Pizza Ranch, Inc.**, an Iowa corporation (“Pizza Ranch”); (ii) **PR Financial Services, LLC**, an Iowa corporation (“PRF”); (iii) **Licensee1, and Licensee2**, residents and citizens of \_\_\_\_\_ (the “Individual Licensees”); and (iv) **ENTITY LICENSEE, Inc.**, a \_\_\_\_\_ corporation owned and controlled by the Individual Licensees (“**ENTITY LICENSEE**”). The Individual Licensees and **ENTITY LICENSEE** are sometimes collectively referred to as “Licensee.”

### BACKGROUND

A. **ENTITY LICENSEE** and Pizza Ranch entered into a Franchise Agreement (the “Franchise Agreement”) under which **ENTITY LICENSEE** was granted the right and undertook the obligation to operate a PIZZA RANCH® restaurant at \_\_\_\_\_ (the “Restaurant”). PRF is an affiliate of Pizza Ranch that provides financial services to **ENTITY LICENSEE** for a fee.

B. Licensee has requested, and Pizza Ranch has agreed, that the Franchise Agreement and all rights and obligations between the parties related to the Franchise Agreement be terminated to effect a sale of the Franchised Business to a third party.

### AGREEMENT

With the foregoing background incorporated by reference, and in consideration of the mutual promises and covenants contained in this Agreement, and for other valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties agree as follows:

1. Subject to the terms of this Agreement, the Franchise Agreement is terminated effective as of the close of business on \_\_\_\_\_.

2. Franchisee will comply with all obligations under the Franchise Agreement applicable to the period the Franchise Agreement was in effect, including all payment and reporting requirements, and will also comply with all provisions of the Franchise Agreement which expressly or by their terms are intended to survive the termination of the Franchise Agreement. Franchisee agrees that the confidentiality provisions, noncompetition covenants and the indemnification obligations are among the provisions that survive the termination of the Franchise Agreement.

3. Licensee agrees that it no longer has the right to use the name “PIZZA RANCH” or the business techniques, recipes, other trademarks and trade secrets associated with the PIZZA RANCH system of restaurants as stated in the Franchise Agreement. Licensee will not suggest to the public any present or former affiliation of the premises or any business operated by Licensee with the PIZZA RANCH system. If directed by Pizza Ranch if the proposed transfer does not occur, Licensee will immediately make all modifications or alterations to the inside and outside of the Restaurant premises, including trade dress, signs, equipment, furnishings and fixtures, to distinguish it from the restaurants associated with the PIZZA RANCH system and will remove all evidence of the “PIZZA RANCH” mark and other trademarks. Licensee will furnish Pizza Ranch with photographs or other evidence satisfactory to Pizza Ranch to confirm Licensee’s compliance with this obligation to de-identify and will allow an inspection by employees or representatives of Pizza Ranch during normal business hours to confirm Licensee’s compliance.

4. Licensee will immediately return to Pizza Ranch or, at Pizza Ranch’s option, convey to Pizza Ranch’s designee, all Pizza Ranch Manuals or other materials relating to Pizza Ranch’s specifications for equipment, fixtures, furniture and other essential items and for operation of the Restaurant in conformity with Pizza Ranch’s standard specifications, including recipes and procedures for preparing food items, as required under the Franchise Agreement.

5. The Individual Licensees and **ENTITY LICENSEE**, for themselves and all persons and entities claiming by, through or under them, release, acquit and forever discharge Pizza Ranch, PRF and their



respective present and former officers, employees, shareholders, directors, agents, attorneys, servants, representatives, parents, predecessors, subsidiaries, affiliates, heirs, successors and assigns, in both their individual and corporate capacities (the "Pizza Ranch Releasees"), from all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, costs, attorneys' fees, costs, and expenses (and interest), actions or causes of action whatsoever, whether known or unknown, which the Individual Licensees and **ENTITY LICENSEE**, by themselves, on behalf of, or in conjunction with any other person or entity, have, had or claim to have against the Pizza Ranch Releasees, including specifically, but not exclusively, and without limiting the generality of the foregoing, any and all claims, demands, actions or causes of action arising out of, pursuant to or related to this Agreement, the Franchise Agreement, the Restaurant, and/or the parties' franchise relationship, and any and all correspondence, representations, certifications, warranties, promises or acts made in reliance upon any one or more of the same, whether oral or written, or based in whole or in part on events occurring prior to the date of this Agreement.

6. Subject to the exceptions set forth in this Agreement, Pizza Ranch and PRF, for themselves and all current and former persons and entities claiming by, through or under them, hereby release, acquit and forever discharge the Individual Licensees and **ENTITY LICENSEE** from all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, costs, attorneys' fees, costs, and expenses (and interest) actions or causes of action whatsoever, whether known or unknown, which Pizza Ranch or PRF has, had or claims to have against the Individual Licensees and **ENTITY LICENSEE**, including specifically, but not exclusively, and without limiting the generality of the foregoing, any and all claims, demands, actions or causes of action arising out of, pursuant to, or related to the Franchise Agreement, the Restaurant, and/or the parties' franchise relationship, and any and all correspondence, representations, certifications, warranties, promises or acts made in reliance upon any one or more of the same, whether oral or written, or based in whole or in part on events occurring prior to the date of this Agreement. Specifically excepted from Pizza Ranch's and PRF's release of the Individual Licensees and **ENTITY LICENSEE** are (a) the Individual Licensees' and **ENTITY LICENSEE**'s obligations under this Agreement; and (b) any claims asserted against the Pizza Ranch Releasees by any third party which claims relate to the Individual Licensees' and **ENTITY LICENSEE**'s ownership, occupation or operation of the Restaurant and/or to the Franchise Agreement, and the Individual Licensees and **ENTITY LICENSEE** specifically agree to indemnify and hold the Pizza Ranch Releasees harmless from and against any and all costs and expenses, including, without limitation, reasonable costs of investigation, reasonable attorneys' fees, costs, and expenses and reasonable expert's fees (and interest). This indemnification obligation will be a continuing one and will not be affected by the termination of the Franchise Agreement.

7. This Agreement will be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns. Nothing contained in this Agreement will release the parties from their obligations under this Agreement.

8. This Agreement will be construed and interpreted in accordance with the law of Iowa.

9. This Agreement constitutes the entire agreement between Pizza Ranch, PRF and Licensee concerning the subject matter, and supersedes all prior agreements, no other representations having induced Licensee to execute this Agreement. No representations, inducements, promises or agreements, oral or otherwise, not embodied in this Agreement (unless of subsequent date), were made by either party and none will be of any force or effect with reference to this Agreement or otherwise.

10. Each party declares that the terms of this Agreement have been completely read and are fully understood and voluntarily accepted by each party after having a reasonable opportunity to retain and confer with counsel. This Agreement is entered into after a full investigation by the parties, and the parties are not relying upon any statements or representations not contained in this Agreement.

11. In the event Pizza Ranch retains the services of legal counsel to enforce the terms of this Agreement, Pizza Ranch will be entitled to recover all costs and expenses, including reasonable attorneys'

fees, costs, and expenses, and expert and investigative fees (and interest) incurred in enforcing the terms of this Agreement.

12. The obligations of the Individual Licensees and **ENTITY LICENSEE** under this Agreement will be joint and several.

13. Each Licensee represents: **I HAVE READ THE ABOVE AGREEMENT, WHICH INCLUDES A RELEASE, AND I UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND IT AND I AGREE TO BE BOUND BY ITS TERMS.**

Intending to be legally bound, the parties execute this Agreement as of the date first written above.

**ENTITY LICENSEE**

**Pizza Ranch, Inc.**

By: \_\_\_\_\_ [Signature]

By: \_\_\_\_\_ [Signature]

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

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

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

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

**PR Financial Services, LLC**

\_\_\_\_\_  
Licensee1 (Seal)

By: \_\_\_\_\_ [Signature]

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

\_\_\_\_\_  
Licensee2 (Seal)

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

**EXHIBIT L**

**STATE ADDENDA**

## **EXHIBIT L**

### **STATE SPECIFIC ADDENDA**

The following are additional disclosures for the Multistate Franchise Disclosure Document of Pizza Ranch, Inc. and state-specific amendments to the Franchise Agreement and Area Development Agreement required by various state franchise laws. Each provision of these additional disclosures and amendments will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently without reference to these additional disclosures and riders. We are not waiving our right to challenge the enforceability of any state law.

Additional disclosures and amendments are included for the following state:

ILLINOIS

MICHIGAN (additional disclosure is included on the state cover page immediately before the Table of Contents at the beginning of this Disclosure Document)

MINNESOTA

NORTH DAKOTA

SOUTH DAKOTA

WISCONSIN

**ADDENDUM TO PIZZA RANCH, INC.  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF ILLINOIS**

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures. The following statements are added to Item 17:

Illinois law governs the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void. This shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under the provisions of the Illinois Franchise Disclosure Act, nor shall it prevent the arbitration of any claims pursuant to the provisions of Title IX of the United States Code.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

The provision in the Franchise Agreement which terminates the franchise upon the bankruptcy of the Licensee may not be enforceable under Title 11, United States Code, Section 101.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by a franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM TO PIZZA RANCH, INC.  
FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF ILLINOIS**

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement or Area Development Agreement, as applicable, to the extent that the Franchise Agreement or Area Development Agreement, as applicable, contains provisions that are inconsistent with the following, such provisions are hereby amended:

Illinois law governs the Franchise Agreement and Area Development Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void. This shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under the provisions of the Illinois Franchise Disclosure Act, nor shall it prevent the arbitration of any claims pursuant to the provisions of Title IX of the United States Code.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

The provision in the Franchise Agreement which terminates the franchise upon the bankruptcy of the Licensee may not be enforceable under Title 11, United States Code, Section 101.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by a franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement or Area Development Agreement, as applicable, remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement or Area Development Agreement, as applicable. In the event of any conflict between this Addendum and the

Franchise Agreement or Area Development Agreement, the terms and conditions of this Addendum shall apply.

Intending to be legally bound, the parties have this Addendum, either electronically or in writing, effective as of the Effective Date of the Agreement.

**LICENSEE:** \_\_\_\_\_ [Entity Name]

By: \_\_\_\_\_ [Signature]

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

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

Date: \_\_\_\_\_

**PRINCIPAL**

Signature \_\_\_\_\_

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

Date: \_\_\_\_\_

**OTHER OWNERS OF LICENSEE**

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

**GUARANTORS:**

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

The terms and conditions of this Addendum are agreed to and accepted by a representative of Company at its home office in Orange City, Iowa.

**PIZZA RANCH, INC.**

An Iowa Corporation

By: \_\_\_\_\_ [Signature]

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

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

Date: \_\_\_\_\_



**ADDENDUM TO PIZZA RANCH, INC.  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF MINNESOTA**

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

State Cover Page and Item 17, Additional Disclosures:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document shall abrogate or reduce any of your rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

Item 6, Additional Disclosure:

NSF checks are governed by Minn. Stat. 604.113, which puts a cap of \$30 on service charges.

Item 13, Additional Disclosures:

The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee's use of a franchisor's trademark except in accordance with the requirements of the franchise agreement, and as the condition to an indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender the defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Item 17, Additional Disclosures:

Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void.

We will comply with Minn. Stat. Sec. 80C.14, subs. 3, 4 and 5, which requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure), 180 days' notice for nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01 – 80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes.

The limitations of claims section must comply with Minn. Stat. Sec. 80C.17, subd. 5.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by a franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM TO PIZZA RANCH, INC.  
FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF MINNESOTA**

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement or Area Development Agreement, as applicable, to the extent that the Franchise Agreement or Area Development Agreement, as applicable, contains provisions that are inconsistent with the following, such provisions are hereby amended:

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 4 which requires that except for certain specified cases, that franchisee be given 180 days' notice for non-renewal of this Franchise Agreement.

The Minnesota Department of Commerce requires that franchisor indemnify franchisees whose franchise is located in Minnesota against liability to third parties resulting from claims by third parties that the franchisee's use of franchisor's trademarks ("Marks") infringe upon the trademark rights of the third party. Franchisor does not indemnify against the consequences of a franchisee's use of franchisor's trademark but franchisor shall indemnify franchisee for claims against franchisee solely as it relates to franchisee's use of the Marks in accordance with the requirements of the Franchise Agreement and franchisor's standards. As a further condition to indemnification, the franchisee must provide notice to franchisor of any such claim immediately and tender the defense of the claim to franchisor. If franchisor accepts 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, or to determine whether to appeal a final determination of the claim.

Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes.

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 3 which requires that except for certain specified cases, a franchisee be given 90 days' notice of termination (with 60 days to cure). Termination of the franchise by the franchisor shall be effective immediately upon receipt by franchisee of the notice of termination where its grounds for termination or cancellation are: (1) voluntary abandonment of the franchise relationship by the franchisee; (2) the conviction of the franchisee of an offense directly related to the business conducted according to the Franchise Agreement; or (3) failure of the franchisee to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the franchisor's trade name, trademark, service mark, logo type or other commercial symbol after the franchisee has received written notice to cure of at least twenty-four (24) hours in advance thereof.

According to Minn. Stat. Sec. 80C.21 in Minnesota Rules or 2860.4400J, the terms of the Franchise Agreement or Area Development Agreement, as applicable, shall not in any way abrogate or reduce your rights as provided for in Minn. Stat. 1984, Chapter 80C, including the right to submit certain matters to the jurisdiction of the courts of Minnesota. In addition,

nothing in this Franchise Agreement or Area Development Agreement, as applicable, shall abrogate or reduce any of franchisee's rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedy provided for by the laws of the State of Minnesota.

Any claims franchisee may have against the franchisor that have arisen under the Minnesota Franchise Laws shall be governed by the Minnesota Franchise Law.

The Franchise Agreement or Area Development Agreement, as applicable contains a waiver of jury trial provision. This provision may not be enforceable under Minnesota law.

Franchisee consents to the franchisor seeking injunctive relief without the necessity of showing actual or threatened harm. A court shall determine if a bond or other security is required.

Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrues.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by a franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement or Area Development Agreement, as applicable.

3. Except as expressly modified by this Addendum, the Franchise Agreement or Area Development Agreement, as applicable, remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement or Area Development Agreement, as applicable. In the event of any conflict between this Addendum and the Franchise Agreement or Area Development Agreement the terms and conditions of this Addendum shall apply.

Intending to be legally bound, the parties have executed Addendum, either electronically or in writing, effective as of the Effective Date of the Agreement.

**LICENSEE:** \_\_\_\_\_ [Entity Name]

By: \_\_\_\_\_ [Signature]

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

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

Date: \_\_\_\_\_

**PRINCIPAL**

Signature \_\_\_\_\_

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

Date: \_\_\_\_\_

**OTHER OWNERS OF LICENSEE**

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

**GUARANTORS:**

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

The terms and conditions of this Addendum are agreed to and accepted by a representative of Company at its home office in Orange City, Iowa.

**PIZZA RANCH, INC.**

An Iowa Corporation

By: \_\_\_\_\_ [Signature]

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

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

Date: \_\_\_\_\_

**ADDENDUM TO PIZZA RANCH, INC.  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF NORTH DAKOTA**

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures. The following statements are added to Item 17:

1. The North Dakota Securities Commissioner has determined that it is unfair and inequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to sign a general release upon renewal of the Franchise Agreement. Therefore, the requirement that the franchisee signs a release upon renewal of the Franchise Agreement is deleted from Item 17c. and from any other place it appears in the Disclosure Document or in the Franchise Agreement.
2. Item 17r. is revised to provide that covenants not to compete, such as those mentioned in Item 17r. of the Disclosure Document are generally considered unenforceable in the state of North Dakota.
3. Any references in the Disclosure Document and in the Franchise Agreement and to any requirement to consent to a waiver of exemplary and punitive damages are deleted.
4. Any references in the Disclosure Document and in the Franchise Agreement to any requirement to consent to a waiver of trial by jury are deleted.
5. Any claims arising under the North Dakota franchise law will be governed by the laws of the State of North Dakota.
6. The prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorneys' fees.
7. Any references in the Disclosure Document and in the Franchise Agreement requiring franchisee to consent to termination penalties or liquidated damages are deleted.
8. The North Dakota Securities Commissioner has determined that it is unfair, unjust, or inequitable under the North Dakota Franchise Investment Law for the franchisor to require the franchisee to consent to the jurisdiction of courts located outside of North Dakota or to arbitration or mediation at a site that is remote from the site of the franchisee's business. Therefore, any references in Item 17(v) of the Disclosure Document and any requirement in Section 27 of the Franchise Agreement that the franchisee consents to the jurisdiction of courts located outside of North Dakota or to arbitration or mediation at a site located outside of North Dakota are deleted.
9. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by a franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM TO PIZZA RANCH, INC.  
FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF NORTH DAKOTA**

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement or, as applicable, Area Development Agreement, to the extent that the Franchise Agreement or, as applicable, Area Development Agreement, contains provisions that are inconsistent with the following, such provisions are hereby amended:

Any release executed in connection with a renewal shall not apply to any claims that may arise under the North Dakota Franchise Investment Law.

Covenants not to compete during the term of and upon termination or expiration of the franchise agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement or, as applicable, Area Development Agreement, contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.

The choice of law other than the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law.

The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law.

The requirement that arbitration be held outside the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. Any mediation or arbitration will be held at a site agreeable to all parties.

The requirement that a franchisee consent to termination or liquidated damages has been determined by the Commissioner to be unfair, unjust and inequitable within the intent of the North Dakota Franchise Investment Law. This requirement may not be enforceable under North Dakota law.

The Franchise Agreement states that franchisee must consent to the jurisdiction of courts located outside the State of North Dakota. This requirement may not be enforceable under North Dakota law.

Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by Franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of

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

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement or, as applicable, the Area Development Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement or, as applicable, the Area Development Agreement, remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement or, as applicable, the Area Development Agreement. In the event of any conflict between this Addendum and the Franchise Agreement or, as applicable, the Area Development Agreement, the terms and conditions of this Addendum shall apply.



Intending to be legally bound, the parties have executed Addendum, either electronically or in writing, effective as of the Effective Date of the Agreement.

**LICENSEE:** \_\_\_\_\_ [Entity Name]

By: \_\_\_\_\_ [Signature]

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

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

Date: \_\_\_\_\_

**PRINCIPAL**

Signature \_\_\_\_\_

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

Date: \_\_\_\_\_

**OTHER OWNERS OF LICENSEE**

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

**GUARANTORS:**

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

The terms and conditions of this Addendum are agreed to and accepted by a representative of Company at its home office in Orange City, Iowa.

**PIZZA RANCH, INC.**

An Iowa Corporation

By: \_\_\_\_\_ [Signature]

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

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

Date: \_\_\_\_\_

**ADDENDUM TO PIZZA RANCH, INC.  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF SOUTH DAKOTA**

In recognition of the requirements of the South Dakota Franchise Investment Law, Title 37, Chapter 37-5B, Sections 37-5B-1 through 37-5B-53, the Franchise Disclosure Document for Pizza Ranch, Inc. for use in the State of South Dakota is amended as follows:

1. Item 5 is supplemented by adding the following at the end:

If you live in an area outside the area development territory of Northland Pizza Ranch, Inc., an area development agreement (**Exhibit B**) gives you the right to open more than one restaurant in an area.

**ADDENDUM TO PIZZA RANCH, INC.  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF WISCONSIN**

To the extent the Wisconsin Franchise Investment Law, Wis. Stat. §§553.01 – 553.78 or Wisconsin Fair Dealership Law, Wis. Stat. §§135.01 – 135.07 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures:

For all franchisees residing in the State of Wisconsin, we will provide you with at least 90 days' prior written notice of termination, cancellation or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation or substantial change in competitive circumstances and will provide that you have 60 days in which to cure any claimed deficiency. If this deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days to cure the deficiency.

For Wisconsin franchisees, Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or a related contract which is inconsistent with the Law.

**ADDENDUM TO PIZZA RANCH, INC.  
FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT  
REQUIRED BY THE STATE OF WISCONSIN**

To the extent the Wisconsin Franchise Investment Law, Wis. Stat. §§553.01 – 553.78 or Wisconsin Fair Dealership Law, Wis. Stat. §§135.01 – 135.07 applies, the terms of this addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement or, as applicable, Area Development Agreement, to the extent that the Franchise Agreement or, as applicable, Area Development Agreement, contains provisions that are inconsistent with the following, such provisions are hereby amended:

To the extent any of the provisions regarding notice of termination or change in dealership are in conflict with Section 135.04 of the Wisconsin Fair Dealership Law, the Wisconsin law shall apply.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement or Area Development Agreement, as applicable.

3. Except as expressly modified by this Addendum, the Franchise Agreement or Area Development Agreement, as applicable, remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement or Area Development Agreement, as applicable. In the event of any conflict between this Addendum and the Franchise Agreement or Area Development Agreement the terms and conditions of this Addendum shall apply.

Intending to be legally bound, the parties have executed Addendum, either electronically or in writing, effective as of the Effective Date of the Agreement.

**LICENSEE:** \_\_\_\_\_ [Entity Name]

By: \_\_\_\_\_ [Signature]

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

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

Date: \_\_\_\_\_

**PRINCIPAL**

Signature \_\_\_\_\_

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

Date: \_\_\_\_\_

**OTHER OWNERS OF LICENSEE**

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

**GUARANTORS:**

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Date: \_\_\_\_\_

The terms and conditions of this Addendum are agreed to and accepted by a representative of Company at its home office in Orange City, Iowa.

**PIZZA RANCH, INC.**

An Iowa Corporation

By: \_\_\_\_\_ [Signature]

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

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

Date: \_\_\_\_\_

**EXHIBIT M**

**RELEASE OF CLAIMS**

**RELEASE OF CLAIMS**

**THIS IS A CURRENT FORM THAT IS SUBJECT TO CHANGE OVER TIME.**

For and in consideration of the Agreements and covenants described below, Pizza Ranch, Inc. (“Pizza Ranch”) and \_\_\_\_\_ (“Franchisee”) enter into this Release of Claims (“Agreement”).

**RECITALS**

- A. Pizza Ranch and Franchisee entered into a Pizza Ranch® Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_.
- B. [NOTE: Describe the circumstances relating to the release.]
- C. Subject to the terms and conditions set forth below, Pizza Ranch and Franchisee now desire to settle any and all disputes that may exist between them relating to the Franchise Agreement.

**AGREEMENTS**

- 1. **Consideration.** [NOTE: Describe the consideration paid.]
- 2-3. [NOTE: Detail other terms and conditions of the release.]
- 4. **Release.** Franchisee hereby releases Pizza Ranch, its current and former officers, directors, shareholders, and agents, and their respective successors, assigns, heirs, and personal representatives, from all debts, representations, agreements, liabilities, actions, and causes of action of every kind and nature arising out of or relating to the Franchise Agreement between Pizza Ranch and Franchisee, the offer and sale of that franchise and the franchise relationship between the parties.
- 5. **General.** No amendment to this Agreement or waiver of the rights or obligations of either party shall be effective unless in writing signed by the parties. This Agreement is governed by the laws of the State of Iowa without regard to conflicts of laws principles. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. This Agreement contains the entire agreement and understanding of the parties concerning the subject matter of this Agreement. [NOTE: Detail other miscellaneous provisions.]

**FRANCHISEE:**

**PIZZA RANCH, INC.**

\_\_\_\_\_

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

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

## State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration:

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

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

<b>State</b>	<b>Effective Date</b>
Illinois	April 2, 2024
Indiana	April 2, 2024
Michigan	April 2, 2024
Minnesota	Pending
North Dakota	Pending
South Dakota	Pending
Wisconsin	April 3, 2024

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.





**RECEIPT**

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If we offer you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or sooner if required by applicable state law. Applicable state law in (a) Michigan requires us to provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale and (b) Iowa, New York, and Rhode Island require us to provide you the disclosure document the earlier of the first personal meeting or 10 business days (14 calendar days in Iowa) before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If we do not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed in **Exhibit J**.

The name, principal business address, and telephone number of each franchise sellers are: Mark Souba, Pizza Ranch, Inc., 204 19<sup>th</sup> Street SE, Orange City, Iowa 51041; 712-707-8800 or 800-321-3401, or any of the additional sellers listed below:

\_\_\_\_\_

Issuance Date: April 2, 2024

I received a Disclosure Document with an issuance date of April 2, 2024, that included the following Exhibits:

- A Franchise Agreement
- B Area Development Agreement
- C Advertising Co-op Agreement
- D Franchisee Disclosure Questionnaire
- E List of Designated Suppliers
- F The Manuals’ Tables of Contents
- G List of Franchisees
- H List of Former Franchisees
- I Financial Statements
- J State Agencies and Agents for Service of Process
- K Termination of Agreement for License and Services and Mutual Release
- L State Specific Addenda
- M Release of Claims

Date	Signature	Printed Name
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Date	Signature	Printed Name
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Copy for Pizza Ranch, Inc.