



FRANCHISE DISCLOSURE DOCUMENT
AURELIO'S IS PIZZA FRANCHISE, LTD.
An Illinois corporation
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The franchise offered by AURELIO'S IS PIZZA FRANCHISE, LTD., is for the right to the use of service marks and trade names in connection with the operation of a pizzeria.

The total investment necessary to begin operation of an Aurelio's sit-down franchise is \$1,080,439.00 to \$1,252,939.00. The range for the sit-down franchise includes \$56,500.00 to \$64,000.00 that must be paid to the franchisor, including an initial franchise fee of \$49,000 and \$7,500 to \$15,000 for the cost to you of training and grand opening assistance. This range also includes approximately \$8,000 which must be paid to Aurelio's affiliate, Aurelio's Quality Products, for a portion of your initial inventory.

The total investment necessary to begin operation of an Aurelio's carry-out/delivery franchise is \$437,904 to \$539,904. The range for the carry-out/delivery franchise includes \$52,500.00 to \$56,500.00 that must be paid to the franchisor, including an initial franchise fee of \$49,000 and \$3,500 to \$7,500 for the cost to you of training and grand opening assistance. This range also includes approximately \$5,700 which must be paid to Aurelio's affiliate, Aurelio's Quality Products, for a portion of your initial inventory.

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

You may wish to receive your disclosure document in another format which is more convenient to you. To discuss the availability of disclosures in different formats, contact John Romans at 18162 Harwood Avenue, Homewood, Illinois 60430, 708-798-0080, jromans@aureliospizza.com.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the

FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

Competition from 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 their 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 have a registration requirement, or to contact your state, use the agency information in Exhibit A.

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

Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Illinois. 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 Illinois than in your own state.

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE</u>
1	The Franchisor, and any Parents, Predecessors, and Affiliates.	1
2	Business Experience.	3
3	Litigation.	4
4	Bankruptcy.	4
5	Initial Fees.	4
6	Other Fees.	5
7	Estimated Initial Investment.	8
8	Restrictions on Sources of Products and Services.	18
9	Franchisee's Obligations.	23
10	Financing.	25
11	Franchisor's Assistance, Advertising, Computer Systems, and Training.	25
12	Territory.	35
13	Trademarks.	36
14	Patents, Copyrights and Proprietary Information.	38
15	Obligation to Participate in the Actual Operation of the Franchise Business.	39
16	Restrictions on What the Franchisee May Sell.	39
17	Renewal, Termination, Transfer and Dispute Resolution.	40
18	Public Figures.	44
19	Financial Performance Representations.	44
20	Outlets and Franchisee Information.	45

21	Financial Statements	49
22	Contracts	49
23	Receipt	50-51

EXHIBITS

- A. List of State Franchise Law Administrators
- B. State Effective Dates
- C. List of Aurelio's Franchisees
- D. List of Franchisee's Ceasing Business
- E. Financial Statements
- F. Franchise Agreement, including Exhibits A, B, C and D
- G. Shareholders Personal Guaranty
of Corporate Franchisee Liability
- H. Commissary Agreement

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, "Aurelio's" means Aurelio's Is Pizza Franchise, Ltd., the franchisor. "You" means the person who buys the franchise. If the franchisee is a corporation or partnership, "You" includes the franchisee's owners.

Aurelio's is an Illinois corporation which was incorporated in June, 1976. Aurelio's does business under the name Aurelio's Is Pizza. Aurelio's principal business address is 18162 South Harwood Avenue, Homewood, IL 60430. Aurelio's has no parent corporation. Aurelio's is not registered as a foreign corporation in the State of Wisconsin.

Aurelio's agent for service of process in the State of Illinois is A. Michael Kopec, 601 West Monroe Street, Springfield, Illinois 62704 and the Illinois Attorney General's Office, Franchise Division, 500 South Second Street, Springfield, Illinois 62706. Aurelio's does not maintain an agent for service of process in the State of Wisconsin.

Aurelio's has no predecessors. Aurelio's is affiliated, by virtue of common officers, directors and shareholders, with Aurelio Pizza, Inc., which is an Illinois corporation. Aurelio Pizza, Inc. was incorporated in 1975. Aurelio Pizza, Inc. principle business address is 18162 South Harwood Avenue, Homewood, IL 60430. Aurelio Pizza, Inc. has owned and operated one (1) Aurelio's Is Pizza restaurant since 1975, and has licensed use of the name and trademarks to Aurelio's. From 1957 until 1975, Aurelio's is Pizza restaurant operated as a partnership.

Aurelio's is also affiliated with Aurelio's R.P., LLC, an Illinois limited liability company. Aurelio's R.P. is a wholly owned subsidiary of the Company. Aurelio's R.P. was formed in January 2005 in order to own and operate the Company's former Richton Park, Illinois franchise. Aurelio's R.P. is wholly owned by the Company. It's principal business address is 18162 South Harwood Avenue, Homewood, Illinois 60430. Aurelio's R.P. has no predecessors and has owned and operated one (1) Aurelio's Is Pizza Restaurant since January, 2005.

Aurelio's is also affiliated with Aurelio's Quality Products, LLC, an Illinois limited liability company. Aurelio's Quality Products, LLC is affiliated with Aurelio's by virtue of common ownership and management. Aurelio's Quality Products, LLC was formed February 8, 2008 in order to purchase, own and operate John & Sons, which was an approved supplier of Aurelio's branded sausage and meats. Its principal business address is 16730 South Richmond Avenue, Hazel Crest, Illinois. Aurelio's Quality Products, LLC has no predecessors, and has supplied Aurelio's branded sausages and meats to all franchisees since February, 2008.

Aurelio's is also affiliated with Aurelio's Pizza South Loop, LLC, an Illinois limited liability company. Aurelio's Pizza South Loop is owned fifty-one percent (51%) by Aurelio's and forty-nine percent (49%) by Joseph M. Aurelio, who is the President, a director and a shareholder of Aurelio's.

Aurelio's Pizza South Loop owns and operates a new, company-owned Aurelio's restaurant in Chicago's South Loop area. Aurelio's Pizza South Loop was formed September 9, 2013, and its principle business address is 18162 South Harwood Avenue, Homewood, Illinois 60430. Aurelio's Pizza South Loop has no predecessors.

Aurelio's franchises the right to operate an Aurelio's Is Pizza restaurant, engaging in the retail sale of pizza, pastas, sandwiches and liquid refreshments. You will also receive the right to use certain trade names, trade and service marks and associated logos of Aurelio's. Aurelio's has offered franchises of this type since 1979. Aurelio's has not offered franchises in any other lines of business.

Aurelio's primary business activity is to sell and service Aurelio's Is Pizza franchises. Aurelio's has operated a business of the type being franchised through Aurelio's R.P., LLC, which is a wholly owned subsidiary of Aurelio's. The Company's affiliate, Aurelio's Pizza, Inc. operates one (1) such business.

The market for Aurelio's products in your area will be undeveloped, although the market for pizza and Italian foods in general is very well developed. Your ability to penetrate the general market with your specific products will be largely dependent upon the extent to which you advertise in your market territory. You will sell Aurelio's products mainly to consumers. Your sales will not be seasonal in nature, although you will experience variations in sales based upon the time of year.

You will be in competition with a large number of pizzerias and restaurants. Your competition will include large national chains such as Pizza Hut, Godfather's Pizza, Dominos Pizza and Little Caesar's Pizza, as well as regional chains and local family pizzerias. You will also be in competition for the consumer's discretionary income with other restaurants such as national fast food chains and more formal, sit down restaurants.

There will be state and local laws and regulations which regulate the storage, preparation and distribution of foods to the public. In addition, there will be state and local laws and regulations which regulate the construction, signage, licensing and inspection of food service establishments and restaurants. Finally, there will be state and local laws and regulations which will require you to obtain a liquor license and will regulate the sale of alcoholic beverages. You may have specific insurance requirements, such as for worker's compensation or dram shop insurance. You should consult your legal advisor and state and local officials to determine your legal obligations.

Aurelio's has conducted a business of the type to be operated by you through its wholly owned subsidiary, Aurelio's R.P., LLC since January 7, 2005. However, Aurelio's Pizza, Inc. has operated such a business since 1975. Aurelio's has offered franchises for the type of business to be operated by you since 1979. Aurelio's affiliate, Aurelio's Pizza, Inc., has never offered franchises in any line of business. Neither Aurelio's, nor its affiliate has offered franchises in any other lines of business.

ITEM 2

BUSINESS EXPERIENCE

The following is a list of the directors, principal officers, and other executives who will have management responsibility relating to the franchises offered by this Disclosure Document:

President, CEO and Director: Joseph M. Aurelio.

From December, 2001 to the present, Mr. Aurelio has served as President and CEO of Aurelio's. He has served as a Director of Aurelio's since June, 1993. From January, 1985 to the present, Mr. Aurelio has served as Supervising Manager of Aurelio's Pizza, Inc. flagship restaurant.

Secretary and Director: Susan Aurelio.

Since 1992 Ms. Aurelio has been employed by Aurelio's. She became a Director of Aurelio's in January, 2002. She became Secretary of Aurelio's in June, 2002.

Director: Amy Aurelio Kaminski

Ms. Kaminski became a Director of Aurelio's in January, 2002.

I. T. Director: Steven Kaminski

Mr. Kaminski was employed by Gensler, a San Francisco design and architectural firm, from August 2002 through June 2005. He was a Program Director specializing in information technology. He has been employed by Aurelio's since April, 2005. He has been responsible for the design, implementation and management of the Franchisor organization's information infrastructure. He is also responsible for the planning and evaluation of future technology initiatives.

Director of Franchise Operations: Thomas A. Aurelio

Mr. Aurelio has been employed by the Franchisor's affiliate, Aurelio's Pizza, from 1994 to 2002 as the General Manager of the flagship restaurant in Homewood, Illinois. From January 2002 to October 2013, Mr. Aurelio was employed by Aurelio's as its Franchise Operations Coordinator. From November 2013 to present Mr. Aurelio has been employed by Aurelio's as the Director of Franchise Operations. In that capacity, Mr. Aurelio will assist in managing the construction of your restaurant along with ordering your equipment, smallwares, decorating package, and initial inventory. Mr. Aurelio is also a part of the Franchise training team.

Director of Franchise Management: John Romans

Mr. Romans has been employed by Aurelio's from January 2001 to October 2013 as Franchise Administration Coordinator. From November, 2013 to present, Mr. Romans has been employed as Director of Franchise Management. In that capacity, Mr. Romans will

assist in Aurelio's general operations, training of your staff at your franchised restaurant, along with providing other on-going support for your restaurant. Mr. Romans is also in charge of research and development of new menu and retail items.

Franchise Operations Manager: Martin M. Mikulich

Mr. Mikulich was employed by Holiday Inn & Suites of Chicago, IL as Director of Food & Beverage, including an Aurelio's franchised restaurant, from September 2007 through March 2013. He joined Aurelio's in April 2013. He is responsible for Franchise Quality Control, Franchise business management and corporate partnerships with non-profit organizations. Mr. Mikulich is also a part of the Franchise training team.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5

INITIAL FEES

You must pay an initial franchise fee of \$49,000.00, which is normally due and payable in full at the time you sign the Franchise Agreement. However, in the event you already are an Aurelio's Franchisee or are the majority shareholder in an Aurelio's franchisee, then the initial franchise fee for a new franchise may be reduced at the Franchisor's sole discretion to \$20,000.00 plus a per diem for training, plus travel expenses for the instructors.

You must also pay Aurelio's for certain costs and expenses of training for your staff and for post opening assistance. You must pay for any travel costs, lodging expenses and a per diem for meals and incidentals for any instructors for your staff training and post opening assistance at your franchised location. Aurelio's will pay for all of its costs of management training and the wages and salaries of any Aurelio's personnel who travel to your location for staff training and post opening assistance. For a sit-down location, your training expenses payable to Aurelio's will range from \$7,500.00 to \$15,000.00. For a carry-out and delivery location, your training expenses payable to Aurelio's will range from \$3,500.00 to \$7,500.00

You must also pay Aurelio's affiliate, Aurelio's Quality Products, LLC, for a portion of your initial inventory. For a sit-down location, it is estimated that you will pay approximately \$8,000.00 to Aurelio's Quality Products. For a take-out location, it is estimated that you will pay approximately \$5,700.00 to Aurelio's Quality Products. You will pay other sums for your initial inventory to other non-affiliated suppliers.

In the event Aurelio's is not satisfied with your pursuit and progress in Aurelio's management training program, Aurelio's has the right to disqualify you as a franchisee and terminate the Franchise Agreement. In that event, Aurelio's will refund a portion of your initial franchise fee. In the event a Franchise Agreement is signed and the initial franchise fee is paid prior to approval by Aurelio's of your business site, and if agreement cannot be reached on an appropriate business site, then Aurelio's will refund a portion of your initial franchise fee. The portion to be refunded in either case will be the initial fee less any expenses of Aurelio's for travel, room and board incurred to the date of termination for site selection and training, and less any attorney's fees incurred for negotiation and preparation of your Franchise Agreement. Aurelio's will then terminate the Franchise Agreement.

Aurelio's does not give refunds of the initial franchise fee under any other circumstances.

ITEM 6

OTHER FEES

<u>Name of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Royalty ¹	5% of total gross sales	Payable weekly two (2) business days after gross sales reported	Gross sales includes all revenue from any source related to the Franchised products, less any sales tax due. The royalty fee is uniformly imposed for all new Franchisees. However, some existing Franchisees pay a 3% royalty.

¹These fees are imposed by and are payable to Aurelio's. All fees are nonrefundable.

Local Advertising	1% of total gross sales	N/A	You must spend 1% of gross sales during each 12 month period on advertising, but this budget is spent only by you.
Advertising Fund	2% of total gross sales	Payable weekly two (2) business days after gross sales reported	Aurelio's will use this Fund to promote standardized advertising and marketing programs to further goodwill and the public image of the franchised system. The Advertising Fund fee is imposed uniformly for all new and existing Franchisees.
Grand Opening Advertising	\$10,000.00	Payable prior to opening	You must spend at least \$10,000.00 for advertising to be conducted for two (2) weeks after your "soft" opening. These sums are not payable to Aurelio's.
Audits ¹	Cost of audit plus 18% interest on underpayment	30 days after billing	Will be payable only if audit shows an understatement of at least 2% of gross sales for any period. Cost of audit includes legal fees.

Transfer ¹	\$20,000	P r i o r t o consummation of transfer	Payable when you sell your franchise. No charge if control of franchise is transferred to corporation which you control.
Training Expenses ²	Actual costs for travel and for lodging and per diem based upon standard GSA rates for your location	30 days after billing	Aurelio's trains you and your manager free of charge at the training center at or near Homewood, IL, but you are responsible for payment of your salaries, living expenses & transportation to that location. If training must be accomplished at your business, you must pay transportation and living expenses for all instructors, and salaries of the instructors. You must pay travel expenses, lodging expenses and per diem for staff training and post-opening assistance.
Renewal Fee	None	N/A	No additional fees are due upon renewal.

²Any expenses associated with training you and your manager at your business and for staff training and post-opening assistance are imposed by and payable to Aurelio's. Those expenses are nonrefundable.

Video Gaming Fee	1% of Net Terminal Income as defined in the Illinois Gaming Act	Payable weekly one (1) business day after receipt of Net Terminal Income	This fee is due only if you choose to offer video gaming at your Illinois restaurant.
A d d i t i o n a l Management Training	Actual costs for travel and lodging and per diem based upon GSA rates for your location, plus \$30.00 per hour for any instructors	30 days after billing	If you hire a new manager or food service director, Aurelio's may require that person to complete its management training program.

All of the above listed fees are uniformly imposed.

ITEM 7

ESTIMATED INITIAL INVESTMENT

**YOUR ESTIMATED INITIAL INVESTMENT
FOR A SIT DOWN RESTAURANT**

	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
I N I T I A L FRANCHISE FEE	\$49,000 (Note 1)	Lump sum	At signing of Franchise Agreement	Aurelio's
T R A V E L & L I V I N G EXPENSES FOR MANAGEMENT TRAINING	\$5,000 (Note 2)	As incurred	During training-prior to opening	Airlines, hotels & restaurants
COST OF STAFF TRAINING AND G R A N D O P E N I N G ASSISTANCE	\$7,500 to \$15,000 (Note 3)	Lump sum	Initial deposit with Aurelio's and final payment due prior to opening	Aurelio's

REAL ESTATE - 3 MONTHS	\$ 25,000 to \$30,000 (Note 4)	Monthly	Monthly both before and after opening	Lessor or bank
IMPROVEMENTS TO REAL ESTATE	\$450,000 TO \$500,000 (Note 5)	Lump sum	As incurred - prior to opening	Lessor or contractors & vendors
EQUIPMENT	\$300,000 to \$350,000 (Note 6)	Lump sum	As incurred - Prior to opening	Vendors
POINT OF SALE SYSTEM	\$3,939 (Note 7)	Lump sum	As incurred - Prior to opening	Approved Vendor
AUDIO, VIDEO, TELEPHONE AND SECURITY SYSTEMS	\$20,000 to \$25,000 (Note 8)	Lump sum	As incurred - Prior to opening	Vendors
OPENING INVENTORY	\$25,000 TO \$30,000 (Note 9)	Lump sum	As ordered - Prior to opening	Approved Vendors, Affiliate
INSURANCE	\$20,000 to \$25,000 (Note 10)	Lump sum	As ordered - Prior to opening	Insurance Agent
SIGNS	\$15,000 to \$20,000 (Note 11)	As ordered	As ordered - Prior to opening	Sign company
ADVERTISING - 3 MONTHS	\$20,000 to \$25,000 (Note 12)	As incurred	As incurred	Advertisers
SMALLWARES	\$22,000 to \$25,000 (Note 13)	Lump sum	As incurred - Prior to opening	Vendors
INTERIOR DECOR	\$5,000 to \$10,000 (Note 14)	Lump sum	As incurred - Prior to opening	Approved Vendor
UNIFORMS	\$3,000 to \$5,000 (Note 15)	As incurred	As incurred	Approved Vendor
MISCELLANEOUS OPENING COST	\$10,000 to \$15,000 (Note 16)	As incurred	As incurred	Advertiserss
WORKING CAPITAL - 3 MONTHS	\$100,000 to \$120,000 (Note 17)	As incurred	As incurred	Employees, suppliers, utilities
TOTAL:	\$1,080,439 to \$1,252,939 (Notes 18 and 19)			

Notes:

- (1) See Item 5 for the conditions under which this fee is partially refundable. The initial franchise fee will be \$49,000.00, unless you are an existing Franchisee or the majority shareholder in an existing franchise. In that case, the initial franchise fee may be \$20,000.00 plus a per diem for training, plus travel expenses for the instructors. See Item 11.
- (2) You are responsible to pay travel and living expenses for you and your manager to Aurelio's training center at or near Homewood, Illinois. Management training takes from two to two and one-half weeks. Motels in the area lease for from \$75.00 to \$100.00 per night single occupancy. You can eat for \$30.00 per day. This estimate assumes training for two for a total of two weeks, with travel costs assumed to total \$500.00.

All payments are non-refundable.

- (3) You are responsible for the travel expenses and living expenses of all Aurelio's personnel for employee training at your location and for Grand Opening assistance. Due to the wide variation in travel and living expenses depending upon the location of your restaurant, it is impossible to be more specific regarding the magnitude of these expenses.

All payments are non-refundable.

- (4) If you do not already own adequate restaurant space, land and a building for the restaurant must be purchased or leased. Typical locations are commercial areas including shopping malls, strip shopping centers, and free-standing urban and suburban locations. The typical Aurelio's sit down restaurant has 4,500 to 5,000 square feet.

The figures set forth in the chart are for your estimated lease costs for a 4,500 to 5,000 square foot restaurant for the first three (3) months of your business. The range of lease costs for a 4,500 to 5,000 square foot sit down restaurant is estimated to be between \$96,000 to \$120,000 per year. The range of lease costs you will experience will be dependant upon factors such as size, condition and location of the leased premises. The lease costs will be less for a smaller building.

All payments are non-refundable.

- (5) The cost to you of improvements to your real estate will vary widely, depending upon the amount of renovation and redecoration needed. You should investigate the cost of renovation and redecoration carefully with your business advisor and with a contractor. This estimate is based upon a 4,500 to 5,000 square foot building seating from 100 to 170 people.

It would include a bar, a carry out area and a delivery area. The costs of improvements is figured at \$100.00 per square foot. The total will be less for a smaller building.

All payments are non-refundable.

- (6) This range is for the purchase of all new equipment as specified by Aurelio's. This would include kitchen equipment, food preparation and serving equipment, small and tables, booths, chairs. You may be able to purchase some equipment which is adequate to serve your requirements and available in the open market at a lower cost. The cost of equipment will be less for a smaller building.

All payments are non-refundable.

- (7) This range is for the purchase of Point of Sale (POS) computer hardware for six stations, implementation and onboarding of the system and the software subscription fees for the first month. The necessary software is licensed and delivered via monthly Software as a Service (SaaS) subscription for \$259.00 per month. Aurelio's currently requires that you use the Toast POS System, which is available only from Toast, Inc. Aurelio's may specify a different provider of the POS System from time to time. The cost will substantially depend upon the size of your building and the number of work stations desired.

All payments are non-refundable.

- (8) This range is an estimate of your costs of purchase and installation of a music system, a video system including televisions and the cable feed for those televisions, a telephone system, and a security alarm system. Your cost will be dependent upon the size of your building. The estimated cost may be greater than the indicated range if you add a video surveillance system.

All payments are non-refundable.

- (9) This cost is sufficient to provide inventory for the first one week of your business. Further inventory for the remainder of the three (3) month period will be paid for out of the revenues from your sale of foods and drink and from working capital as set forth below. Specified items in your initial inventory must be purchased from Aurelio's Quality Products, Wilkens FoodService, Turano Baking Company and Pepsi.

All payments are non-refundable.

- (10) This is an estimate of the cost of your insurance as required by the Franchise Agreement. If you purchase additional insurance or higher policy limits, your insurance costs may be higher. The estimate does not include costs of insurance for employee benefits, such as life insurance, health insurance and disability insurance. You are free to purchase your insurance from any licensed agent.

All payments are non-refundable.

- (11) The size and illumination of your signage will be governed by municipal ordinances and, therefore, your costs may vary. Signs must be purchased from Express Signs.

All payments are non-refundable.

- (12) The figure given is an estimate of your grand opening advertising costs and additional advertising costs for the first three (3) months of your business. You are required by the Franchise Agreement to spend one percent (1%) of total gross sales per year on local advertising. This estimate will be substantially greater than two percent (2%) of your total gross sales for the first three (3) months of your business due to the grand opening advertising campaign. You are required by the Franchise Agreement to spend at least \$10,000 in your initial grand opening advertising campaign. However, it is vital to the success of your business that you engage in substantial grand opening and initial advertising in order to make the public aware of your business and to differentiate your business from the competition. No advertising payments are made to Aurelio's. Your advertising budget is spent only by you.

All payments are non-refundable.

- (13) This is an estimate of your cost to purchase the plates, bowls, utensils, pots, pizza pans, skillets and kitchen utensils used to serve food to your customers and to cook those foods and ingredients in your kitchen. Aurelio's has a pre-approved supplier, but you are free to purchase these items from any vendor so long as the items meet Aurelio's specifications.
- (14) This is an estimate of your cost to decorate the interior of your restaurant with Aurelio's branded signs, decorations and historic photographs of early Aurelio's restaurants and the founder of Aurelio's, Joseph A. Aurelio, Jr. All interior decor must be purchased from Integra Graphics.

All payments are non-refundable.

- (15) This is an estimate of your cost to purchase uniforms for your employees. Uniforms must be purchased from J & L Uniform.

All payments are non-refundable.

- (16) This estimates your initial costs for security deposits, utility deposits, legal and incorporation expenses, permits, registration fees and other miscellaneous expenses incurred prior to the opening of your business.

Security and utility deposits may be refundable under certain circumstances. All other payments are non-refundable.

- (17) This estimate represents your range of possible expenses for working capital for payroll costs, additional inventory, utility costs, accounting and bookkeeping fees and miscellaneous expenses during the first three (3) months of your business. This range represents the total

cash reserves a prudent businessman would maintain to cover working capital needs for that period. Your costs will depend on factors such as how much you follow Aurelio's methods and procedures, your management skill, experience and business acumen, local economic conditions, the local market for your product, the prevailing wage rate, competition, and the sales levels reached during the initial three (3) month period.

All payments are non-refundable.

- (18) This estimate is based upon lease of a building containing approximately 4,500 to 5,000 square feet of floor space. It assumes approximately 100 to 170 seats, with a bar, a carry-out area and delivery access. It is based upon all new kitchen equipment, all new computers and POS system, all new furniture and decor and all new smallware. Aurelio's relied on its forty-nine (49) years of experience in the franchised pizzeria business to compile these estimates. However, you should review these figures carefully with a business advisor before making any decision to purchase the franchise.
- (19) Neither Aurelio's nor any affiliate will finance any part of your initial investment.

**YOUR ESTIMATED INITIAL INVESTMENT
FOR A TAKE-OUT RESTAURANT**

	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
INITIAL FRANCHISE FEE	\$49,000 (Note 1)	Lump sum	At signing of Franchise Agreement	Aurelio's
TRAVEL & LIVING EXPENSES FOR MANAGEMENT TRAINING	\$5,000 (Note 2)	As incurred	During training-prior to opening	Airlines, hotels & restaurants
COST OF STAFF TRAINING AND GRAND OPENING ASSISTANCE	\$3,500 to \$7,500 (Note 3)	Lump sum	Initial deposit with Aurelio's and final payment due prior to opening	Aurelio's
REAL ESTATE - 3 MONTHS	\$9,500 to \$12,000 (Note 4)	Monthly	Monthly both before and after opening	Lessor or bank

IMPROVEMENTS TO REAL ESTATE	\$120,000 to \$150,000 (Note 5)	Lump sum	As incurred - prior to opening	Lessor or contractors & vendors
EQUIPMENT	\$120,000 to \$140,000 (Note 6)	Lump sum	As incurred - Prior to opening	Vendors
POINT OF SALE SYSTEM	\$3,404 (Note 7)	Lump sum	As incurred - Prior to opening	Approved Vendor
AUDIO, VIDEO, TELEPHONE AND SECURITY SYSTEMS	\$8,000 to \$12,000 (Note 8)	Lump sum	As incurred - Prior to opening	Vendors
OPENING INVENTORY	\$10,000 to \$15,000 (Note 9)	Lump sum	As ordered - Prior to opening	Approved Vendors, Affiliate
INSURANCE	\$8,000 to \$12,000 (Note 10)	Lump sum	As ordered - prior to opening	Insurance agent
EXTERIOR SIGNS AND CANOPIES	\$8,000 to \$10,000 (Note 11)	As ordered	As ordered - Prior to opening	Sign company
ADVERTISING - 3 MONTHS	\$15,000 to \$17,000 (Note 12)	As incurred	As incurred	Advertisers
SMALLWARES	\$10,000 TO \$12,000 (Note 13)	Lump sum	As incurred	Vendors
INTERIOR DECOR	\$1,000 to \$2,000 (Note 14)	Lump sum	As incurred	Approved Vendor
UNIFORMS	\$3,000 (Note 15)	Lump sum	As incurred	Approved Vendor
MISCELLANEOUS OPENING COST	\$5,000 to \$10,000 (Note 16)	As incurred	As incurred	Advertisers
WORKING CAPITAL - 3 MONTHS	\$60,000 to \$80,000 (Note 17)	As incurred	As incurred	Employees, suppliers, utilities
TOTAL:	\$437,904 to \$539,904 (Notes 18 and 19)			

Notes:

- (1) See Item 5 for the conditions under which this fee is fully refundable. The initial franchise fee will be \$49,000.00, unless you are an existing Franchisee or the majority shareholder in an existing franchise.

In that case, the initial franchise fee may be \$20,000.00 plus a per diem for training, plus travel expenses for the instructors. See Item 11.

- (2) You are responsible to pay travel and living expenses for you and your manager to Aurelio's training center at or near Homewood, Illinois. Management training takes from two to two and one-half weeks. Motels in the area lease for from \$120.00 to \$150.00 per night single occupancy. You can eat for \$30.00 per day. This estimate assumes training for two for a total of two weeks, with travel costs assumed to total \$500.00.

All payments are non-refundable.

- (3) You are also responsible for the travel expenses and living expenses of all Aurelio's personnel for employee training and Grand Opening assistance at your location. Due to the wide variation in travel and living expenses depending upon the location of your restaurant, it is impossible to be more specific regarding the magnitude of these expenses.

All payments are non-refundable.

- (4) If you do not already own adequate restaurant space, land and a building for the restaurant must be purchased or leased. Typical locations are commercial areas including shopping malls, strip shopping centers, and free-standing urban and suburban locations. The typical Aurelio's carry-out restaurant has 1,200 to 1,500 square feet.

The figures set forth in the chart are for your estimated lease costs for a 1,200 to 1,500 square foot restaurant for the first three (3) months of your business. The range of lease costs for a take-out restaurant is estimated to be between \$38,000 to \$48,000 per year. The range of lease costs you will experience will be dependant upon factors such as size, condition and location of the leased premises. The lease costs will be less for a smaller building.

All payments are non-refundable.

- (5) The cost to you of improvements to your real estate will vary widely, depending upon the amount of renovation and redecoration needed. You should investigate the cost of renovation and redecoration carefully with your business advisor and with a contractor. This estimate is based upon a 1,200 to 1,500 square foot building with a carry out/pick up area in the front and delivery access in the rear.

All payments are non-refundable.

- (6) This range is for the purchase of all new equipment as specified by Aurelio's. This would include kitchen equipment, food preparation and serving equipment, tables, booths and chairs. You may be able to purchase some equipment which is adequate to serve your requirements and available in the open market at a lower cost.

All payments are non-refundable.

- (7) This cost is for the purchase of Point of Sale (POS) computer hardware for 4 stations, the cost of Implementation and Onboarding and the software subscription fees for the first month. The necessary software is licensed and delivered via monthly Software as a Service (SaaS) subscription starting at approximately \$199.00 per month. Aurelio's currently requires that you use the Toast POS System, which is available only from Toast, Inc. Aurelio's may specify a different provider of the POS System from time to time. The cost will substantially depend upon the size of your building and the number of work stations desired.

All payments are non-refundable.

- (8) This range is an estimate of your costs of purchase and installation of a music system, a video system including televisions and the cable feed for those televisions, a telephone system, and a security alarm system. Your cost will be dependent upon the size of your building. The estimated cost may be greater than the indicated range if you add a video surveillance system.

All payments are non-refundable.

- (9) This cost is sufficient to provide inventory for the first one (1) week of your business. Further inventory for the remainder of the three (3) month period will be paid for out of the revenues from your sale of foods and drink and from working capital as set forth below. Specified items in your initial inventory must be purchased from Aurelio's Quality Products, Wilkens FoodService, Turano Baking Company and Pepsi.

All payments are non-refundable.

- (10) This is an estimate of the cost of your insurance as required by the Franchise Agreement. If you purchase additional insurance or higher policy limits, your insurance costs may be higher. The estimate does not include costs of insurance for employee benefits, such as life insurance, health insurance and disability insurance.

All payments are non-refundable.

- (11) The size and illumination of your signage will be governed by municipal ordinances and, therefore, your costs may vary. Signs must be purchased from Express Signs.

All payments are non-refundable.

- (12) The figure given is an estimate of your grand opening advertising costs and additional advertising costs for the first three (3) months of your business. You are required by the Franchise Agreement to spend one percent (1%) of total gross sales per year on local advertising. This estimate will be substantially greater than two percent (2%) of your total gross sales for the first three (3) months of your business due to the grand opening advertising campaign. You are required by the Franchise Agreement to spend at least \$10,000 in your initial grand opening advertising campaign. However, it is vital to the success of

your business that you engage in substantial grand opening and initial advertising in order to make the public aware of your business and to differentiate your business from the competition. No advertising payments are made to Aurelio's. Your advertising budget is spent only by you.

All payments are non-refundable.

- (13) This is an estimate of your cost to purchase the plates, bowls, utensils, pots, pizza pans, skillets and kitchen utensils used to serve food to your customers and to cook foods and ingredients in your kitchen. Aurelio's has a pre-approved supplier, but you are free to purchase these items from any vendor so long as the items meet Aurelio's specifications.

- (14) This is an estimate of your cost to decorate the interior of your restaurant with Aurelio's branded signs, decorations and historic photographs of early Aurelio's restaurants and the founder of Aurelio's, Joseph A. Aurelio, Jr. All interior decor must be purchased from Integra Graphics.
All payments are non-refundable.

- (15) This is an estimate of your cost to purchase uniforms for your employees. Uniforms must be purchased from J & L Uniform.

All payments are non-refundable.

- (16) This estimates your initial costs for security deposits, utility deposits, legal and incorporation expenses, permits, registration fees and other miscellaneous expenses incurred prior to the opening of your business.

Security and utility deposits may be refundable under certain circumstances. All other payments are non-refundable.

- (17) This estimate represents your range of possible expenses for working capital for payroll costs, additional inventory, utility costs, accounting and bookkeeping fees and miscellaneous expenses during the first three (3) months of your business. This range represents the total cash reserves a prudent businessman would maintain to cover working capital needs for that period. Your costs will depend on factors such as how much you follow Aurelio's methods and procedures, your management skill, experience and business acumen, local economic conditions, the local market for your product, the prevailing wage rate, competition, and the sales levels reached during the initial three (3) month period.

All payments are non-refundable.

- (18) This estimate is based upon lease of a building containing approximately 1,200 to 1,500 square feet of floor space. It assumes a carry-out/pick up area in the front and delivery access in the rear. It is based upon all new kitchen equipment, all new computers and POS system, all new decor and smallware. Aurelio's relied on its forty-nine (49) years of experience in the franchised pizzeria business to compile these estimates. However, you should review these figures carefully with a business advisor before making any decision to purchase the franchise.

- (19) Neither Aurelio's nor any affiliate will finance any part of your initial investment.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You are not obligated either by the terms of the Franchise Agreement or any other device or practice to purchase or lease any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software or real estate relating to establishing or operating your business from Aurelio's. However, the Franchise Agreement provides that Aurelio's or an affiliate may be an approved supplier of the goods listed below in the future. Therefore, Aurelio's or a person or firm affiliated with Aurelio's may derive income from your purchases of any such goods or services in the future.

You are obligated by the terms of the Franchise Agreement to purchase or lease certain goods, services, supplies, fixtures, equipment, inventory, computer hardware and software from Aurelio's from suppliers approved by Aurelio's.

You must purchase Aurelio's branded sausage, pepperoni, meat, cheese, Aurelio's boxed sauces, mixes, Italian dressing, mushrooms and bread. You must purchase Aurelio's branded boxes and packaging. All such purchases must be from approved suppliers. You must purchase Aurelio's Branded decorations, photographs and interior decor, as well as all menus and direct mail materials from an approved supplier. You must purchase your exterior signs and your employee uniforms from approved suppliers. Those suppliers currently approved by Aurelio's offer consistently high standards of quality which, in part, contribute to the quality and unique nature of Aurelio's Is Pizza products. However, there is a procedure which you may employ in order to use other suppliers, and Aurelio's does not unreasonably withhold the approval of additional suppliers.

Aurelio's affiliate, Aurelio's Quality Products, LLC, is currently the only approved supplier of Aurelio's branded sausage, meats, cheese, pepperoni and pizza crust. Therefore, Aurelio's Quality Products does receive income on your purchase of those supplies. Aurelio's Quality Products supplies all of our Franchisees with these products and supplies. The officers and shareholders of Aurelio's each own an interest in Aurelio's Quality Products. Aurelio's does not receive revenue or other material consideration from your purchases from Aurelio's Quality Products. Aurelio's Quality Products had total revenues in calendar year 2023 of \$5,896,002 of which \$4,968,514 or 84% were derived from franchisee's required purchases. The source of these sales figures are from Aurelio's Quality Products unaudited 2023 year end financial statements.

You must execute a Commissary Agreement with Aurelio's Quality Products, LLC in order to be allowed to purchase Aurelio's Branded Products. You are required to purchase all sausage,

pepperoni, meats, cheese, and ravioli from Aurelio's Quality Products. The Commissary Agreement will require payment by electronic funds transfer and a personal guarantee signed by the owners of the franchisee, among other terms. A copy of the Commissary Agreement is attached as Exhibit "H."

You must purchase Aurelio's boxed sauces, mixes, Italian dressing, and mushrooms, and Aurelio's branded boxes and packaging only from Wilkens FoodService. Aurelio's does not receive revenue or other material consideration from your purchases from Wilkens FoodService. No officers or shareholders of Aurelio's have any interest in Wilkens FoodService.

You must purchase all sandwich bread, pasta bread and bread sticks only from Turano Baking Company. Aurelio's does not receive any revenue or other material consideration by virtue of your purchases from Turano Baking Company. No officers or shareholders of Aurelio's have any interest in Turano Baking Company.

You must purchase all employee uniforms only from J & L Uniform. Aurelio's does not receive any revenue or other material consideration by virtue of your purchases from J & L Uniform. No officers or shareholders of Aurelio's have any interest in J & L Uniform. There will be ongoing costs associated with the purchase of uniforms due to damage, use and theft.

You must purchase all Aurelio's Branded photographs, interior decor, and menus only from Integra Graphics. Aurelio's does not receive revenue or other material consideration from your purchases from Integra Graphics. No officers or directors of Aurelio's have any ownership or financial affiliation with Integra Graphics. There will be ongoing costs associated with the purchase of menus due to wear and tear and occasional changes to the menu.

You must purchase all Aurelio's Branded exterior signage only from Express Signs. Aurelio's does not receive revenue or other material consideration from your purchases from Express Signs. No officers or shareholders of Aurelio's have any interest in any supplier of these items. Except for the possibility of damage to your signs due to weather, vandalism or other causes, there will be no ongoing costs associated with your signage.

Neither Aurelio's nor an affiliate is currently a supplier of its boxed sauces, spices, mixes, boxes, packaging or of any other product or service, but Aurelio's or an affiliate may be an approved supplier in the future. All boxed sauces, spices, mixes, boxes and packaging are available from approved suppliers who are not affiliated with Aurelio's. Other groceries are available from numerous sources which do not have to be approved by Aurelio's. Aurelio's does not receive revenue or other material consideration as a result of your purchase of inventory and supplies. No officers or shareholders of Aurelio's have any interest in any supplier of these items.

You must purchase a specified brand of soft drink products. Currently, Aurelio's has agreed with Pepsi to carry only Pepsi syrup and products in all of its franchised locations in return for reduced Pepsi National Account pricing on all Pepsi syrup and products sold to you. The specified

brand of soft drink products could change during the term of your Franchise Agreement. Neither Aurelio's nor an affiliate is an approved supplier of Pepsi or any other soft drink products. At the current time, Aurelio's does not receive any revenue or other material consideration as a result of your purchase of Pepsi products. No officers or shareholders of Aurelio's have any interest in any supplier of Pepsi products.

You must renovate the premises you have chosen for your restaurant pursuant to a standard interior and exterior design provided to you by Aurelio's. The standard interior and exterior design will be provided to you free of charge. Aurelio's does not receive any revenue or other material consideration from your use of the standard interior and exterior designs.

You must purchase equipment, fixtures, and smallwares according to specifications established by Aurelio's. It is the intention of Aurelio's to standardize the equipment used in its franchised restaurants. Therefore, Aurelio's has certain authorized suppliers, but you are free to purchase these items from any supplier so long as specifications are met. At the current time, Aurelio's does not receive any revenue or other material consideration by virtue of your purchases pursuant to those specifications. No officers or shareholders of Aurelio's have any interest in any firm from which you would be able to purchase such equipment, fixtures, decor and smallwares. Except for occasional losses or maintenance of such equipment, there will be no ongoing costs associated with your purchase of such equipment, fixtures, and smallwares.

In addition to the above, Aurelio's will provide assistance, suggestions and advice to you with regard to purchasing improvements, equipment, furnishings, inventory and supplies. Aurelio's may suggest that you purchase a particular type of pizza oven or sausage machine, each of which may have only one (1) source of supply because they have been patented. However, Aurelio's in no way requires that you purchase that particular type of equipment. Neither Aurelio's, nor its officers or shareholders, is not affiliated, in any manner, with any suppliers of improvements, equipment, furnishings, inventory or supplies. Aurelio's will derive no revenue or other material consideration as a result of any assistance, suggestions or advice, or the purchase of any equipment.

You must purchase or lease a Point of Sale (POS) System from Aurelio's approved supplier. At the current time, Aurelio's approved supplier of POS Systems is Toast, Inc. Aurelio's will specify its approved supplier of the POS software and hardware from time to time. In addition, you must purchase or lease such computer hardware as the distributor normally uses in setting up the POS System. Aurelio's imposes this requirement because it has worked closely with the software developer to customize the software for Aurelio's restaurants. In addition, Aurelio's believes that uniform use of that software throughout Aurelio's system will allow you to draw on the expertise of Aurelio's personnel and other Franchisees if any operational problems arise. At the current time, Aurelio's does not receive any revenue or other material consideration by virtue of your purchase or lease of the POS System from any distributor. No officers or shareholders of Aurelio's have any interest in its approved POS System supplier. You will have a monthly cost for the use of the software and support. You will have ongoing costs for occasional replacement of computer hardware as it wears out.

You must use Incentivio, which provides software and services to administer Aurelio's Rewards and Gift Card Programs. That service is currently paid for by Aurelio's, with no cost to you. You must also use Incentivio to provide digital online and in-app ordering. There will be a cost to you per order for these services. Aurelio's does not receive revenue or other material consideration from your purchases from Incentivio. No officers or directors of Aurelio's have any ownership or financial affiliation with Incentivio.

When approving a supplier, Aurelio's does negotiate and specify price terms for the benefit of its franchisees. Aurelio's provides no other material benefits to you for your use of approved suppliers or the purchase of particular products or services. However, the use of approved suppliers insures you of high and consistent standards of quality, and your failure to use approved suppliers and to use Aurelio's branded products would be a violation of your franchise agreement.

There are currently no purchasing cooperatives or distribution cooperatives in the Aurelio's system.

You must purchase insurance in accordance with Aurelio's minimum specifications from an insurance agency acceptable to Aurelio's.

You must purchase comprehensive general liability insurance to insure Aurelio's, Aurelio's Is Pizza, Inc., your business, and their officers, directors, shareholders, partners and employees against liability for all perils, including but not limited to personal injury, property damage, wrongful death, products liability, fire, theft, lightning and malicious mischief. Such insurance must have minimum limits of \$2,000,000.00 for property damage, \$2,000,000.00 for injury or death to any one person and total aggregate limits of \$3,000,000.00 for each policy period which can be provided either by the primary policy or by a combination of the primary policy and an umbrella policy. You must also obtain owned and non-owned motor vehicle insurance to insure Aurelio's, Aurelio's Is Pizza, Inc., your business, and their officers, directors, shareholders, partners and employees against liability for the operation by your business of any owned or non-owned motor vehicle, including delivery vehicles. This insurance must have minimum policy limits of \$1,000,000.00 for property damage, \$1,000,000.00 for injury or death to any one person, with total aggregate limits of \$1,000,000.00 per policy period which can be provided either by the primary policy or by a combination of the primary policy and an umbrella policy.

You must insure the personal and real property used in your business to 100% of the replacement cost value. You must obtain worker's compensation and employer's liability insurance with policy limits of \$1,000,000.00. You must also insure for liquor liability (dram shop insurance) if you sell alcoholic beverages with policy limits of \$1,000,000.00. You must obtain business income insurance in the minimum amount of 50% of the prior year's gross sales (or 50% of expected gross sales during the first year).

You must name Aurelio's and Aurelio's Pizza, Inc. as an additional insured on all policies of insurance set forth above. Aurelio's is not affiliated in any manner with any supplier of insurance. Aurelio's will derive no revenue or other material consideration as the result of your purchase of any insurance. All insurance policies must be renewed yearly.

Aurelio's also requires that you comply with all laws. This would require that you purchase workers' compensation insurance with terms as prescribed by your state law.

We estimate that your required purchases which are source specific or specification related will be from 30% to 45% of your total purchases in and about establishing your Franchise. We estimate that your required purchases which are source specific or specification related will be from 38% to 53% of your total purchases in and about the operation of your Franchise.

Aurelio's formulates and modifies its specifications and standards for its approved suppliers as Aurelio's shall determine in its sole discretion. Aurelio's standards and specifications for sausage, meat, cheese, prepackaged formula sauce and other foods and supplies are those which will insure that the products meet Aurelio's quality standards, including but not limited to freshness and taste. Aurelio's specifications and standards for foods and supplies are not issued to you, but will be issued to approved suppliers. Aurelio's specifications for equipment, fixtures, decor, small wares, furnishings are issued to you.

If you desire to secure approval of a product, service or a proposed supplier, you or the proposed supplier must apply to Aurelio's in writing and set forth specific information regarding the product or proposed supplier. Aurelio's may inspect both the supplier's facilities and its products. The supplier may be required to pay the actual cost of our wages, salaries, travel costs and living expenses, as well as the cost of testing, incurred in any inspection, testing and review which is necessary by Aurelio's. Otherwise, there are no fees involved in the procedure to secure approval of a product or proposed supplier. Aurelio's inspection, testing and review will normally be completed in thirty (30) days. Such approval will be at Aurelio's sole discretion. Aurelio's may reject any proposed supplier based solely upon Aurelio's decision not to reveal its trade secrets to a proposed supplier. Aurelio's approval must be in writing, and will be based upon the supplier's ability to meet Aurelio's reasonable quality standards and the supplier's capacity to supply the needs of Aurelio's franchisees promptly and reliably. Aurelio's has no other criteria for approving suppliers.

Aurelio's provides no material benefits to any Franchisee based upon that Franchisee's purchase of particular products or services or the use of particular suppliers.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

<u>Obligation</u>	<u>Paragraph in Agreement</u>	<u>Disclosure Document Item</u>
a. Site selection & acquisition/lease	Article II, Paragraph 2, Article III, Paragraph 1 & Article XI, Paragraph 1, 2, 8 of Franchise Agreement	Item 11
b. Pre-opening purchases/leases	Article IX, Paragraph 1; Article XI, Paragraphs 2-5, Article XII, Paragraph 1; Article XIII, Paragraph 10, 14, 19-20 of Franchise Agreement	Items 7, 8, 11
c. Site development & other pre-opening requirements	Article VII, Paragraphs 1-3; Article XI, Paragraphs 1-7, Article XII, Paragraph 1; Article XIII, Paragraph 22 of Franchise Agreement	Items 7, 8, 11
d. Initial & ongoing training	Article VIII, Paragraphs 1-9 & Article IX, Paragraphs 1-2 of Franchise Agreement	Item 11
e. Opening	Article VII, Paragraph 1-3; Article VIII, Paragraph 2-6; Article IX, Paragraph 1 of Franchise Agreement	Item 11
f. Fees	Article IV, Paragraphs 1-11; Article V, Paragraph 2 & Article XIV, Paragraph 5 of Franchise Agreement	Items 5 & 6
g. Compliance with standards & policies/ operating manual	Article IV, Paragraphs 9-10; Article XIII, Paragraphs 1-4, 8-23 of Franchise Agreement	Item 11
h. Trademarks & proprietary information	Preamble, Article 1, Paragraphs 1 & 2, Article III, Paragraph 2, Article VI, Paragraphs 1-7 & Article XVIII, Paragraphs 4-7, 10-11 of Franchise Agreement	Items 13 & 14
i. Restrictions on products/services offered	Article VI, Paragraph 1 & Article XIII, Paragraphs 1,9-10, 15, 18 of Franchise Agreement	Item 16
j. Warranty and customer service requirements	Article XIII, Paragraph 1 of Franchise Agreement	Item 11

<u>Obligation</u>	<u>Paragraph in Agreement</u>	<u>Disclosure Document Item</u>
k. Territorial development and sales quotas	None	None
l. Ongoing products/ service purchases	Article XIII, Paragraphs 1, 9 - 10 of Franchise Agreement	Item 8
m. Maintenance, appearance & remodeling requirements	Article VII, Paragraph 4; Article XI, Paragraph 9; Article XIII, Paragraphs 1, 12, 14 & 19 of Franchise Agreement	Item 11
n. Insurance	Article XII of Franchise Agreement	Items 7 & 11
o. Advertising	Article V, Paragraphs 1-4, Article XIII, Paragraph 1 of Franchise Agreement	Items 6 & 11
p. Indemnification	Article XVIV, Paragraph 1 of Franchise Agreement	
q. Owner's participation/ management/staffing	Article XIII, Paragraphs 1, 8, 13 of Franchise Agreement	Item 15
r. Records/reports	Article IV, Paragraphs 6-10; Article V, Paragraph 1 of Franchise Agreement	
s. Inspections/audits	Article IV, Paragraph 9; Article V, Paragraph 1; Article VII, Paragraphs 1, 4 & Article XI, Paragraphs 2-4, 6 of Franchise Agreement	
t. Transfer	Article XV, Paragraphs 2-6 of Franchise Agreement	Item 17
u. Renewal	Article II, Paragraphs 1-3 of Franchise Agreement	Item 17
v. Post-termination obligations	Article XIII, Paragraphs 5-7; Article XVIII, Paragraphs 1-15 of Franchise Agreement	Item 17
w. Non-competition covenants	Article XIII, Paragraphs 5-7 of Franchise Agreement	Item 17
x. Dispute resolution	Article XIV, Article XVII, Paragraphs 1-2 & Article XXI, Paragraph 1 of Franchise Agreement	Item 17

ITEM 10

FINANCING

Aurelio's does not offer direct or indirect financing. Aurelio's does not guarantee any of your notes, leases or obligations associated with your franchised business. Aurelio's cannot estimate whether you will be able to obtain outside financing for all or any part of your investment and, if so, the terms of your financing.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, Aurelio's need not provide any assistance to you.

Before you open your business, Aurelio's will:

- A. Provide a source for you to purchase Aurelio's sausages, meats, pepperoni, cheese and ravioli (Franchise Agreement, Article XIII, Paragraphs 9 and 10). Aurelio's does not provide written specifications for these items. You must execute a Commissary Agreement in order to purchase Aurelio's Branded sausage, pepperoni, meats, cheese, and ravioli. (Exhibit "H," Commissary Agreement).
- B. Provide approved suppliers for you to purchase soft drink products, sandwich bread, pasta bread, bread sticks, Aurelio's pre-mixed boxed sauces and mixes, Italian dressing, mushrooms and Aurelio's Branded boxes and packaging (Franchise Agreement, Article XIII, Paragraphs 9 and 10).
- C. Furnish you with site location assistance, standard plans and specifications, a standard interior and exterior design and review of any modifications of the initial design which you, your builder or your architect proposes. (Franchise Agreement, Article IX, Paragraph 1, Article XI, Paragraphs 2 and 6).
- D. Furnish you with standard specifications for equipment and fixtures for your selected Franchised Location (Article IX, Paragraph 1; Article XI, Paragraph 5).
- E. Furnish you with an approved supplier for a standard set of Aurelio's branded decorations, photographs and menus to be displayed at your restaurant as directed by Aurelio's. (Franchise Agreement, Article IX, Paragraph 1.e, Article XIII, Paragraph 10).

- F. Furnish you with an approved supplier for your purchase of a Point of Sale (POS) System, consisting of POS software customized for your restaurant and compatible computer hardware. Aurelio's does not deliver or install these items. Aurelio's does provide written specifications for these items through its approved supplier. (Franchise Agreement, Article IX, Paragraph 1.f., Article XIII, Paragraph 10)
- G. Furnish you with an approved supplier for Aurelio's exterior signage. (Franchise Agreement, Article IX, Paragraph 1.h., Article XIII, Paragraph 10)
- H. Furnish you with an approved supplier for Aurelio's standard employee uniforms. (Franchise Agreement, Article IX, Paragraph 1.j, Article XIII, Paragraph 10)
- I. Furnish you with assistance and/or advice in purchasing other merchandise and services required to open and operate your business (Franchise Agreement, Article IX, Paragraph 1).
- J. Furnish you with access to such electronic reporting service provider as the Company may specify for the purpose of allowing you to report your gross sales and other financial information as required by the Franchise Agreement. (Franchise Agreement, Article IV, Paragraph 7.)
- K. Furnish you with assistance and/or advice in hiring your first staff (Franchise Agreement, Article IX, Paragraph 1).
- L. Furnish you with assistance and/or advice in the development of a "grand opening" promotional and publicity campaign (Franchise Agreement, Article IX, Paragraph 1).
- M. Furnish you with one (1) operations manual and one (1) basic bookkeeping system, both of which are optional at Aurelio's discretion (Franchise Agreement, Article IX, Paragraph 1).
- N. Pursuant to Article VII, Paragraph 1 of the Franchise Agreement, provide training for you at either the Aurelio's Pizza, Inc. restaurant in Homewood, Illinois or at one of the franchised restaurants located near Homewood, Illinois. Such training will be as follows:

**FRANCHISEE AND MANAGEMENT
TRAINING PROGRAM**

<u>SUBJECT</u>	<u>HOURS OF CLASSROOM TRAINING</u>	<u>HOURS OF ON THE JOB TRAINING</u>	<u>LOCATION</u>
Cooking	0	40	Homewood, IL or a nearby Franchise

Food Handling	0	40	Homewood, IL or a nearby Franchise
Systems Operation and Maintenance	0	20	Homewood, IL or a nearby Franchise

Aurelio's does not charge for this training, unless you and your manager are unable to travel to Aurelio's designated training facility. In that case training will be conducted at the franchised location and you will reimburse Aurelio's for all out of pocket expenses required to train you and your manager, including, but not limited to, the wages of all instructors (other than Joseph M. Aurelio), meals, lodging and travel expenses. However, for any training sessions, you must pay the salary and the travel and living expenses for you and your manager.

Training of the franchisee or the franchisee's chief executive officer will last approximately two (2) to two and one-half (2-1/2) weeks, or longer if necessary, to achieve satisfactory levels of performance. This training program will be conducted within the month prior to the opening of your business. Training is held on an as needed basis, not pursuant to any set schedule.

The training program will be conducted by and under the direction of Aurelio's management. Thomas Aurelio conducts training in food production, inventory control and food purchasing. He has been employed by Aurelio's in various management capacities since 1994 and owned and operated two (2) Aurelio's franchises from 1976 until he was hired by Aurelio's. Martin Mikulich conducts training in operation of the point of sale system, food preparation and customer relations. He has been employed in the food service industry for 47 years, with the last 38 years in management. He was Director of Food and Beverage at an Aurelio's franchise from 2007 to 2013 and has been employed by Aurelio's since April, 2013 as Franchise Operations Manager. John Romans conducts training of the kitchen, bar and dining room staff in their respective jobs, including use of the point of sale system. He trains your management staff. He has been employed by Aurelio's in management since 2001 and helped develop Aurelio's point of sale system. All trainers are food certified by the State of Illinois. Any other person who assists in your training will be fully trained and have at least 3 to 5 years of experience in the subject taught.

You and your manager are required to attend the training and both must complete all training to the satisfaction of Aurelio's. All training is "on the job" and no written instructional materials are provided, other than the operations manual.

- O. Pursuant to Article VII, Paragraph 2 of the Franchise Agreement, provide training for your initial employees (other than maintenance personnel) at your franchised location. Such training will be as follows:

EMPLOYEE TRAINING

<u>SUBJECT</u>	<u>HOURS OF CLASSROOM TRAINING</u>	<u>HOURS OF ON THE JOB TRAINING</u>	<u>LOCATION</u>

Job Skills	0	16-24	Your Franchised Location
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You are required to pay Aurelio's for certain costs and expenses associated with the training of your initial staff and grand opening assistance at your location. Aurelio's will pay all wages and salaries for its instructors. You are required to pay for all transportation, lodging, rental cars and other transportation expenses for all instructors brought to your location. Aurelio's will make all travel and lodging arrangements for the staff brought to your location. You are further required to pay a per diem for food and incidentals for all instructors, which will be based upon the GSA rate for your location. Aurelio's will estimate a total of all travel, lodging, and per diem, and you will be required to deposit that sum with Aurelio's to be applied against these expenses. You must reimburse Aurelio's for any such expenses over and above your deposit before you will be allowed to open your restaurant. See Item 7 regarding estimates of the above expenses.

Employee training will consist of the particular skills necessary to satisfactorily complete each employee's assigned job. Employees will be cross-trained to handle more than one (1) job assignment. This training program will be conducted approximately one (1) week prior to the opening of your business and will last for at least two (2) weeks or longer as is necessary. Training is held on an as needed basis, not pursuant to any set schedule.

This employee training program will be conducted by and under the direction of Aurelio's management and the full-time employees of Aurelio's Pizza, Inc., the franchisor's affiliate. The members of Aurelio's management detailed above are also involved in employee training. All persons conducting employee training sessions will be full-time employees with at least three (3) to five (5) years of experience. All employees other than maintenance personnel will be required to attend this training and complete it to the satisfaction of Aurelio's. All training is "on the job" and no written instructional materials are provided.

Aurelio's may require that any new manager at your restaurant attend the Management Training Program. Such training will cover the same subjects as referenced above, and it would be conducted either at the Homewood location or at your restaurant. You will be responsible for paying the wages, salary and any travel and living expenses of your manager to attend such training. The Company reserves the right to charge you its actual expenses related to such training, including meals, lodging and travel expenses and the sum of \$30.00 per hour for any instructors.

Other than as set forth above, Aurelio's offers no other additional training or refresher courses.

You select your business site within your Exclusive Territory, subject to Aurelio's approval. Aurelio's will provide assistance to you in the site selection process. Factors which will be considered in site selection will include the demographics of the location, the presence of competitive restaurants in the area, traffic patterns, availability of parking, the size of the building, the suitability of the building to renovation as an Aurelio's restaurant and lease terms available. Your franchise is granted for a specific site, and you are not given the right to establish additional

pizzerias beyond those enumerated in the Franchise Agreement. Aurelio's does not purchase or own your site and does not lease it to you. Approval of your business site by Aurelio's is normally done before execution of your Franchise Agreement. There is no specific time limit imposed. If a Franchise Agreement is signed and/or the initial fee is paid before Aurelio's approves your business site, and agreement cannot be reached on an appropriate business site, then Aurelio's will refund a portion of the initial franchise fee paid and the Franchise Agreement would be terminated.

You must use Aurelio's standard plans and specifications for your restaurant. You will conform the standard plans and specifications to local ordinances, building codes and the constraints of the selected site. These are provided to you free of charge by Aurelio's. Aurelio's will review any requested changes to the initial interior and exterior design and will inspect your restaurant from time-to-time for compliance with Aurelio's standards and specifications. However, such inspections and review of requested changes will be at your expense.

You will also be provided with a source for you to purchase a standard set of fixtures, equipment, decor and smallwares, which are required for use at your restaurant. You will be provided with a source to purchase a standard set of Aurelio's branded decorations and photographs, which you are required to display at your restaurant. You will be provided with an approved supplier from which you must lease or purchase a specified Point of Sale (POS) System. Finally, you will be provided with a list of approved suppliers from which you must purchase Aurelio's standard exterior signage.

Aurelio's franchisees typically open their restaurant within four (4) to nine (9) months after they sign a Franchise Agreement. The factors that affect this time period are site selection, the ability to purchase or lease a satisfactory building, financing arrangements, building permits, zoning and local ordinance compliance questions, weather conditions, shortages, the nature and extent of any construction or remodeling necessary, and delayed installation of equipment, fixtures and signs.

During the operation of your business, Aurelio's will:

- A. Provide an ongoing approved source to you to purchase Aurelio's sausages, meats, pepperoni, cheese and ravioli (Franchise Agreement, Article XIII, Paragraphs 9 and 10). You must execute a Commissary Agreement in order to purchase Aurelio's Branded sausage, pepperoni, meats, cheese, and ravioli. (Exhibit "H," Commissary Agreement).
- B. Provide an ongoing approved source for you to purchase soft drink products, sandwich bread, pasta bread, bread sticks, Aurelio's pre-mixed boxed sauces and mixes, Italian dressing, mushrooms and Aurelio's Branded boxes and packaging (Franchise Agreement, Article XIII, Paragraphs 9 and 10).
- C. Provide an ongoing source for POS System software (Franchise Agreement, Article IX, Paragraph 1.f.).

- D. Be available at the home office of Aurelio's for consultation and guidance to you with respect to the development, operation and management of your business (Franchise Agreement, Article IX, Paragraph 2).
- E. Provide ongoing quality assurance through regular inspections and on location training and assistance (Franchise Agreement, Article IX, Paragraph 2).
- F. Provide an internet based Business Management Portal, which will allow communication between you, the Company and other Franchisees, and which will provide you with information regarding news, events and meetings relating to the franchise system, product alerts, supplier and pricing information, training videos and documents, marketing materials, sales data and other documents and information related to the successful management of your franchised business (Franchise Agreement Article IX, Paragraph 2).
- G. Pursuant to Article VIII, Paragraph 7 of the Franchise Agreement, provide training for any assignee or purchaser of your Franchise. Such training is required upon sale or assignment of your Franchise for the new Franchisee, the CEO if it is a corporation, the Manager, Pizzeria Director, and all staff who are not otherwise trained. If training is not satisfactorily completed, then the sale or assignment may not be approved.
- H. Conduct periodic Franchisee meetings to discuss Franchisee, Brand, System and industry related issues (Franchise Agreement, Article IX, Paragraph 2).
- I. Provide additional training for your staff as needed (Franchise Agreement, Article VIII, Paragraph 4 and Article IX, Paragraph 2). The content of such training will be the same as the Franchisee and Management Training and the Employee Training as set forth above.

Aurelio's is not required to conduct advertising for you, except pursuant to the Advertising Fund described below. Aurelio's does not provide to you any specific prepackaged advertising program for the products sold by you. You may develop advertising materials for your own use, at your own cost, but Aurelio's must approve the advertising materials in advance and in writing. You must use Aurelio's website and internet social networking sites to market your restaurant.

You must spend during each twelve (12) month period of the term of the Franchise Agreement, an amount equal to not less than one percent (1%) of your gross sales during that period for local advertising, public relations and promotional campaigns. You will also be required to spend a minimum of \$10,000 for your grand opening advertising campaign for advertising, which advertising must occur during a period two (2) weeks after your "soft" opening, which is an opening for family and friends, but not the general public. Further, you must honor all gift certificates issued

by any Aurelio's Pizza Restaurant, whether franchised or company-owned, but Aurelio's will insure payment from the issuing restaurant for the value of the certificate.

You must participate in Aurelio's Advertising Fund. You will be required to contribute two percent (2%) of your gross sales each month to the Fund. (See Item 6). Aurelio's will contribute all rebates received by it for all inventory and supplies purchased by you. The Franchisor's affiliate, Aurelio's Pizza, Inc., which operates the flagship Aurelio's Pizzeria in Homewood, Illinois, will also contribute all of its rebates received on purchases of inventory and supplies. The Fund will be used for regional and national advertising to promote goodwill and the public image of the Aurelio's Is Pizza System.

The requirement to participate in the Advertising Fund began in 2004. All current and new Franchisees are required to participate in the Advertising Fund.

The Advertising Fund will be solely directed and administered by the Franchisor. There is no advertising council. The Fund will not be audited, but will be maintained in a separate account. You will be able to obtain an accounting of all receipts and disbursements from the Fund each year upon request.

The Advertising Fund first received Franchisee contributions in August, 2004. Franchisor rebates were thereafter contributed from and after January 1, 2005. During the calendar year ended December 31, 2023, the Fund received revenues totaling \$848,856, of which \$173,387 was from vendor rebates and commissions reflected in Item 8. The Fund had total 2023 expenditures of \$733,370. Approximately 2.9% of these expenditures were used for media production, 40.8% were used for media placement, 42.5% were used for digital marketing, 7.3% were used for the gift card program, give-aways, and menus, and 2.5% was used for public relations activities, including food donations and team sponsorships. 4% was used for administrative expenses. The administrative expenses consists of administrative services, which include all bill paying and ordering activities, and payments to an independent consultant, who drafts a marketing plan, arranges all media placements, negotiates and buys time, coordinates all events and handles all press releases and communication with Franchisees. The Fund spent \$115,486 less than it received in revenue. That excess revenue was retained in the fund for use in future years.

The Fund is restricted to be used for national and regional advertising, public relations, marketing programs and market research. No portion may be used by Aurelio's for its general operating expenses, except for those expenses reasonably allocable to such advertising or other activities reasonably related to the administration and direction of the Fund and its programs. However, Aurelio's reserves the right to hire an employee to manage the Fund and provide advertising and marketing expertise and pay the employee's salary and benefits from the Fund. No portion of the Fund will be used for solicitation for the sale of franchises.

Some advertising will be designed in house by Aurelio's or by a marketing firm hired by the Fund. Some advertising will be designed by the media being used, subject to the approval of

Aurelio's. Aurelio's will disseminate advertising on cable television, radio, billboards and direct mail.

Aurelio's is not obligated to insure that any pro rata share of the Fund will be used to directly or indirectly benefit your location. Aurelio's may accumulate money in the Fund as appropriate and does not have to spend monies received by the end of each fiscal year. Any remaining money at the end of each fiscal year will remain in the Fund to be expended by the Fund for its stated purposes in the following fiscal year.

Aurelio's has no requirement that you must participate in any local or regional advertising cooperative.

You must use a specified Point of Sale (POS) System at your restaurant. This is currently the Toast system from Toast, Inc. The POS System consists of proprietary software which may exist as cloud based storage and accessed by you under a "Software as a Service" (SaaS) arrangement, as well as computer hardware installed in your restaurant. The onsite hardware includes multiple tablet based workstations, thermal receipt printers, and EMV-ready credit card readers. You will need at least two (2) kitchen printers (unless Kitchen Display Systems (KDS) are utilized), at least one (1) cash drawer, and network equipment, which includes and Ethernet switch and network router with security and firewall. Your use of the System is covered under a monthly software subscription with fees based upon the number of stations and the type of hardware in use at each station.

The Point of Sale system includes computerized order entry and transmission for your wait staff and kitchen. It also provides table-layouts for the wait staff, inventory control for management and the kitchen, labor cost controls, reporting capabilities, time clock functions, database management, integrated app and online ordering, caller ID technology, email and notification based marketing and brand loyalty functions. For integrated credit card and gift card processing, you will be required to use a credit and gift card processing company that supports the POS supplier's platform.

You must use the POS Software for the POS System as specified by Aurelio's from time to time, and you are further required to use all functions contained in that software in the operation of your restaurant. This software is proprietary property of the approved supplier, and the POS system and access to the software is available only through the approved supplier.

Your POS system can be purchased outright. Toast may from time to time offer through its third party financing partner a 36 month, interest-free agreement for new POS installations, subject to approved credit and other terms and conditions. A typical six (6) workstation POS system, which includes one station with cash drawer, tablet, receipt printer, customer facing display and EMV-supported payment device, three stations (each with tablet, receipt printer and EMV-supported payment device), two stations (with only a tablet), two kitchen production printers, and network equipment for a full service/sit down restaurant can be purchased from Toast for \$1,656. A typical four (4) workstation POS System for a carry-out/delivery restaurant can be purchased from Toast for

\$1,181. Of course, your purchase cost may change according to the number of workstations to be installed in your restaurant, and whether you purchase optional equipment not required for your operation of an Aurelio's pizzeria restaurant.

For on-boarding and installation of the system, Toast provides options for self-installation or remote installation, as well as on-site installation and training support. The Remote Package is \$944, and includes up to four hours of menu review with an on-boarding specialist, one software configuration session, one remote hardware installation walk-through session, one remote 1 hour staff training session, one remote 90 minute manager training session and up to four hours of go-live support. Go-live support may include troubleshooting, resolving issues and answering question during restaurant operations. An On-Site Day is \$900 for one Toast trained technician on-site for eight hours to provide system installation and management and staff training. The Self Package is \$179, and provides initial account creation and access to training resources, but is completely do-it-yourself for installation and training. Toast also provides Menu Build and Review services for \$180. The Remote Package, the Menu Build and Review and at least one On-Site Day is recommended. Those three services would cost a total of \$2,024.

In addition, you must pay the monthly software subscription fees to Toast, which are based upon the number of and type of hardware at each station. The monthly fees for the previously mentioned 6-station system would be \$259.00 per month. The monthly fees for a four station system would be \$199 per month. Additional software subscriptions may be added at your discretion and expense based upon your operational needs outside of the core POS functions, such as the use of third party delivery services or streamlining your payroll services. Toast partners with restaurant industry leading software companies to provide integrations that extend the functionality of its POS system.

One such integration is with Incentivio. This integration is utilized to provide the Aurelio's brand with an on-line ordering website and a mobile app that combines in-app ordering, customer loyalty and gift-card functionality. This is provided to you by Aurelio's at no additional cost to you, with the exception of a \$.12 fee per digital on-line or in-app order, for which you will be billed monthly. Incentivio also offers to you an optional delivery service. If you used that optional service, there would be additional fees payable to Incentivio and to a third party delivery service.

It is impossible to estimate what your costs might be for a lease-purchase of your POS system through a third party lease company other than used by Toast. The cost will be determined by the number of workstations you require, the length of financing you chose and other terms and conditions. You are free to choose any of multiple leasing companies available to finance your POS system. Aurelio's does not suggest or require that you use any particular leasing company. Therefore, Aurelio's has no knowledge regarding the possible terms or costs of any such arrangement. Toast works with one (1) particular third party leasing company, but you are not required to use that leasing company by either Aurelio's or Toast.

You must use this System because Aurelio's has worked closely with Toast to develop a version of the software, customized and specific to Aurelio's Is Pizza restaurants. In addition, Aurelio's believes that uniform use of that software throughout Aurelio's System will allow you to draw on the expertise of Aurelio's personnel and other Franchisees if any operational problems arise.

You must use the computer hardware, including workstations, tablets, printers, a router, a cash drawer, and credit card readers as are used by the software distributor in and about installing your POS System. The computer hardware will provide you with the infrastructure necessary to access the POS software platform for your daily operations. The credit card readers allow you to take credit card payments.

Your software will be automatically maintained and updated from time to time by Toast. You must pay the sum of \$259.00 per month (for six stations) for software access. All software upgrades are accomplished automatically on the supplier's servers, and such upgrades will be available to you immediately the next time you log on to the Toast system.

Your hardware does not require upgrades. Instead, your tablet hardware will wear out over a period of time, and need to be replaced. It is difficult to estimate the life-span of tablet hardware, but it is reasonable to expect three years of operation. The average life for printers will be approximately three (3) years. The cost to replace any item will be the then current price for that item from Toast. It is impossible to state the cost of hardware replacement when it is necessary due to variation over time in the cost of such hardware.

Aurelio's is not required to provide ongoing maintenance, repairs, upgrades or update of the software or hardware. As noted above, the software is maintained by Toast. Your hardware is warranted by Toast for one (1) year. It is impossible to state the actual cost of any maintenance contract for the hardware, since such a maintenance contract would only be available from an independent third party and that cost will vary substantially based upon the number of workstations you have in your restaurant.

You must report your gross sales and other financial information electronically. This electronic reporting service will consist of secure access to a website portal. Such access is currently free of charge to you. However, Aurelio's reserves the right to charge you an online portal subscription fee at some time in the future. Such access requires no software or hardware other than you will already have as your POS System.

You must use Toast as your electronic reporting service provider for all of your electronic reporting requirements.

Your POS System will collect and generate information on your retail sales by day, week and month, as well as information about your customers. It will collect information regarding discounts and coupons used, house accounts and credit card sales. It will contain information regarding your employees, your inventory and the amount of inventory used on a daily, weekly and monthly basis.

The Franchisor will have independent access to the information and data generated, without contractual limitation. You will be required to report certain information collected by the software weekly and monthly to the Franchisor through you're My Profit Keeper portal.

Aurelio's has chosen to omit the Table of Contents of the Operating Manuals provided for the Toast POS System, as well as for the various items of computer hardware referenced above. All manuals will be available for review by the Franchisee before purchase of the Franchise.

You must obtain broadband internet service and purchase such equipment as may be necessary to allow broadband internet communication between your business and the Company. You must use a business management portal provided by the Company for purposes of communication with the Company and other Franchisees, and for receiving news, alerts, documents and materials from the Company.

ITEM 12

TERRITORY

You will be granted an exclusive territory. Your exclusive territory will range in size from a radius of from one (1) to three (3) city blocks, if your business is located in a central business district, or up to three (3) miles in an outlying residential area. The radius will be measured from your franchised location. Therefore, Aurelio's will not operate a restaurant or grant franchises for a similar or competitive business within your area. However, your territory may overlap the territory of another franchisee.

Your franchise is granted for one (1) specific location, which must be approved by Aurelio's. You are granted the right to sell at retail only, not for sale at wholesale or for resale. Further, you may not sell frozen pizzas. The relocation of your pizzeria requires Aurelio's approval as well. Aurelio's will approve the relocation of your business so long as it believes that the new location is suitable, in Aurelio's sole subjective discretion. Relocation within your exclusive territory will not change the boundaries of your territory. If you must relocate outside of your exclusive territory, Aurelio's may give you a new exclusive territory in its sole discretion.

Neither you nor other franchisees are restricted from advertising, soliciting or accepting orders from customers outside of your defined territory. There are no restrictions in the Franchise Agreement restricting Aurelio's or other franchisees from advertising, soliciting or accepting orders inside your territory. You can accept orders from outside your territory without special payment to Aurelio's, or other franchisees, other than the normal royalty fee and advertising fee. There is no requirement that the Company or any other Franchisee pay any compensation to you for soliciting or accepting orders from customers inside your territory.

Franchisor has the right to offer, sell or distribute, within and outside of your exclusive territory, through any other (i.e., non-restaurant) distribution channel or methods, any frozen, pre-

packaged items or other products or services associated with the System or identified by the Trademarks, or any other trademarks. The other distribution channels or methods include, without limitation, frozen by overnight delivery, grocery stores and supermarkets, club stores, convenience stores, wholesale, hospitals, clinics, healthcare facilities, business or industry locations (e.g. manufacturing site, office building), military installations, military commissaries or the internet.

Certain unique sites are excluded from your exclusive territory and we have the right to develop, license or franchise the following unique site locations: (1) military; (2) public transportation facilities, including airports and other transportation terminals; (3) sports facilities, including race tracks; (4) student unions or other similar buildings on college or university campuses; (5) amusement and theme parks; (6) casinos, (7) community and special events; (8) concert venues; (9) enclosed shopping malls, and (10) movie theaters and school cafeterias, including elementary through high school, colleges and universities and trade schools.

You have no option or right of first refusal to acquire additional franchises within your territory or contiguous territories. You have no right to open additional locations or outlets within your territory, or any other territory or area.

Neither Aurelio's nor its affiliate, Aurelio's Pizza, Inc., has established or has any present plans to establish a business under a different trademark selling goods or services similar to those offered by you.

The continuation of your territorial rights is not dependent upon achievement of any certain sales volume, market penetration or any other contingency. There are no circumstances under which your territory can be modified by Aurelio's, except if you must relocate your business outside of your original exclusive territory.

ITEM 13

TRADEMARKS

During the term of the Franchise Agreement, you are granted the right to operate a pizzeria under the name Aurelio's Is Pizza. You may also use our other current or future trademarks to operate your pizzeria. By trademark, Aurelio's means trade names, trademarks, service marks and logos used to identify your pizzeria.

Aurelio's has registered the trademarks set forth below on the United States Patent and Trademark Office principal register:

<u>TRADEMARK</u>	<u>REGISTRATION DATE</u>	<u>REGISTRATION NUMBER</u>	<u>REGISTER</u>
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Life Begins at Aurelio's	07/19/11	3,995,488	Principal
Tell em' Joe sent me	06/28/11	3,982,990	Principal
Aurelio's Pizza	01/03/17	5,112,366	Principal
Tell em' Joe sent me	01/03/17	5,112,418	Principal
Aurelio's Is Pizza Shield Design	01/03/17	5,112,420	Principal
Aurelio's	01/03/17	5,112,364	Principal
Aurelio's, The Family Pizzeria	01/03/17	5,112,362	Principal
It's The Sauce	06/06/17	5,216,209	Principal
Mama Aurelio's Spinach Calabrese	11/14/17	5,334,218	Principal
Super Six "The Works"	11/14/17	5,334,144	Principal

None of Aurelio's federally registered trademarks have been registered in the State of Illinois or in any other state. Aurelio's has filed all required affidavits of continued use with regard to each of the foregoing trademarks.

You must follow our rules when you use these marks. You cannot use a name or mark as part of a corporate name or with modifying words, designs or symbols, except for those which Aurelio's licenses to you. You may use Aurelio's trademarks only in connection with the promotion and sale of Aurelio's approved pizza menu at the location of your franchised pizzeria, and you may not use Aurelio's trademarks in connection with the sale of any unauthorized product or service or in any manner not authorized in writing by Aurelio's.

There are no presently effective determinations of the Patent Office, the Trademark Administrator of this state, or any Court, or any pending interference, opposition or cancellation proceeding, nor any pending material litigation involving Aurelio's marks which are relevant to their use in this state or any other state.

There are no agreements currently in effect which significantly limit Aurelio's right to use or license the use of its trademarks in any manner material to you. The trademarks and recipes licensed to you were originally issued to Aurelio's Pizza, Inc., which assigned ownership of the marks in July, 1998 to Aurelio's Is Pizza Franchise, Ltd. Aurelio's Pizza Inc. has retained the right to use the marks in its operation of an Aurelio's pizzeria.

There are no infringing uses actually known to Aurelio's which could materially affect your use of Aurelio's trademarks in this state or any other state in which franchises may be located.

Aurelio's is not obligated by the Franchise Agreement to protect the trademarks listed herein. However, the assignment of the marks to Aurelio's by its affiliate, Aurelio's Pizza, Inc., requires that Aurelio's protect and defend the trademarks from unauthorized use or disclosure by third parties or unauthorized individuals. You have no rights to compensation or otherwise under the franchise agreement if Aurelio's requires you to modify or discontinue using any trademark.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use any item covered by a patent owned by Aurelio's.

You receive the right to use certain copyrighted items from Aurelio's. These items are as follows:

<u>Copyright</u>	<u>Registration Number</u>	<u>Registration Date</u>
Dinner Menu	5-966-404	12/08/2003
Delivery Menu	5-917-293	12/08/2003

Aurelio's intends to renew these copyrights.

Aurelio's right to use or license these copyrighted items is not materially limited by any agreement or known infringing use. There are no current material determinations of the United States Copyright Office or any court regarding these copyrights.

You must tell us immediately if you learn about an infringement or challenge to our use of these copyrights. Aurelio's will take any action Aurelio's believes appropriate. You must also agree not to contest Aurelio's interest in these copyrights or its other trade secrets.

If Aurelio's decides to add, modify or discontinue the use of an item covered by a copyright, you must also do so. Aurelio's has no obligation to reimburse you for the cost of doing so.

Aurelio's is not obligated to protect these copyrights or to defend your use of these copyrights.

You are also given the right to use the proprietary information in Aurelio's Operations Manual, as well as Aurelio's recipes and formulas. Aurelio's considers the Operations Manual and its recipes and formulas to be trade secrets which are proprietary information of Aurelio's licensed for your use pursuant to the terms of the Franchise Agreement only.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

If you are an individual, you must directly supervise the franchised business on its premises. If you are a corporation, the principal executive officer of the corporation must directly supervise the franchised business on its premises. However, this requirement may be waived in writing by Aurelio's, but only where you appoint a full-time manager who is fully trained pursuant to Aurelio's standards. The on-premises manager need not have an ownership interest in the franchisee. The on-premises manager cannot have an interest or business relationship with any of Aurelio's competitors within a five (5) mile radius of the franchised location during the term of the Franchise Agreement and for two years thereafter. The on-premises manager must maintain all trade secrets.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell only those foods and beverages that Aurelio's has approved. These foods and beverages include pizza, pasta, certain sandwiches and certain liquid refreshments. You must not allow, authorize or otherwise permit redistribution or resale of any of the foods or beverages sold or offered from any other place, either with or without the use of Aurelio's marks. You cannot sell at wholesale, and you cannot sell at any location other than your restaurant. You cannot sell frozen pizzas via overnight delivery. You cannot sell non-approved gift cards. You cannot offer non-approved services to your customers, including access to newspaper racks, jukeboxes, vending machines, gum machines, pool tables, games, or rides. You cannot offer video gaming unless it is conducted pursuant to the Illinois Video Gaming Act and its Administrative Rules.

You must offer all foods and beverages that Aurelio's designates as required for all franchisees. You must use menus approved by Aurelio's. You must offer all sizes of pizza and quantities of other foods as required by Aurelio's. You must use the type and size of boxes and packaging specified. You may offer food products other than the above under Aurelio's trademarks if you obtain prior written approval from Aurelio's. Such approval will not be unreasonably withheld.

You are prohibited from using the premises for any other purpose or for any other business other than the operation of an "Aurelio's Is Pizza" restaurant.

You are not limited in the customers to whom you may sell food and beverages.

Aurelio's has the right to add, delete or change the foods and beverages that you are required to offer. There are no limits on Aurelio's right to do so.

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 Offering Circular.

Provision	Paragraph in Franchise Agreement	Summary
a. Length of the franchise term	Article II, Paragraph 1	Term is 5 years or term of Lease Agreement, whichever is less
b. Renewal or extension of the term	Article II, Paragraphs 1 and 3	If you are in good standing and if you execute a new, then current Franchise Agreement, you can add unlimited additional 5 year terms
c. Requirements for you to renew or extend	Article II, Paragraphs 1, 2 and 3	Maintain suitable premises, sign new agreement. When renewing, you may be asked to sign a contract with materially different terms and conditions from the original contract
d. Termination by you	Article XVI, Paragraph 3	You may terminate only for a material and substantial breach by Aurelio's which continues after 30 days written notice
e. Termination buy Aurelio's without cause	None	Aurelio's may not terminate without cause
f. Termination by Aurelio's with cause	Article XVI, Paragraphs 1 and 2	Aurelio's can terminate only if you default
g. "Cause" defined - curable defaults	Article XVI, Paragraph 1	You have 10 days to cure for nonpayment of any sums due Aurelio's; you have 30 days to cure if you fail to comply with obligations of Franchise Agreement or the Operations Manual

h. "Cause" defined - non-curable defaults	Article XVI, Paragraph 2	Non-curable defaults: abandonment, insolvency or bankruptcy, unapproved transfers, misuse of trademarks, understatement of gross sales, failure to submit required information, failure to keep records, sanitation problems, repeated defaults even if cured, material misrepresentations on application, failure to maintain suitable premises, conviction of felony, unresolved judgments, default or termination of other agreements
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<u>Provision</u>	<u>Paragraph in Franchise Agreement</u>	<u>Summary</u>
i. Your obligations on termination/non-renewal	Article XVIII	Obligations include payment of sums due to Aurelio's, complete de-identification with Aurelio's, abide by covenant not to compete and trade secrets covenant, return operations manual, transfer telephone number, transfer lease.
j. Assignment of contract by Aurelio's	Article XVIII, Paragraph 1	Assignee must be financially responsible and economically capable of performing Aurelio's obligations and assignee must assume Aurelio's obligations.
k. "Transfer" by you - definition	Article XV, Paragraph 2	Includes transfer of contract, the business or assets, or any ownership change, gift, option, or transfer into trust

<u>Provision</u>	<u>Paragraph in Franchise Agreement</u>	<u>Summary</u>
l. Aurelio's approval of transfer by franchisee	Article XV, Paragraphs 3-6	Aurelio's has the right to approve all transfers and has a right a first refusal, but will not unreasonably withhold approval
m. Conditions for Aurelio's approval of transfer	Article XV, Paragraphs 3-6	Aurelio's does not exercise its right of first refusal, new franchisee qualifies, transfer fee paid, sale agreement approved, Franchise Agreement approved, your debts to Aurelio's paid and your obligations under agreement fulfilled, training successfully completed, release signed by you and current agreement signed by new franchisee, new franchisee expressly assumes your obligations and new franchisee updates the restaurant as required
n. Aurelio's right of first refusal	Article XV, Paragraph 3	Aurelio's may meet any written offer you receive to purchase the Franchise Agreement, the business or any portion of the ownership of your franchise.
o. Aurelio's option to purchase your business	Article XIX	Upon termination, Aurelio's has the right to purchase or designate a third party that will purchase all or any portion of the assets of your Restaurant, including the land, building, equipment, fixtures, signs, furnishings, supplies, leasehold improvements, liquor license and inventory. Qualified appraiser(s) will determine price as set forth in the Franchise Agreement.

<u>Provision</u>	<u>Paragraph in Franchise Agreement</u>	<u>Summary</u>
p. Your death or disability	Article XV, Paragraph 6	Franchise may be assigned to your estate and to approved dealer, but must comply with normal conditions of assignment, franchise must be personally managed and manager must qualify.
q. Non-competition covenants during the term of franchise	Article XIV, Paragraph 4	No involvement in competing business at any location
r. Non competition covenants after the franchise is terminated or expires	Article XIV, Paragraph 5	No involvement in competing business for 2 years within 5 mile radius of your location (including after assignment)
s. Modification of the agreement	Article XXV, Paragraph 1 Article XX, Paragraphs 4, 6	No modifications other than by written agreement, but operating manual subject to change at Aurelio's sole discretion
t. Integration / Merger	Article XXV, Paragraph 1	Only the terms of the Franchise Agreement, and representation in the Franchise Disclosure Document, are binding (subject to federal law).
u. Dispute resolution by arbitration or mediation	Article XIV	You are required to mediate all disputes, except where Aurelio's is seeking to collect fees or is enforcing its intellectual property rights. If mediation is not successful then all disputes must be litigated in Court
v. Choice of forum	Article XXIII	Litigation will be in Cook County, Illinois
w. Choice of law	Article XXIII	Illinois law applies

Note 1: Aurelio's is not obligated by the Franchise Agreement to do so, but if your franchise is terminated or not renewed, Aurelio's may negotiate to purchase your equipment, inventory or real estate. This policy is subject to change at any time.

ITEM 18

PUBLIC FIGURES

Aurelio's does not use any public figure to promote its franchises.

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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Joseph M. Aurelio, 18162 South Harwood Avenue, Homewood, Illinois 60430; 708/798-8050, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

**Systemwide Outlet Summary
For Fiscal Year 2021-2022 to Fiscal Year 2023-2024**

Column 1	Column 2	Column 3	Column 4	Column 5
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change

Franchised	2021-2022	35	35	0
	2022-2023	35	34	-1
	2023-2024	34	32	-2
Company Owned	2021-2022	2	2	0
	2022-2023	2	2	0
	2023-2024	2	2	0
Total Outlets	2021-2022	37	37	0
	2022-2023	37	36	-1
	2023-2024	36	34	-2

Transfers of Outlets from Franchisees to new Owners (other than the Franchisor)

Column 1	Column 2	Column 3
State	Year	Number of Transfers
Illinois	2021-2022	0
	2022-2023	0
	2023-2024	2
Indiana	2021-2022	1
	2022-2023	0
	2023-2024	0
Minnesota	2021-2022	0
	2022-2023	0
	2023-2024	0
Florida	2021-2022	0
	2022-2023	0
	2023-2024	0
Nevada	2021-2022	0
	2022-2023	0
	2023-2024	0
Michigan	2021-2022	0
	2022-2023	0
	2023-2024	0
Georgia	2021-2022	0
	2022-2023	0
	2023-2024	0

Kentucky	2021-2022	0
	2022-2023	0
	2023-2024	0
Tennessee	2021-2022	0
	2022-2023	0
	2023-2024	0
Wisconsin	2021-2022	0
	2022-2023	0
	2023-2024	0
Totals	2021-2022	1
	2022-2023	0
	2023-2024	2

Status of Franchise Outlets
For Fiscal Year 2021-2022 to Fiscal Year 2023-2024

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termi- nations	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations Other Reasons	Col. 9 Outlets at End of the Year
Illinois	2021-2022	20	1	0	0	0	1	20
	2022-2023	20	0	0	0	0	0	20
	2023-2024	20	0	0	2	0	0	18
Indiana	2021-2022	12	0	0	0	0	0	12
	2022-2023	12	0	0	0	0	1	11
	2023-2024	12	0	0	0	0	0	11
Minnesota	2021-2022	1	0	0	0	0	0	1
	2022-2023	1	0	0	0	0	0	1
	2023-2024	1	0	0	0	0	0	1
Florida	2021-2022	1	0	0	0	0	0	1
	2022-2023	1	0	0	0	0	0	1
	2023-2024	1	0	0	0	0	0	1
Nevada	2021-2022	1	0	0	0	0	0	1
	2022-2023	1	0	0	0	0	0	1
	2023-2024	1	0	0	0	0	0	1
Michigan	2020-2021	0	0	0	0	0	0	0
	2021-2022	0	0	0	0	0	0	0
	2022-2023	0	0	0	0	0	0	0

Georgia	2020-2021	1	0	0	1	0	0	0
	2021-2022	0	0	0	0	0	0	0
	2022-2023	0	0	0	0	0	0	0
Kentucky	2020-2021	0	0	0	0	0	0	0
	2021-2022	0	0	0	0	0	0	0
	2022-2023	0	0	0	0	0	0	0
Tennessee	2020-2021	0	0	0	0	0	0	0
	2021-2022	0	0	0	0	0	0	0
	2022-2023	0	0	0	0	0	0	0
Wisconsin	2020-2021	0	0	0	0	0	0	0
	2021-2022	0	0	0	0	0	0	0
	2022-2023	0	0	0	0	0	0	0
Totals	2021-2022	35	1	0	0	0	1	35
	2022-2023	35	0	0	0	0	1	34
	2023-2024	34	0	2	0	0	0	32

**Status of Company-Owned Outlets
For Fiscal Year 2021-2022 - Fiscal Year 2023-2024**

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Illinois	2021-2022	2	0	0	0	0	2
	2022-2023	2	0	0	0	0	2
	2023-2024	2	0	0	0	0	2
Indiana	2021-2022	0	0	0	0	0	0
	2022-2023	0	0	0	0	0	0
	2023-2024	0	0	0	0	0	0
Minnesota	2021-2022	0	0	0	0	0	0
	2022-2023	0	0	0	0	0	0
	2023-2024	0	0	0	0	0	0
Florida	2021-2022	0	0	0	0	0	0
	2022-2023	0	0	0	0	0	0
	2023-2024	0	0	0	0	0	0

Nevada	2021-2022	0	0	0	0	0	0
	2022-2023	0	0	0	0	0	0
	2023-2024	0	0	0	0	0	0
Michigan	2021-2022	0	0	0	0	0	0
	2022-2023	0	0	0	0	0	0
	2023-2024	0	0	0	0	0	0

Georgia	2020-2021	0	0	0	0	0	0
	2021-2022	0	0	0	0	0	0
	2022-2023	0	0	0	0	0	0
Kentucky	2020-2021	0	0	0	0	0	0
	2021-2022	0	0	0	0	0	0
	2022-2023	0	0	0	0	0	0
Tennessee	2020-2021	0	0	0	0	0	0
	2021-2022	0	0	0	0	0	0
	2022-2023	0	0	0	0	0	0
Wisconsin	2020-2021	0	0	0	0	0	0
	2021-2022	0	0	0	0	0	0
	2022-2023	0	0	0	0	0	0
Totals	2021-2022	2	0	0	0	0	2
	2022-2023	2	0	0	0	0	2
	2023-2024	2	0	0	0	0	2

**Projected New Franchised Outlets
As of August 7, 2024**

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlet in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Current Fiscal Year
Illinois	0	1	0
Indiana	0	1	0
Minnesota	0	0	0
Florida	0	0	0

ITEM 23
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 Aurelio's offers you a franchise, it must provide this Disclosure Document to you fourteen (14) calendar-days before you sign a binding agreement with, or make a payment to, the Franchisor or an affiliate in connection with the proposed franchise sale.

If Aurelio's does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit "A."

The Franchisor is Aurelio's Is Pizza Franchise, Ltd., located at 18162 S. Harwood Avenue, Homewood, Illinois 60430. Its telephone number is 708/798-8050.

The Franchise Seller for this offering is _____, _____ Aurelio's Is Pizza Franchise, Ltd., 18162 S. Harwood Avenue, Homewood, Illinois 60430, 708/798-8050.

The issuance date of this Disclosure Document is August 7, 2024.

I received a Disclosure Document dated August 7, 2024 that included the following exhibits:

- Exhibit "A" List of State Franchise Law Administrators
- Exhibit "B" State Effective Dates
- Exhibit "C" List of Aurelio's Franchisees
- Exhibit "D" List of Franchisee's Ceasing Business
- Exhibit "E" Financial Statements
- Exhibit "F" Franchise Agreement and Exhibits A, B, C and D
- Exhibit "G" Shareholders Personal Guaranty of Corporate Franchisee Liability
- Exhibit "H" Commissary Agreement

Date

Franchisee Signature

Print Name: _____

Please return this signed Receipt to Aurelio's by signing, dating and mailing it to Aurelio's Is Pizza Franchise, Ltd. at 18162 S. Harwood Avenue, Homewood, Illinois 60430 or by faxing a copy of the signed and dated receipt to Aurelio's at 708-798-6692.

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- Exhibit "F" Franchise Agreement and Exhibits A, B, C and D
- Exhibit "G" Shareholders Personal Guaranty
of Corporate Franchisee Liability
- Exhibit "H" Commissary Agreement

Date

Franchisee Signature

Print Name: _____

Please return this signed Receipt to Aurelio's by signing, dating and mailing it to Aurelio's Is Pizza Franchise, Ltd. at 18162 S. Harwood Avenue, Homewood, Illinois 60430 or by faxing a copy of the signed and dated receipt to Aurelio's at 708-798-6692.

EXHIBIT "A"

List of State Franchise Law Administrators

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

Indiana Secretary of State's Office
Securities Division
302 West Washington Street
Room E111
Indianapolis, Indiana 46204

Michigan Department of Attorney General
G. Mennen Williams Building
Seventh Floor, 525 West Ottawa Street
P.O. Box 30212
Lansing, Michigan 48909

Wisconsin Division of Financial Institutions
4288 Madison Yards Way
North Tower
Madison, Wisconsin 53705

EXHIBIT "B"

STATE EFFECTIVE DATES

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

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

State	Effective Date
Illinois	November 30, 2023
Indiana	July 20, 2024
Michigan	August 8, 2024
Wisconsin	August 7, 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.

OPERATIONAL FRANCHISEES OF
AURELIO'S IS PIZZA FRANCHISE, LTD.

<u>FLORIDA:</u>	
<u>Naples, FL 34102</u> PIZZA ET AL, LLC (Linda Barnard) 2048 Tamiami Trail N 239/403-8882	
<u>ILLINOIS:</u>	
<u>Addison, IL 60101</u> THAT ITALIAN PLACE, INC. (Vito & Sharon Balice) 1455 West Lake Street 630/889-9560	<u>Bourbonnais, IL 60914</u> M. MILLS ENTERPRISES, INC. (Michael & Amy Mills) 1600 North Convent 815/935-1212
<u>Chicago Heights, IL 60411</u> T.P.A., INC. (Peter Pascale) 1545 S. Western Avenue 708/481-5040	<u>Crete, IL 60417</u> PASCALE'S, INC. (Luke Pascale) 1372 Main Street 708/672-4000
<u>Downers Grove, IL 60515</u> AURELIO'S OF DOWNERS GROVE, INC. (Greg Doody) 940 Warren Avenue 630/810-0078	<u>Frankfort, IL 60423</u> P.F.C. OF ILLINOIS, INC. (Joe Pascale) 9901 W. Lincoln Hwy. 815/469-2196
<u>Geneva, IL 60134</u> SERRA AND ASSOCIATES (Kevin D. Serra) 330 West State Street 630/262-8440	<u>Joliet, IL 60435</u> WVP JOLIET, LLC (Luke Pascale) 3101 West Jefferson 815/741-1400
<u>LaGrange, IL 60525</u> PIZZA ET AL, LLC (Linda Barnard) 11 Calendar Court 708/579-0900	<u>Mokena, IL 60448</u> JAY K, INC. (Jay Kaplan) 19836 Wolf Road 708/478-0022
<u>Morris, IL 60451</u> GOYCO, INC. (Gilberto Goyco) 1505 Creek Drive 815/941-9878	

<p><u>New Lenox, IL 60451</u> L.L.L.&P., INC. (Joe Pascale) 320 W. Maple 815/485-8100</p>	<p><u>Palos Heights, IL 60463</u> AURELIO'S PIZZA OF PALOS HEIGHTS, LLC (John McGonigal) 6543 W. 127th Street 708/389-5170</p>
<p><u>Plainfield, IL 60544</u> P.F.C. OF PLAINFIELD, INC. (Michael J. Pascale) 14421 Wallin Drive 815/254-3500</p>	<p><u>South Holland, IL 60473</u> SOUTH HOLLAND PIZZA, INC. (Tom and Joe Mondello) 601 E. 170th Street 708/333-0310</p>
<p><u>Tinley Park, IL 60477</u> GHG, INC. (Leandro Pinheiro Bastas) 15901 S. Oak Park Avenue 708/429-4600</p>	<p><u>Villa Park, IL 60681</u> AURELIO'S OF OAKBROOK, INC. (Celeste Mattern-Wagner) 100 E. Roosevelt Road 630/758-0100</p>
<p><u>Winfield, IL 60189</u> Diamond Royale Partners, Inc. (Thomas J. Casaccio) 27 W. 101 Geneva Road 630/517-8688</p>	
<p>INDIANA:</p>	
<p><u>Cedar Lake, IN 46303</u> AURELIO'S OF CEDAR LAKE, INC. (Luke & Paula Pascale) 12939 Wicker Avenue 219/401-8188</p>	<p><u>Crown Point, IN 46307</u> AURELIO'S PIZZA OF CROWN POINT, INC. (Stacey Mathews) 1900 N. Main Street 219/662-9900</p>
<p><u>Griffith IN 46319</u> PASCALE'S OF INDIANA, INC. (Luke & Paula Pascale) 112 E. Ridge Road 219/838-3700</p>	<p><u>Hammond, IN 46327</u> R.&D. #2, INC. (Nick Ruggeri) 4226 Calumet Avenue 219/932-1470</p>
<p><u>LaPorte, IN 46350</u> CHAR-DAVE, INC. (Charles Libich) 2330 N. U.S. #35 219/324-9950</p>	<p><u>Lowell, IN 46356</u> AURELIO'S OF LOWELL, INC. (Jeffrey & Penny Holme) 166 Deanna Drive 219/696-1711</p>
<p><u>Munster, IN 46321</u> R.&D. #1, INC. (Nick Ruggeri) 416 Ridge Road 219/836-2336</p>	<p><u>Portage, IN 46368</u> MCCULLOUGH HOLDINGS, LLC (Joe McCullough) 6500 U.S. Rt. 6 219/763-7788</p>

<p><u>Schererville, IN 46375</u> MPS, INC. (Mike Stevens) 1412 Lincoln Highway 219/322-2590</p>	<p><u>Valparaso, IN 46383</u> JBS ENTERPRISES, LLC (Henry Spillers) 265 Morthland 219/462-9700</p>
<p><u>Winfield, IN 46307</u> AURELIO'S PIZZA OF CROWN POINT, INC. (Stacey Mathews) 10762 Randolph Street 219/661-2900</p>	
<p>MINNESOTA:</p>	
<p><u>Ramsey, MN 55303</u> PLEASANT VALLEY SUNRISE GROUP, LLC (Randall Stawski) 6415 US-10, #120 651/636-1730</p>	
<p>NEVADA:</p>	
<p><u>North Las Vegas, NV 89032</u> THE COOL GUY, LLC (Jorge E. Gonzalez-Silva) 445 Craig Road, #105 702/399-3131</p>	

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**LIST OF FRANCHISEES CEASING BUSINESS
AURELIO'S IS PIZZA FRANCHISE, LTD.
FOR THE ONE YEAR PERIOD ENDING AUGUST 8, 2024**

Franchisee	Reason for Ceasing Business
Aurelio's Springbrook Square, LLC 1975 Springbrook Square Naperville, IL 60564 Celeste Mattern-Wagner 630/922-3600	Closed Business
DCAIRISH, LLC 6430 Main Street, Suite 130 Woodridge, IL 60517 Anne Mikulich 630/968-0077	Closed Business

EXHIBIT "D"

EXHIBIT "E"

TO WISCONSIN FRANCHISE DISCLOSURE DOCUMENT FOR

AURELIO'S IS PIZZA FRANCHISE, LTD.

Aurelio's Is Pizza Franchise, Ltd.
Consolidated Financial Statements
For the Nine Months Ending
April 30, 2024

Table of Contents

Accountants' report	2
Consolidated Balance Sheet	3-4
Consolidated Statement of Income For Nine Months Ended April 30, 2024	5
Consolidated Statement of Shareholders' Equity	6

Adducci Vega Financial Group, LLC
7808 W College Dr Ste 3W
Palos Heights, IL 60463-1077
708-594-3838

To Management:

Aurelio's Is Pizza Franchise, Ltd.
Homewood, IL

Management is responsible for the accompanying consolidated financial statements of Aurelio's Is Pizza Franchise, Ltd. (an operating unit of an S corporation), which comprise the consolidated balance sheet as of April 30, 2024, and the related consolidated statements of Income and shareholders' equity for the nine months then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit substantially all disclosures ordinarily included in financial statements prepared in accordance with the tax basis of accounting. If the omitted disclosures were included in the consolidated financial statements, they might influence the user's conclusions about the Company's financial position, results of operations and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Adducci Vega Financial Group, LLC
Palos Heights, IL

July 17, 2024

Aurelio's Is Pizza Franchise, Ltd.
Consolidated Balance Sheet
As of April 30, 2024

Assets

Current Assets	
Cash	\$ 309,501.84
Accounts Receivable	10,170.59
Franchise fees receivable	40,331.00
Advance to Affiliate	3,563.00
Employee Advance	2,138.12
Prepaid Expense	23,686.16
Inventory	24,309.17
Equipment Inventory	<u>99,893.10</u>
Total Current Assets	<u>513,592.98</u>
Property and Equipment	
Office Equipment	103,838.49
Communication Equipment	7,754.16
Furniture & Fixtures	443,973.46
Restaurant Equipment	1,407,213.57
Advertising Fixtures	1,700.00
Vehicles	295,389.54
Land Improvements	411,015.06
Leasehold Improvements	1,509,692.06
Accum Depr-Off Equip	(33,862.66)
Accum Depr-Comm Equip	(7,225.56)
Accum Depr-Furn & Fixt	(394,554.77)
Accum Depr-Rest Equip	(1,307,819.19)
Accum Depr-Adv Fixt	(1,700.00)
Accum Depr-Vehicles	(241,711.39)
Accum Depr-Land Improve	(365,858.35)
Accum Depr-Improvements	<u>(1,344,387.12)</u>
Net Property and Equipment	<u>483,457.30</u>
Non Current Assets	
Security Deposits	220.00
Goodwill	15,800.00
Deferred Tax Asset	33,125.83
Lease Acquisition Costs	96,573.15
Accum Amort-Lease Acquisition Costs	(88,461.30)
Licensing Fees	<u>36,571.00</u>
Total Non Current Assets	<u>93,828.68</u>
Total Assets	<u>\$ 1,090,878.96</u>

Aurelio's Is Pizza Franchise, Ltd.
Consolidated Balance Sheet
As of April 30, 2024

Liabilities and Shareholders' Deficit

Current Liabilities	
Current portion L-T debt	\$ 260,185.96
Accounts Payable	67,192.11
Sales Tax Payable	15,959.00
Deferred Revenue	16,666.67
Accrued Wages	33,297.56
Accrued Rent	32,950.31
Accrued Interest	3,854.77
Payroll Taxes Payable	1,552.75
Due to Affiliate	<u>748,780.83</u>
Total Current Liabilities	\$ 1,180,439.96
Long-Term Liabilities	
Due to Affiliate	1,320,539.22
Affiliate Trade A/P	1,981,247.50
Due to Aurelio's Is Pizza Franchise	210,000.00
Note Payable-Vehicle	40,807.53
Note Payable-ONB	1,098,451.24
Due to Shareholder	746,021.92
Less current portion	<u>(260,185.96)</u>
Total Long-Term Liabilities	5,136,881.45
Total Liabilities	<u>6,317,321.41</u>
Shareholders' Equity	
Aurelio's Is Pizza Franchise, Ltd. Share of Deficit	
Capital Stock	1,000.00
Retained Earnings	(924,845.63)
Net Income (Loss)	(435,209.66)
Treasury Stock	<u>(343,182.67)</u>
Total Aurelio's Is Pizza Franchise, Ltd. Share of Deficit	<u>(1,702,237.96)</u>
Noncontrolling Interest	
Noncontrolling Interest	<u>(3,524,204.49)</u>
Total Noncontrolling Interest	<u>(3,524,204.49)</u>
Total Shareholders' Deficit	<u>(5,226,442.45)</u>
Total Liabilities and Shareholders' Deficit	\$ <u>1,090,878.96</u>

Aurelio's Is Pizza Franchise, Ltd.
Consolidated Statement of Income
For the Period Ended April 30, 2024

9 Months Ended
April 30, 2024

Revenue	
Franchise Operations	1,168,956.87
Restaurant Operations	1,659,667.30
Transfer Fees	40,000.00
Distribution Rights Fees	50,000.00
Equipment Sales	1,875.28
Commissions	11,938.65
	<u>2,932,438.10</u>
Total Sales	<u>2,932,438.10</u>
Gross Profit	<u>2,932,438.10</u>
Operating Expenses	
Cost of Food & Beverages	569,256.38
Restaurant Supplies	136,705.41
Salaries	1,697,233.59
Administrative Expenses	112,816.15
Advertising & Promotion	68,873.58
Amortization	9,791.88
Depreciation	302,661.16
Insurance	66,860.38
Office expense	45,392.31
Payroll taxes	142,051.57
Professional fees	94,852.69
Rent	268,781.50
Repairs and maintenance	47,129.02
Telephone	35,868.75
Travel	64,618.52
Utilities	101,493.40
	<u>3,764,386.29</u>
Total Operating Expenses	<u>3,764,386.29</u>
Gross Margin	<u>(831,948.19)</u>
Operating Income	<u>(831,948.19)</u>
Other Income (Expenses)	
Rental Income	27,000.00
Investment Income	37.79
Interest expense	(45,886.00)
Settlement	(35,000.00)
	<u>(53,848.21)</u>
Total Other Income (Expenses)	<u>(53,848.21)</u>
Net Income (Loss) Before Taxes	<u>(885,796.40)</u>
Income taxes-deferred	6,303.48
Loss Attributable to Noncontrolling Interest	444,283.26
	<u>450,586.74</u>
Net Income (Loss)	<u>\$ (435,209.66)</u>

Aurelio's Is Pizza Franchise Ltd.
Consolidated Statement of Shareholders' Equity
For the Nine Months Ended April 30, 2024

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	<u>Noncontrolling Interest</u>	<u>Total</u>
Balance as of July 31, 2023	\$ 1,000.00	\$ (924,845.63)	\$ (343,182.67)	\$ (3,079,921.23)	\$ (4,346,949.53)
Net Income(Loss)		(435,209.66)		(444,283.26)	(879,492.92)
Distributions to shareholders					
Balance as of April 30, 2023	<u>\$ 1,000.00</u>	<u>\$ (1,360,055.29)</u>	<u>\$ (343,182.67)</u>	<u>\$ (3,524,204.49)</u>	<u>\$ (5,226,442.45)</u>

AURELIO'S IS PIZZA FRANCHISE, LTD.

Audited Consolidated Financial Statements

**For Periods Ended
July 31, 2023, 2022, and 2021**

Aurelio's Is Pizza Franchise, LTD.

TABLE OF CONTENTS

FINANCIAL SECTION:	<u>PAGE</u>
Independent Auditor's Report.....	1-2
Consolidated Financial Statements	
Balance Sheets	3-4
Statements of Income	5
Statements of Stockholders' Equity (Deficit).....	6
Statements of Cash Flows.....	7
Reconciliation of Net Income to Net Cash Provided by Operating Activities.....	8
Notes to the Financial Statements.....	9-21



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Aurelio's Is Pizza Franchise, Ltd.
Homewood, Illinois

Opinion

We have audited the accompanying consolidated financial statements of Aurelio's Is Pizza Franchise, Ltd. (an Illinois Corporation) which comprise the balance sheets as of July 31, 2023, 2022, and 2021, and the related consolidated statements of income, retained earnings, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aurelio's Is Pizza Franchise, Ltd. As of July 31, 2023, 2022, and 2021, and the results of its consolidated operations and 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Aurelio's Is Pizza Franchise, Ltd., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accrual basis of accounting as described in the footnotes; this includes determining the accrual basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

Adducci Vega Financial Group LLC

Palos Heights, Illinois

November 14, 2023

FINANCIAL STATEMENTS

AURELIO'S IS PIZZA FRANCHISE, LTD

Consolidated Balance Sheets as of July 31

ASSETS

	<u>2023</u>	<u>2022</u>	<u>2021</u>
CURRENT ASSETS			
Cash	\$ 398,508	\$ 650,474	\$ 858,139
Trade Accounts Receivable	70,172	63,375	48,044
Current Portion of Note Receivable	-	-	11,190
Receivables from Officers, Employees, and Affiliates	5,632	5,292	32,964
Prepaid Expense	27,672	26,747	51,740
Employee Retention Credit Receivable	-	106,436	610,841
Inventory	<u>126,811</u>	<u>120,790</u>	<u>129,028</u>
TOTAL CURRENT ASSETS	628,695	982,114	1,741,936
PROPERTY AND EQUIPMENT , at cost, less accumulated depreciation of \$3,394,458 - 2023 \$2,983,899 - 2022 and \$2,594,180 - 2021	786,118	1,186,110	1,550,319
OTHER ASSETS			
Note Receivable less current portion	-	-	-
Goodwill	15,800	15,800	15,800
Intangible Assets, net of accumulated amortization	54,475	64,267	74,058
Deferred Tax Asset	26,822	16,622	13,484
Other	<u>220</u>	<u>220</u>	<u>220</u>
TOTAL ASSETS	<u>\$ 1,512,030</u>	<u>\$ 2,244,133</u>	<u>\$ 3,395,617</u>

See Notes to Financial Statements
See Independent Auditor's Report

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES			
Current Maturities of Long Term Debt	\$ 252,149	\$ 259,045	\$ 2,187,302
Trade Accounts Payable	70,833	89,823	75,475
Accrued Expenses	135,885	149,297	203,035
Accrued Income Tax	-	-	944
Due to Affiliate	680,878	606,406	490,619
Deferred Revenue	4,167	4,167	4,167
TOTAL CURRENT LIABILITIES	1,143,912	1,108,738	2,961,542
LONG-TERM LIABILITIES			
Long-term Debt Less Current Maturities and unamortized loan fees of \$0 - 2023, \$0 - 2022, and \$1,198 -2021	1,074,301	1,326,452	583,805
Advance from Affiliate	1,800,956	1,373,012	998,312
Affiliate Trade Accounts Payable	1,839,811	1,646,183	1,463,179
TOTAL LONG TERM LIABILITIES	4,715,068	4,345,647	3,045,296
TOTAL LIABILITIES	5,858,980	5,454,386	6,006,838
COMMITMENTS			
STOCKHOLDERS' EQUITY (DEFICIT)			
Common Stock, no par value, 1,000 shares authorized, 664 shares outstanding	1,000	1,000	1,000
Retained Earnings	(824,845)	(326,749)	(105,014)
Treasury Stock (338 Shares at Cost)	(343,183)	(343,183)	(343,183)
Noncontrolling Interests	(3,079,921)	(2,541,321)	(2,163,824)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(4,346,951)	(3,210,252)	(2,611,021)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 1,512,030	\$ 2,244,133	\$ 3,395,817

See Notes to Financial Statements
See Independent Auditor's Report

AURELIO'S IS PIZZA FRANCHISE, LTD

Consolidated Statements of Income

For the Years Ended

July 31

	2023	2022	2021
REVENUES			
Franchise Operations	\$ 1,581,180	\$ 1,548,422	\$ 1,466,203
Restaurant Operations	2,315,873	2,207,522	2,025,152
TOTAL REVENUES	3,897,063	3,755,944	3,491,355
OPERATING EXPENSES			
Restaurant Cost of Sales	961,386	969,042	767,569
Administrative	159,119	142,261	121,147
Advertising and Promotion	114,203	100,991	73,147
Amortization	9,792	9,792	9,792
Depreciation	410,559	408,738	407,371
Professional Fees	110,701	125,281	124,465
Rent	343,699	346,587	344,003
Salaries	2,284,777	2,293,792	2,073,826
Payroll Taxes	184,249	170,926	146,452
Travel	82,670	82,061	86,194
Other Expenses	350,912	370,164	327,929
TOTAL OPERATING EXPENSES	5,012,067	5,018,635	4,480,895
OPERATING INCOME (LOSS)	(1,115,004)	(1,262,691)	(989,540)
OTHER INCOME AND EXPENSES			
Investment Income	5,523	16,434	979
Interest Expense	(74,416)	(147,648)	(77,475)
Gain on Asset Disposal	-	1,959	-
Restaurant Revitalization Fund	-	-	502,230
Loan Forgiveness	-	753,931	75,043
Employee Retention Credit	-	-	610,841
Rental Income	36,000	36,000	45,000
NET INCOME (LOSS) BEFORE INCOME TAXES	(1,147,897)	(602,014)	167,078
INCOME TAXES			
Current	-	(644)	944
Deferred	(11,200)	(2,136)	(4,669)
NET INCOME (LOSS)	(1,138,697)	(599,231)	170,803
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	538,601	377,497	109,493
NET LOSS ATTRIBUTABLE TO AURELIO'S IS PIZZA FRANCHISE, LTD.	\$ (598,096)	\$ (221,735)	\$ 280,296

See Notes to Financial Statements

See Independent Auditor's Report

AURELIO'S IS PIZZA FRANCHISE, LTD

Consolidated Statements of Stockholders' Equity (Deficit)

For the Years Ended July 31, 2023, 2022, and 2021

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	<u>Noncontrolling Interest</u>	<u>Total</u>
Balance July 31, 2020	\$ 1,000	\$ (365,310)	\$ (343,183)	\$ (2,054,331)	\$ (2,781,824)
Net Income (Loss)	-	280,296	-	(109,493)	170,803
Balance July 31, 2021	1,000	(105,014)	(343,183)	(2,163,824)	(2,611,021)
Net (Loss)	-	(221,735)	-	(377,497)	(599,232)
Balance July 31, 2022	1,000	(326,749)	(343,183)	(2,641,321)	(3,210,253)
Net (Loss)	-	(598,098)	-	(538,601)	(1,136,897)
Balance July 31, 2023	<u>\$ 1,000</u>	<u>\$ (924,845)</u>	<u>\$ (343,183)</u>	<u>\$ (3,079,921)</u>	<u>\$ (4,346,951)</u>

See Notes to Financial Statements

See Independent Auditor's Report

AURELIO'S IS PIZZA FRANCHISE, LTD

Consolidated Statements of Cash Flows

For the Years Ended July 31

	<u>2023</u>	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Franchisees and Customers	\$ 3,916,286	\$ 4,195,350	\$ 3,534,670
Cash Paid to Suppliers and Employees	(4,436,707)	(4,821,921)	(3,867,431)
Investment Income Received	5,523	16,434	979
Employee Retention Credit Received	105,436	505,405	-
Restaurant Revitalization Funds Received	-	-	502,230
Interest Paid	(75,048)	(157,598)	(102,646)
Income Taxes Paid	-	(300)	-
NET CASH PROVIDED BY (USED IN) OPERATIONS	<u>(484,530)</u>	<u>(262,530)</u>	<u>67,802</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances from (to) Officers, Employees and Affiliates-Net	74,232	143,450	82,276
Proceeds from Sale of Fixed Asset	-	40,000	-
Additions to Property and Equipment	(10,667)	(82,571)	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>63,665</u>	<u>100,879</u>	<u>82,276</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Long-Term Debt	-	78,700	350,725
Repayment of Long-Term Debt	(259,045)	(510,604)	(193,012)
Advances from Affiliates-Net	427,944	374,700	34,302
Collections on Note Receivable	-	11,190	16,559
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>168,899</u>	<u>(46,014)</u>	<u>208,574</u>
NET INCREASE (DECREASE) IN CASH	<u>(251,966)</u>	<u>(207,665)</u>	<u>358,652</u>
CASH ON HAND AUGUST 1	<u>650,474</u>	<u>858,139</u>	<u>499,487</u>
CASH ON HAND JULY 31	<u>\$ 398,508</u>	<u>\$ 650,474</u>	<u>\$ 858,139</u>

See Notes to Financial Statements
See Independent Auditor's Report

AURELIO'S IS PIZZA FRANCHISE, LTD

Consolidated Reconciliation of Net Income to
Net Cash Provided by Operating Activities

For the Years Ended July 31

	2023	2022	2021
NET INCOME	\$ (1,136,697)	\$ (599,231)	\$ 170,803
Adjustments to reconcile Net Income to Net Cash provided by Operations:			
Depreciation Expense	410,559	408,738	407,371
Amortization Expense	9,792	9,792	9,792
Amortization of Loan Fees	-	1,198	3,596
Gain (Loss) on Sale of Equipment	-	(1,959)	-
Gain on Loan Forgiveness	-	(754,904)	(74,070)
Deferred Income Taxes	(11,200)	(2,138)	(4,669)
Decrease (Increase)			
Accounts Receivable	(16,797)	(5,331)	(1,685)
Employee Retention Credit Receivable	105,436	505,405	(610,841)
Inventory	(6,021)	8,238	(751)
Prepaid Expenses	(828)	24,993	10,047
Increase (Decrease)			
Accounts Payable	174,638	197,352	178,268
Accrued Expenses	(13,412)	(53,739)	(21,003)
Income Tax Payable	-	(944)	944
Total Adjustments	652,167	336,701	(103,001)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (484,530)	\$ (262,530)	\$ 67,802
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION			
Interest Paid	(75,048)	(157,598)	(102,646)

See Notes to Financial Statements
See Independent Auditor's Report

Notes to the Financial Statements

AURELIO'S IS PIZZA FRANCHISE, LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended
July 31, 2023, 2022 and 2021

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements include the accounts of Aurelio's Is Pizza Franchise, Ltd. and its wholly owned limited liability companies (LLCs) and controlled subsidiary that is not wholly owned, non-controlling interests are included in net income and total equity, in accordance with accounting principles generally accepted in the United States of America. All material intercompany accounts and transactions with the Company's wholly owned LLCs and controlled subsidiary have been eliminated.

Business Activities

Franchising

The Company franchises dine-in and carryout pizzerias in Florida, Georgia, Illinois, Indiana, Minnesota, and Nevada. Franchisees are provided with management, marketing, and technical support needed to start and operate restaurants under the Aurelio's trademark.

Restaurants

The Company operates a limited service "Aurelio's" pizzeria in Richton Park, Illinois, through a wholly owned limited liability company. The restaurant was a previously franchised location. The company operates a full service Aurelio's pizzeria in Downtown Chicago, Illinois, through its controlled subsidiary. The Downtown Chicago location commenced operation on June 22, 2015.

Cash

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

Initial Fee Escrow

The Initial Fee Escrow balance represents the balance of initial franchise fees required to be held in an escrow account by the Illinois Attorney General's Office. See Note 9 - Regulatory Matter.

Accounts Receivable

Accounts Receivable - Trade, have been adjusted for all known uncollectible accounts. An additional allowance for doubtful accounts has not been provided, as the amount is not considered material.

Inventory

The Company purchases specialized equipment for resale to its franchisees at cost. The equipment inventory is carried at cost in the consolidated financial statements.

The Company's policy is to expense food and other cost of goods sold items as incurred at its limited service restaurants. The amounts expensed and on hand at July 31st, 2023, 2022, and 2021 at the limited service restaurants are not material to the consolidated financial statements.

The Company's policy is to carry inventory of food and beverage products and restaurant supplies on hand at its full service restaurant at cost in the consolidated financial statements.

AURELIO'S IS PIZZA FRANCHISE, LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended
July 31, 2023, 2022 and 2021

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Equipment and Depreciation

Property and equipment is stated at cost. Expenditures under \$1,000 are expensed when incurred. Major expenditures for property and those, which substantially increase useful lives, are capitalized.

Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains and losses are included in income.

Depreciation is computed over the assets useful lives ranging from 5 to 40 years using the straight line method.

Goodwill

Goodwill resulting from the acquisition of franchises is not subject to amortization. The Company tests goodwill for impairment on an annual basis.

Intangible Assets

Intangible assets include licenses and lease acquisition costs. Lease acquisition costs are amortized over the noncancelable term of the related lease using the straight line method. License is the cost of the initial issuance of the Company's liquor license for its full service restaurant. It has an indefinite life and is carried at cost. If events or circumstances change that would indicate the carrying amount of the license is impaired an impairment loss would be recognized. Annual costs in connection with maintaining the liquor license are expensed as incurred.

Loan Fees

Costs incurred in connection with debt financing are reported as a direct reduction of the face amount of notes payable. These costs are amortized over the loan term using the straight line method and reported as interest expense.

Noncontrolling Interests

Ownership interests held by others in consolidated controlled subsidiaries are presented separately in the Stockholders Equity section of the consolidated balance sheets. The amount of net income or loss attributable to non-controlling interests is presented in the consolidated income statement.

See Independent Auditor's Report

AURELIO'S IS PIZZA FRANCHISE, LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended
July 31, 2023, 2022 and 2021

Revenue Recognition

Franchise Fees

Initial fees are generally payable on signing of the franchise agreement. Initial franchise fees are recorded as income on the date a pizzeria is opened by the franchisee.

Continuing fees are generally payable weekly by the franchisee. Continuing fees from franchisees are accrued as earned. When the realization of continuing fees is not reasonably assured, fees are recognized using the installment method. Under the installment method, fees are recorded when received.

Restaurant Sales

Retail sales of the Company's restaurants are recorded at the point of sale. The Company excludes all taxes assessed by a government authority directly imposed on revenue producing transactions between a seller and a customer (i.e. sales taxes) from revenues.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs

The Company expenses all advertising costs as they are incurred.

See Independent Auditor's Report

AURELIO'S IS PIZZA FRANCHISE, LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended
July 31, 2023, 2022 and 2021

Note 2. PROPERTY AND EQUIPMENT

Major classes of property and equipment as of July 31 consist of the following:

	Estimated Useful Life- Years	2023	2022	2021
Transportation Equipment	5 to 10	\$ 295,390	\$ 295,390	\$ 277,471
Communication Equipment	5	7,754	7,754	7,755
Data Processing Equipment	5	103,838	94,882	95,788
Furniture and Fixtures	5 to 10	443,973	443,973	443,973
Equipment	10	1,407,214	1,405,603	1,397,104
Advertising Fixtures	5	1,700	1,700	1,700
Leasehold Improvements	10	1,509,692	1,509,692	1,509,693
Land Improvements	10	411,015	411,015	411,015
		<u>4,180,576</u>	<u>4,170,009</u>	<u>4,144,499</u>
Less Accumulated Depreciation		<u>(3,394,458)</u>	<u>(2,983,899)</u>	<u>(2,594,180)</u>
Total Equipment Net		<u>\$ 786,118</u>	<u>\$ 1,186,110</u>	<u>\$ 1,550,319</u>

Note 3. OTHER ASSETS

Other Assets as of July 31 consist of the following:

	2023	2022	2021
Intangible Assets			
Lease Acquisition Costs - Net of Amortization	\$ 17,904	\$ 27,698	\$ 37,487
License	36,571	36,571	36,571
Total	<u>\$ 54,475</u>	<u>\$ 64,267</u>	<u>\$ 74,058</u>

Note 4. NOTE PAYABLE

The Note Payable bears interest at prime plus 2%. It matured on August 5, 2017 and was converted to a term loan. The loan agreement, security interests, collateral and guarantees are the same as those indicated for the note payable to bank described in Note 5.

AURELIO'S IS PIZZA FRANCHISE, LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended
July 31, 2023, 2022 and 2021

Note 5. LONG TERM DEBT

Balances as of July 31 consist of the following:

	2023	2022	2021
A 3.06% note payable to bank due in monthly installments of \$1,418 including interest with a final payment due November 02, 2026. The loan is secured by transportation equipment.	\$ 52,642	\$ 67,678	\$ -
A 3.66% note payable to bank due in monthly installments of \$1,296 including interest with a final payment due June 29, 2022. The loan is secured by transportation equipment.	-	-	46,132
A 5.51% note payable to bank due in monthly installments of \$5,068 including interest with a final payment due October 5, 2022. Related parties are coborrowers on the note. The loan is guaranteed by the President of the company. The Loan is secured by a blanket assignment of all assets of the company and its consolidated subsidiaries. The loan requires the company and its related parties to maintain certain fixed charge coverage ratios. As of July 31, 2019, the company and its related parties are in compliance with this requirement. See note 7 for additional information regarding related parties.	-	-	85,756
A 5.00% note payable to bank due in monthly installments of \$24,574 including interest with a final payment due June 5, 2028. The loan is guaranteed by related parties and the President of the Company. The loan is secured by a blanket assignment of all assets of the Company and its consolidated subsidiaries. Pursuant to the loan agreement, no distributions are allowed except to cover personal tax liability of shareholders related to underlying businesses. Related parties have also pledged additional collateral for the loan. See note 7 for additional information regarding related parties.	1,273,808	1,497,729	-
A 5.95% note payable to bank due in monthly installments of \$38,145 including interest with a final payment due December 5, 2021. The loan is guaranteed by related parties and the President of the Company. The Loan is secured by a blanket assignment of all assets of the Company and its consolidated subsidiaries. Pursuant to the loan agreement the Company cannot pay dividends in excess of amounts necessary to allow its shareholders to pay Federal and State income taxes arising from their status as S-Corporation shareholders of the Company. Related parties have also pledged additional collateral for the loan. See note 7 for additional information regarding related parties. Balances as of July 31 are net of unamortized loan fees of \$0 - 2022, \$1,198 - 2021 \$4,794 - 2020.	-	-	1,840,428
A 1.49% note payable to bank due in monthly installments of \$2,025 including interest with a final payment due May 13, 2023. The loan is secured by transportation equipment.	-	20,090	43,886
A 1% note payable to bank under the Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES" Act) payable monthly beginning August 14, 2021. This note was forgiven on August 6 2021.	-	-	153,663
A 1% note payable to bank under the PPP, established as part of the "CARES" Act payable monthly beginning August 13, 2021. This note was forgiven on August 6, 2021.	-	-	250,517
A 1% note payable to bank under the PPP, established as part of the "CARES" Act payable monthly beginning May 1, 2022. This note was forgiven on June 3, 2022.	-	-	350,725
	1,326,450	1,585,497	2,771,107
Total	1,326,450	1,585,497	2,771,107
Less Current Portion	(252,149)	(259,045)	(2,187,302)
Long-Term Debt	\$1,074,301	\$1,326,452	\$ 583,805

See Independent Auditor's Report

AURELIO'S PIZZA FRANCHISE, LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended
July 31, 2023, 2022 and 2021

Note 5. LONG TERM DEBT (continued)

Maturities of long-term debt for the years ending July 31, as follows:

	2024	\$	252,149
	2025		264,750
	2026		277,969
	2027		279,207
	2028		252,375
	Thereafter		-
			<u>1,326,450</u>
Less unamortized loan fees			-
		\$	<u>1,326,450</u>

Note 6. SBA Paycheck Protection Program

The Payroll Protection Program ("PPP"), established as part of the CARES Act, provided loans to qualifying business for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan, which was in the form of a Note, bears interest at a rate of 1.00% per annum, payable monthly beginning 7 months from the month the note was dated. The Note may be prepaid 20% or less at any time prior to maturity with no prepayment penalties. Funds from the loan and accrued interest may be forgiven as long as the funds are used for eligible purposes, including payroll, benefits, rent and utilities. For fiscal year 2022, all PPP loans were forgiven.

Note 6. REVENUES FROM FRANCHISE OPERATIONS

Franchise operation revenues for the years ended July 31st consist of:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Continuing Franchise Fees	\$ 1,516,828	\$ 1,492,268	\$ 1,394,368
Transfer Fees	-	-	20,000
Equipment Sales	764	2,041	1,442
Commissions	13,598	4,113	393
Distribution Rights Fees	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Total	<u>\$ 1,581,190</u>	<u>\$ 1,548,422</u>	<u>\$ 1,466,203</u>

AURELIO'S IS PIZZA FRANCHISE, LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended
July 31, 2023, 2022 and 2021

Note 6. REVENUES FROM FRANCHISE OPERATIONS (continued)

For Franchises in operation on July 31st, revenues earned but not recorded in the financial statements as a result of the installment method of reporting revenues as of and for the years ended July 31st are summarized below:

	2023	2022	2021
Current	\$ 12,700	\$ 4,600	\$ 1,700
Cumulative	\$ 189,200	\$ 181,100	\$ 178,200

During the years ended July 31, 2023, 2022, and 2021 amounts collected and recognized as franchise fee revenues from franchise revenues accounted for on the installment method were \$4,582, \$1,685, and \$2,256 respectively.

The number of franchises in operation for the years ended July 31st are summarized below:

	2023	2022	2021
Franchises at beginning of year	35	35	36
Franchises closed during the year	(1)	-	(1)
Franchises at end of year	34	35	35
Company owned restaurants at end of year	2	2	2

Note 7. RELATED PARTY TRANSACTIONS

The Company's shareholders and officers own Aurelio's Pizza, Inc. (API) and Aurelio's Quality Products, LLC (AQP). During the years ended July 31, 2023, 2022, and 2021, the Company entered into various transactions with these related parties.

AQP is the principal supplier of cheese and meats to the Company's restaurant operations and its franchisee restaurants.

The non-controlling interest in the consolidated subsidiary is owned by a stockholder of the Company.

The Company's Richton Park restaurant operation leases its building and essentially all restaurant equipment from entities related to or controlled by its stockholders and officers. The lease agreement provides for monthly rental of \$4,900.

The Company from time to time makes advances to and receives advances from related parties. During the years ended July 31, 2023, 2022, and 2021, Aurelio's Quality Products, LLC supplied cheese, meats, and other food supplies to the Company's controlled subsidiary's Downtown Chicago restaurant (DCR). DCR has not paid AQP for significant amounts billed for cheese, meats, and other food supplies provided by AQP for use in its restaurant operation. Amounts unpaid as of July 31st are \$1,839,811 - 2023, \$1,646,183 - 2022, and \$1,463,179 - 2021. These amounts are reported as Affiliate Trade Payables. They are shown as long term liabilities at July 31, 2023 as the Company does not expect DCR to pay these amounts in the next year.

See Independent Auditor's Report

AURELIO'S IS PIZZA FRANCHISE, LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended
July 31, 2023, 2022 and 2021

Note 7. RELATED PARTY TRANSACTIONS (continued)

During the years ended July 31, 2017, 2016, and 2015 API and AQP made advances to the Company's controlled subsidiary in connection with the acquisition of DCR leasehold improvements and equipment and operating requirements, totaling \$965,606. During the year ended July 31, 2017 AQP, API and their owners agreed to transfer API's and AQP's interests outstanding from these advances to their respective owners. The owners of API and AQP subsequently transferred the outstanding obligations of the Company's controlled subsidiary, to the Company. This transfer resulted in a net liability of the Company to its stockholders of \$546,358 as of July 31, 2017.

Significant balances resulting from these activities as of July 31 and transactions for the years then ended are set forth below.

Balances as of July 31	2023	2022	2021
Advances from Affiliates	1,638,237	1,238,092	745,179
Long Term Affiliate Trade Accounts Payable	1,839,811	1,646,183	1,463,179
Loan from Stockholders	743,908	741,326	743,752
Transactions for the year ended July 31			
Restaurant Cost of Sales			
(Trade Accounts Payable)			
Payments	158,439	170,616	167,532
Expense	352,067	354,183	321,749
Advances to Affiliates			
Advances	-	-	30,000
Repayments	-	-	30,000
Advances from Affiliates			
Advances	530,637	550,408	151,982
Repayments	130,492	57,495	6,044
Stockholders			
Paid to	12,277	17,129	-
Received from	14,859	14,703	-
Restaurant Building and Equipment Rent			
Payments	58,800	58,800	34,300
Expense	58,800	58,800	58,800
Sign Rent			
Collected	36,000	36,000	45,000
Other Income	\$ 36,000	\$ 36,000	\$ 45,000

Aurelio's Pizza Inc., and Aurelio's Quality Products, LLC have guaranteed the Company's bank loan. Entities related to and controlled by the Company's stockholders and officers have pledged real estate to secure the Company's bank loan. (see Note 5 - Long Term Debt)

AURELIO'S IS PIZZA FRANCHISE, LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended
July 31, 2023, 2022 and 2021

Note 7. RELATED PARTY TRANSACTIONS (continued)

Aurelio's Is Pizza Advertising Fund (AAF)

The Company administers AAF. AAF receives contributions from franchisees based on franchise sales. The fund also receives rebates from franchise vendors as negotiated by the Company. All contributions are held in a separate bank account for the benefit of the Fund. This bank account is not reported on the Company's books.

The Fund is obligated to use all contributions received for advertising and promotional activities of the Aurelio's Is Pizza System. For the years ended July 31, 2023, 2022, and 2021, contributions to AAF totaled \$851,205, \$864,427 and \$828,846 respectively. Neither contributions to the Fund nor expenses paid by the Fund are included in the income and expenses of the Company.

The Advertising Fund Leases signage from the company for \$3,000 per month.

Note 8. INCOME TAXES

Components of income taxes for the year ended July 31 are as follows:

	2023	2022	2021
State - Current	-	(644)	944
State - Deferred	(11,200)	(2,138)	(4,669)
Net	(11,200)	(2,782)	(3,725)

The Company reports its federal and state taxable income on the cash basis. Deferred taxes are provided for significant timing differences in book and taxable net income.

The Company, by consent of its stockholders, has elected to be taxed as an S Corporation under the provisions of the Internal Revenue Code. This election became effective August 1, 1995. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal income taxes on their respective shares of the Company's taxable income. Therefore, no provision or liability for federal income tax has been included in these financial statements. Current and deferred income taxes relate to state income taxes on S Corporation taxable income.

The Company is required to report its income for the United States and various states income tax purposes on a calendar year. As of July 31, 2023, the Company's U.S. and state tax returns for the years ended December 31, 2022, 2021, and 2020 were open for examination. As of November 14, 2023, the Company has not been notified by any tax authority of its intention to examine the Company's income tax returns.

The Company's S Corporation tax basis retained earnings consist of Subchapter C retained earnings of \$179,672 as of December 31, 2022, 2021, and 2020 and accumulated adjustments account of \$(606,955), \$(191,396), and \$(332,187) as of December 31, 2022, 2021, and 2020 respectively.

See Independent Auditor's Report

AURELIO'S IS PIZZA FRANCHISE, LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended
July 31, 2023, 2022 and 2021

Note 8. INCOME TAXES (continued)

The Company's wholly owned LLCs are disregarded entities for tax purposes. Their operations are included as part of the tax return filed by the Company. The Downtown Chicago controlled subsidiary files a separate partnership income tax return. The Company's share of the partnership income is included in the Company's S Corporation tax return.

As of July 31, 2023 the Company has an Illinois Net Loss Deduction (NLD) carryover of \$818,379 (\$94,739 expiring in 2036, \$187,705 expiring in 2037, \$184,892 expiring in 2040, \$3,923 expiring in 2041, and \$347,120 expiring in 2042).

The Company uses the flow through method of accounting for ITC.

Note 9. Regulatory Matter

The Illinois Attorney General's (IAG) Office has imposed a requirement that the Company must place initial franchise fees received from Illinois franchisees in an escrow account. The IAG will authorize release of the initial fees from the escrow when the Company has satisfied all of its initial obligations to the franchisee and the franchise is open for business. This requirement was imposed as a result of the increase in the Company's total liabilities relative to stockholders equity.

Note 10. COMMITMENTS

Franchise Agreements

The Company is obligated under its franchise agreements to provide franchisees training for new employees and general consultation regarding franchisee business operation and planning.

Operating Leases

The Company leases real property and equipment under various operating leases with remaining non-cancelable terms from 20 months to 7 years. Rent expense during the years ended July 31, 2023, 2022, and 2021 was \$343,699, \$345,587, and \$344,003 respectively.

In connection with the Downtown Chicago restaurant, the Company is obligated under a lease for commercial real estate. The lease has an initial 10 year term with 6 consecutive 5 year options. Base rent for the initial 10 year term and first 2-5 year options is specified in the lease. Subsequent option periods are at fair market rentals to be determined when the options are exercised. In addition to base rent, the Company is required to pay real estate taxes, insurance, and common area maintenance costs allocable to the lease premises. Future minimum lease obligations indicated below include base rent due under this lease. Payment of rent commenced October of 2015. Scheduled base rent payments under this lease are recognized on a straight line basis over the initial non-cancelable term of the lease. Real estate taxes, insurance, and common area maintenance costs are expensed as incurred.

AURELIO'S IS PIZZA FRANCHISE, LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended
July 31, 2023, 2022 and 2021

Note 10. COMMITMENTS (continued)

Operating Leases(continued)

Future minimum lease obligations under non-cancelable operating leases with initial terms in excess of one year at July 31, 2023 are as follows:

	2024	240,793
	2025	204,484
	2026	<u>\$ -</u>
	Total	<u>\$ 445,277</u>

The Company leases its Richton Park restaurant building and equipment from related parties under a month-to-month oral lease agreement at a rental of \$4,900 per month. (See Note 7 - Related Party Transactions)

Note 11. CREDIT RISK

The Company maintains deposits at a federally insured bank. At times the funds on deposit exceed the federal insurance limits on these deposits.

Accounts Receivable are typically unsecured and are derived from revenue earned from franchises. The Company performs ongoing credit evaluations of franchises and generally does not require collateral.

Note 12. SEGMENT AND GEOGRAPHIC INFORMATION

The Company operates Aurelio's restaurants and franchises Aurelio's restaurants to others. Significant operating data for these business segments for the years ended July 31st are summarized below:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues			
Franchise	\$ 1,581,190	\$ 1,548,422	\$ 1,466,203
Restaurant	<u>2,315,873</u>	<u>2,207,522</u>	<u>2,025,152</u>
Total	<u>\$ 3,897,063</u>	<u>\$ 3,755,944</u>	<u>\$ 3,491,355</u>

See Independent Auditor's Report

AURELIO'S IS PIZZA FRANCHISE, LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended
July 31, 2023, 2022 and 2021

Note 12. SEGMENT AND GEOGRAPHIC INFORMATION (continued)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Income(Loss)			
Franchise	\$ 45,382	\$ 90,345	\$ 87,010
Restaurant	<u>(1,160,386)</u>	<u>(1,353,036)</u>	<u>(1,076,550)</u>
Total	<u>(1,115,004)</u>	<u>(1,262,691)</u>	<u>(989,540)</u>
Other Income/Expense			
Franchise	(3,659)	(155,743)	67,381
Restaurant	<u>(29,234)</u>	<u>(504,935)</u>	<u>1,089,237</u>
Total	<u>(32,893)</u>	<u>(660,678)</u>	<u>1,156,618</u>
Assets			
Franchise	412,323	545,972	539,520
Restaurant	<u>1,099,707</u>	<u>1,698,161</u>	<u>2,856,297</u>
Total	<u>\$ 1,512,030</u>	<u>\$ 2,244,133</u>	<u>\$ 3,395,817</u>

The Company's revenues are primarily derived from the Chicago-Naperville-Illinois-Indiana-Wisconsin Combined Statistical Area (Chicago CSA). All restaurant revenues are from the Chicago CSA. Franchise revenues are derived from Florida, Georgia, Illinois, Minnesota, and Nevada in addition to the Chicago CSA. Revenues by geographic area for the years ended July 31 are summarized below

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Chicago CSA	\$ 3,776,501	\$ 3,627,298	\$ 3,371,264
Other	<u>120,562</u>	<u>128,646</u>	<u>120,091</u>
Total	<u>\$ 3,897,063</u>	<u>\$ 3,755,944</u>	<u>\$ 3,491,355</u>

Note 13. THE EMPLOYEE RETENTION CREDIT

Under the CARES Act businesses were encouraged to keep employees on their payroll. Businesses meeting certain criteria can apply for Employee Retention Credit for the calendar year 2020 and 2021. For Fiscal year 2023, Aurelio's collected the full amount \$610,841.

Laws and regulations concerning government programs, including the Employee Retention Credit established by the CARES Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact(if any) this would have upon the Organization.

See Independent Auditor's Report

AURELIO'S IS PIZZA FRANCHISE, LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended
July 31, 2023, 2022 and 2021

Note 15. RESTAURANT REVITALIZATION FUND

The Restaurant Revitalization Fund grant program was established by the American Rescue Plan Act of 2020 (ARPA), signed into law on March 11, 2021. The program includes \$28.6 billion in grants to eligible restaurants and certain other businesses serving food and/or drinks. Grants are in the amount of the eligible entity's pandemic-related revenue loss (up to \$10 million but limited to \$5 million per location) and are to be used for payroll costs and other specified expenses. Fiscal Year 2021 the amounts received for the grant is \$502,230. This grant was forgiven on January 22, 2022.

Note 16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 14, 2023, the date the consolidated financial statements were available to be issued.

Subsequent to July 31, 2023, the company entered into an agreement with a franchisee and other parties, including the franchisees local distributor, involved in the distribution of the Aurelio's branded products to the franchisee. The franchisee disputed the amounts charged by their local distributor for the Aurelio's branded products. As the company is involved in locating a distributor of the Aurelio's branded products the company paid the franchisee \$35,000 on August 14, 2023.

Note 17. Legal Proceedings

In the normal course of its business the Company becomes involved in legal proceedings. The Company believes that its claims and defenses in these matters are substantial. The Company has not accrued any losses for legal matters in the financial statements for the years ended July 31, 2023, 2022 and 2021. However, litigation is inherently unpredictable and unfavorable outcomes could occur. The Company does not believe any of these matters will have a material adverse effect on its financial position.

REVISED 08/24

**AURELIO'S IS PIZZA FRANCHISE, LTD.
FRANCHISE AGREEMENT**

***** STATE OF WISCONSIN *****

**EXHIBIT "F"
TO WISCONSIN FRANCHISE DISCLOSURE DOCUMENT**

TABLE OF CONTENTS
DESCRIPTION

<u>SECTION</u>		<u>PAGE</u>
I	License	7
II	Term, Expiration and Renewal	8
III	Franchised Location and Exclusive Territory	10
IV	Initial and Continuing Payments and Reporting Obligations to Franchisor	13
V	Advertising	19
VI	Franchise Granted to Franchisee	24
VII	Opening for Business and Inspections	27
VIII	Training and Store Opening	28
IX	Further Obligations of the Franchisor	33
X	Relationship of Franchisee to the Franchisor	35
XI	Location, Improvement and Lease of Franchised Pizzeria	36
XII	Insurance	41
XIII	Other Obligations of Franchisee	43
XIV	Disclosure of and Changes of Principals	55
XV	Assignment	56
XVI	Default and Termination	63
XVII	Remedies of Franchisor	67
XVIII	Obligations Upon Termination or Expiration	68
XIX	Franchisor's Purchase Option	72
XX	General Provisions	73
XXI	Dispute Resolution	75
XXII	Indemnity by Franchisee	76
XXIII	Waiver	77
XXIV	Governing Laws, Jurisdiction and Venue	77
XXV	Video Gaming	77
XXV	Entire Agreement	81
XXVI	Severability	81
XXVII	Counterparts	82
XXVIII	Survival of Covenants	82
XXIX	Article and Paragraph Headings	82

XXX	Notices	83
XXXI	Submission of Agreement.....	83

EXHIBITS TO FRANCHISE AGREEMENT

- A Specification of Franchised Location
- B Conditional Assignment of Lease and
Consent and Agreement of Lessor to Conditional Assignment of Lease
- C Disclosure of Principals
- D Conditional Assignment of Telephone Number(s) and
Transfer of Telephone Service Agreement

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") made and entered into this ____ day of _____, 20__, by and between **AURELIO'S IS PIZZA FRANCHISE, LTD.**, an Illinois corporation with offices located at 18162 S. Harwood Avenue, Illinois, (hereinafter referred to as the "Franchisor"), and _____, an _____, with offices located at _____, _____, (hereinafter referred to as the "Franchisee"), is made with reference to the following facts:

A. The Franchisor is the sole and exclusive owner and user of service marks, designs, copyrights, trade dress and trademarks, all of which are used in the promotion, sale and serving of pizza pie, pasta, sauces, recipes, dressings, sandwiches, beverages and supplies; and

B. The Franchisor now owns and will in the future develop additional valuable trademarks, service marks, trade names and commercial symbols used to identify the Aurelio's Is Pizza Franchise, (hereinafter called the "Franchised Trademarks") as well as copyrighted materials; and some of the distinctive characteristics of the Aurelio's Is Pizza Franchise and the services provided by the Franchisor include (but are not limited to) the following which shall be collectively known as the "Franchised System":

1. The words "Aurelio's Is Pizza" or other combinations of said words, either alone or in combination or association with the color scheme or pattern, building design, insignia, slogans, signs, emblems, trade names, trademarks, service marks, or with the pizzeria system, now or hereafter provided or used by the Franchisor as parts of said system, or in association with the idea of a national or international service of pizzeria restaurants, all providing standardized, high quality distinctive service;
2. A distinctive and readily recognizable design and construction of the structures comprising such pizzerias and including the pizzeria and other supplementary areas

or buildings;

3. The color scheme, pattern and design, and the color combinations of the exteriors and of the interiors of said structures and supplementary areas, and on certain of the furnishings therein;
4. The trademarks, trade names, service marks, insignia, emblems, signs, designs, color and patterns, trade dress and other distinctive features, as now or hereafter in use as part of the system, both as identifying the system of pizzerias, and as identifying the type, character and standard of quality of service which the public may expect to receive at the Aurelio's Is Pizza franchised pizzerias;
5. The style, color and character of equipment, furnishings and appliances used in or about the pizzeria and the supplies and equipment bearing the name of the Aurelio's Is Pizza Franchise and/or other distinctive characteristics;
6. The distinctive style, color and character of exterior signage;
7. The distinctive style, color character of and ambiance created by Aurelio's branded interior signs and photographs;
8. The appearance, advertising, services and ambiance consistent with Aurelio's public image, reputation and goodwill as a "Family Pizzeria."
9. The rules of operation, advertising services and publicity and promotion services and training;
10. Aurelio's copyrighted menus and the particular names and ingredients of the pizzas and other foods listed thereon;
11. The distinctive taste, texture and appearance of Aurelio's pizza, pasta, sandwiches and other products and beverages prepared according to Aurelio's specified recipes and procedures, as Aurelio's may modify and change from time to time (hereinafter called the "Menu Items"); and
12. The strict use of Aurelio's boxed and branded foods and ingredients in the preparation of the Menu Items.

C. The Franchisee desires to be granted a franchise to provide retail service of the same distinctive nature and high quality and the same distinguishing characteristics, as established by the Franchisor, under and using the Franchised Trademarks, color patterns and schemes, trade dress,

signs, designs, copyrighted materials and other distinguishing characteristics of the Franchised System. It is the intention of the parties that the pizzeria to be operated by the Franchisee under this Franchise Agreement, together with pizzerias now or hereafter operated by the Franchisor and those operated or to be operated by other Franchisees under similar agreements, will form a unified system of such pizzerias. The success of the Franchised System is dependent upon the continuing good reputation of each and every pizzeria operated within the Franchised System and upon the continuing good will of the public toward the name "Aurelio's Is Pizza", and toward the Franchised System and its distinguishing characteristics. The Franchisee, therefore, recognizes that adherence to the terms of this Franchise Agreement is a matter of mutual importance and direct consequence to the Franchisee, the Franchisor and to all other Franchisees. Accordingly, the Franchisor is willing to grant said franchise upon the terms and subject to the conditions hereinafter set forth.

WHEREFORE, IT IS AGREED:

ARTICLE I
LICENSE

1. By the execution of this Franchise Agreement and Exhibits "A," "B," "C" and "D" hereto, the Franchisor hereby grants to the Franchisee and the Franchisee hereby accepts a franchise to be operated in accordance with the terms set forth in this Agreement, the Aurelio's Is Pizza Franchised System and the Aurelio's Is Pizza Trademarks which now or which may hereafter identify the Aurelio's Is Pizza Franchise, as well as Aurelio's copyrighted materials, in connection with the promotion and operation of one (1) of the type of franchised pizzeria (as hereinafter described) (the "Franchised Business") at the Franchised Location (as hereinafter described). Franchisees shall not use or otherwise employ any other trademark, trade name, service mark or commercial symbol in

connection with such Franchised Business.

2. The franchise is granted to operate one (1) retail pizzeria business solely and exclusively at the location described in Article III "Franchised Location". Franchisee recognizes and acknowledges that the Franchisor is the sole and exclusive owner of the "marks" and hereby agrees to not register or attempt to register such marks in Franchisee's name or that of any other firm, persons or corporations, and franchisee will not use the "marks" or any part thereof as any part of any name not allowed by the Franchisor. Immediately upon the expiration or termination of this agreement or any renewal thereof, Franchisee agrees to cease and forever abstain from using the aforesaid "marks" and copyrighted materials and shall return to the Franchisor all copyrighted materials and all documents, instructions, display items, menus and the like bearing any of the "marks".

ARTICLE II
TERM, EXPIRATION and RENEWAL

1. This Agreement shall continue in effect for a period of five (5) years from the date hereof unless sooner terminated pursuant to Article XV of this Agreement. Provided, however, if the term of the lease shall be terminated for any reason prior to the expiration of such five-year period, this Agreement shall terminate upon the sooner termination or expiration of any such lease unless the parties agree pursuant to Paragraph 2 of this Article. This Agreement may be extended for further periods of five (5) years unless at least six (6) months before the expiration of any five-year term, notice of intention to not renew is given in writing by one party to the other. The Franchisor may choose not to renew the Franchise Agreement only as set forth in Paragraph 3 of this Article. Any such renewal shall be accomplished by execution by the parties of a Franchise Agreement and all other agreements, legal instruments and documents then currently used by the

Franchisor in the grant of a franchise, which may include different performance standards, new fees and/or increased fees and the requirement that the Franchisee refurbish and equip the franchised location to conform to Franchisor's then-current standards. However, no additional initial or renewal franchise fee shall be payable.

2. If the term of the lease for the franchise location shall expire or terminate prior to the expiration of five (5) years from the date hereof and Franchisee and Franchisor are able to mutually agree upon a new Franchised Location in accordance with the following procedure, the term of this Agreement shall continue in effect for its full term of five (5) years plus any renewals pursuant to the provisions of this Agreement. If the term of the lease for the Franchised Location shall expire or terminate prior to the expiration of five (5) years from the date hereof and Franchisee desires to so continue the terms of this Agreement for its full term, Franchisee shall, not less than six (6) months prior to the expiration of the lease for the Franchised Location, advise the Franchisor of at least two (2) locations which are available for lease by Franchisee, either of which Franchisee believes is suitable as the new Franchised Location. If the Franchisor does not agree in its sole subjective discretion, exercised in good faith, that either of such locations so selected by the Franchisee is suitable as the new Franchised Location, it shall advise the Franchisee within ninety (90) days thereafter and shall select at least two (2) locations which are available for lease by Franchisee, either one of which the Franchisor believes is suitable as the new Franchised Location. If the Franchisee, in his sole subjective discretion, exercised in good faith, does not agree that either of such locations is suitable or fails to notify the Franchisor of Franchisee's judgment prior to the date of expiration of the lease for the original Franchised Location, this Agreement shall automatically terminate upon the date of expiration of such lease. If, however, a new Franchised Location shall be selected in

accordance with the foregoing procedure, the Franchisee shall promptly lease such location, whereupon the term of this Agreement shall continue until five (5) years from the date of this Agreement have elapsed. Nothing herein shall be construed to allow the Franchisee to relocate the franchised business to a location within the exclusive territory of another Franchisee.

3. The Franchisor may choose to not renew the Franchise Agreement only for any of the following reasons:

- A. The Franchisee is currently committing or has committed at any time within the twelve (12) months prior to the expiration date of this Franchise Agreement any "material breach" of the Franchise Agreement, as defined in Article XV, Paragraphs 1 and 2.
- B. The Franchisee is not able to maintain possession of the premises at which he was originally located and is unable to secure and develop suitable premises approved by Franchisor.
- C. The Franchisee refuses to execute a renewal Franchise Agreement and all other agreements, legal instruments and documents then currently used by Franchisor in the grant of franchises no later than thirty (30) days prior to the expiration of the Franchisee's current Franchise Agreement.
- D. The Franchisee refuses to bring his restaurant up to the Franchisor's current standards for equipment, signage and refurbishing and remodeling of interior and exterior of the restaurant.
- E. The Franchisee's QSC performance has fallen below Franchisor's then current standards for two (2) or more inspections during the prior twelve (12) month period.

ARTICLE III
FRANCHISED LOCATION AND EXCLUSIVE TERRITORY

1. **Franchised Location.** The Franchised Location must be approved by the Franchisor.

The Franchised Location shall be identified by execution by the parties of an Exhibit "A" to this Agreement, which will be attached hereto and incorporated herein as an integral part of this

Agreement.

2. **Sole Location.** The Franchisee shall conduct the Franchised Business and use the Aurelio's Is Pizza Franchise and Aurelio's Is Pizza Trademarks solely at the Franchised Location, or should the provisions of Paragraph 2 of Article II be applicable, at the new Franchised Location, if any, selected in accordance with the procedure therein set forth. The Franchisee does not have any right to sell any Aurelio's Menu Items identified by Aurelio's Marks: (1) at any other location other than catering and delivery services; (2) through any other channels or methods of distribution, including the internet or any other existing or future form of electronic commerce, other than through the Franchisor's website; or (3) to any person or entity for resale or further distribution.

3. **Type of Pizzeria.** The Franchisee shall operate a _____ type of pizzeria at the Franchised Location. The Franchisee may not reduce the type of services specified herein during the term of this Agreement and any renewals thereof.

4. **Exclusive Territory.** To facilitate the successful development of the Franchise, Franchisee's Franchise shall be exclusive within the following area: _____ measured from the Franchised Location specified in Exhibit "A" to this Agreement. During the term of this Agreement, neither the Franchisor nor any other of its franchisees shall be authorized to establish a Franchised Location within the Franchisee's exclusive territory, nor shall the Franchisor establish other food-service establishments selling products or services similar to those offered by the Franchisee under any other proprietary mark or indicia, trademark, service mark or trade name having a location within the Franchisee's exclusive territory. However, exclusive territories may overlap. Further, the Franchisor or any affiliate shall have the rights reserved in Paragraph 5 below.

5. **Rights Reserved to Franchisor.** The Franchisor, and any of its current or future affiliates, have the following rights within or without the Franchisee's exclusive territory:

- a. The right to offer, sell or distribute through any other non-restaurant distribution

channel or method, the Menu Items, any frozen, pre-packaged items or other product or services associated with the Franchised System, now or in the future, or identified by Aurelio's marks or any other trademarks, service marks or trade names, without compensation to the Franchisee. Other distribution channels or methods include, without limitation, frozen by overnight delivery, grocery stores, supermarkets, club stores, convenience stores, wholesale distribution, hospitals, clinics, healthcare facilities, business or industry locations (e.g. manufacturing sites, office buildings), military installations, military commissaries or the internet or any other existing or future form of electronic commerce.

- b. The right to develop, license or franchise certain locations within and outside the exclusive territory, which are by their nature unique and separate in character from the Franchise Business authorized pursuant to this Agreement. Such unique and separate sites would include, without limitation, such locations as: (1) military bases; (2) public transportation facilities, including without limitation, airports and other transportation terminals; (3) sports facilities, including racetracks; (4) student unions or other similar buildings on college or university campuses; (5) amusement and theme parks; (6) casinos; (7) community and special events; (8) concert venues; (9) enclosed shopping malls; (10) movie theaters; and school cafeterias, including elementary, junior high, high school, university, college, junior collect and trade schools.
- c. The retention of all rights not expressly granted to the Franchisee pursuant to this Agreement.
- d. Outside of the exclusive territory, the right to grant other franchises or develop or operate company or affiliate owned restaurants and/or otherwise offer, sell or distribute the Menu Items and any products of services, including those associated with Franchised System, under the Franchised Marks or under any other trademarks, service marks or trade names, all without compensation to any Franchisee.

6. **No Exclusive Clientele.** The designation of Franchisee's Franchised Location and its exclusive territory herein does not grant exclusivity of marketing territory or clientele. All Aurelio's Is Pizza restaurants may sell their products and services to any customer. The Franchisor retains, among others, the right to sell any product under the Franchisor's marks or any other name or mark to any customer within the foregoing exclusive territory.

7. **Exclusive Territory upon Relocation.** Any relocation of the Franchised Business to another location within the exclusive territory, pursuant to Article II, Paragraph 2, shall not change the boundaries of the Franchisee's exclusive territory. Upon relocation of the Franchised Business

to a location outside of the exclusive territory, the Franchisee may be accorded a new exclusive territory as determined by the Franchisor in its sole discretion.

ARTICLE IV
INITIAL AND CONTINUING PAYMENTS AND
REPORTING OBLIGATIONS TO FRANCHISOR

1. **Initial Franchise Fee.**

- a. As a part of the consideration for the rights granted by the Franchisor to the Franchisee hereunder, Franchisee agrees to pay to the Franchisor as an initial franchise fee the sum of Forty-Nine Thousand Dollars (\$49,000.00). Said sum shall be payable in full upon the execution of this Agreement.
- b. A portion of the initial franchise fee shall be refundable in the event the Franchisee and the Franchisor shall fail to agree upon a suitable Franchised Location or in the event Franchisee, Franchisee's Manager and Franchisee's Pizzeria Director fail to satisfactorily pursue and complete the Franchisor's training program, as more fully set forth in Article VIII, Paragraph 1 below. The portion to be refunded shall be the initial franchise fee less:
 - i) the Franchisor's expenses incurred to the date of termination for travel expenses and room and board incurred by the Franchisor's agents and employees in and about site selection and/or training; and
 - ii) any legal fees incurred by the Franchisor attributable to the negotiation and preparation of the Franchise Agreement,
- c. No further initial franchise fee shall be payable during the term of this Agreement and any renewals thereof.

2. **Initial Franchise Fee for Additional Locations.** The initial franchise fee may be

reduced at the Franchisor's sole discretion if a new, additional franchise is sold to an existing Franchisee or the majority shareholder of an existing corporate franchisee. The reduced franchise fee shall be \$20,000.00, plus one-half (½) of the cost of site selection as more fully set forth in Article XI below. The costs of training of the management and initial staff for any such additional location shall be payable separately by Franchisee pursuant to Article VIII, Section 7 below. Other than the

reduced initial franchise fee, the terms and conditions under which any new franchise is granted shall be governed by a new Franchise Agreement to be executed by the parties. However, nothing in this Paragraph shall grant to the Franchisee any right to open any Franchised Location other than the one (1) location specifically licensed in this Agreement, nor obligate the Franchisor to grant any further or additional rights or locations to the Franchisee.

3. **Continuing Royalties.** The Franchisee shall pay to the Franchisor during the entire term of this Agreement a continuing royalty fee equal to five percent (5%) of the Gross Sales of Franchisee as hereinafter defined. Payments of such continuing royalty shall be made weekly on a date two (2) business days following the date upon which gross sales are reported pursuant to Paragraph 7.a. below. Each payment shall be made by Electronic Funds Transfer (ACH) using the electronic funds transfer service specified by Franchisor.

4. **Advertising Fee.** An advertising fee to support national and regional advertising equal to two percent (2%) of the Gross Sales shall be paid to Franchisor at the same time as royalty payments are made. Each payment shall be made by Electronic Funds Transfer (ACH) using the electronic funds transfer service specified by Franchisor. The advertising fee shall be placed in the Advertising Fund and shall be expended in accordance with the terms of Article V, Paragraph 2.

5. **Late Payment of Royalty Fee or Advertising Fee.** In the event any royalty fee and/or advertising fee payment shall not be made when due and in full due to insufficient funds or any other reason, then the electronic debit shall be attempted daily thereafter until all sums owed are paid in full. In that event, there shall be assessed a late charge of \$20.00 per day until said payment is made in full, and all amounts due shall also accrue interest at a daily periodic rate equal to 1.5% per month for each day such payment is late, until paid in full. Franchisee shall also be responsible to pay any

NSF or similar charge incurred by the Franchisor for any such late payment. Such late fees, interest and bank charges shall be automatically added to any such attempted debit, and shall be paid at the time such debit is successfully made. In the event any electronic debit shall be made in a sum less than the full amount due including late charges and interest, the amount of that debit shall be applied first to the payment of such late charges and interest.

6. **Definition of Gross Sales.** The term "Gross Sales" as used in this Agreement shall mean the total revenue from any source whatsoever derived by Franchisee from the operation of his Franchised Business in, on, from or through the Franchised Location or from the sale of any products associated with the use of Franchisor's marks or recipes, whether or not such business is conducted in compliance with or in violation of the terms of this Agreement, whether for cash, credit, agreements to pay in kind services or any other consideration, and whether or not payment is received at the time of sale, deducting therefrom to the extent they have been included, all refunds and allowances given to customers, if any, and any sales, use or excise taxes which are separately stated and which the Franchisee collects from customers and pays to any Federal, State or local taxing authority, and any revenues from duly licensed video gaming offered at the Franchised Location, and excluding monies earned from the sale of equipment, the receipt of insurance settlements or the receipt of vendor rebates.

7. **Reporting of Gross Sales.**

- a. No later than midnight on each and every Monday, the Franchisor shall receive from Franchisee, via electronic reporting, statements stating the fees due to Franchisee during the preceding seven (7) day period ending at midnight on Sunday itemized by revenue producing activity as specified from time to time by the Franchisor, the Gross Sales at the premises for the prior seven (7) day period and such other information as the Franchisor may require, all certified as true and correct by an authorized agent of Franchisee. All such electronic reporting shall be made through such electronic

reporting service provider as the Franchisor may specify from time to time.

- b. Franchisee shall prepare and deliver to the Franchisor via electronic reporting on a monthly basis, no later than sixty (60) days after the end of each month, an unaudited profit and loss statement in a form satisfactory to the Franchisor covering Franchisee's Gross Sales for the prior month and such additional reports, balance sheets, POS records, or other financial records or information as the Franchisor may require, all of which shall be certified by an authorized agent of Franchisee as true and correct. All such electronic reporting shall be made through My Profit Keeper or such other electronic reporting service provider as the Franchisor may specify from time to time.
- c. Franchisee shall furnish to the Franchisor upon request print outs generated by Franchisee's point of sale (POS) system showing Franchisee's Gross Sales, pizza sales, salad sales, pasta sales, sandwich sales, wine sales, beer sales, liquor sales and sales in any other category requested by the Franchisor from time to time. All such requested printouts and documents shall be furnished to the Franchisor within fifteen (15) days of the date of any such request, and shall be certified as true and correct..
- d. Franchisee shall further furnish to the Franchisor upon request a copy of each of its reports and returns for sales, use and gross receipt taxes and complete copies of any state or federal income tax returns covering the operation of the franchised business, all of which Franchisee shall certify as true and correct. All such requested reports, returns, printouts and documents shall be furnished to the Franchisor within fifteen (15) days of the date of any such request.

8. **Late Reporting.** In the event Franchisee shall fail to report as required by Paragraph 7.a. above in a timely manner, there shall be assessed a late reporting charge of \$50.00 for each week or part of a week such report is late. In the event Franchisee shall fail to report as required by Paragraph 7.b., 7.c. or 7.d. above in a timely manner, there shall be assessed a late reporting charge of \$100.00 for each month or part of a month such report is late.

9. **Records and Audits.**

- a. Franchisee shall record all sales and shall keep and maintain accurate records thereof in accordance with income tax basis accounting principals. If Franchisee uses a POS system, all such sales shall be recorded and maintained therein.

- b. Franchisee shall keep and preserve for a period of not less than thirty-six (36) months after the end of each calendar year, all business records, including, but not limited to, cash register receipts, cash register tape readings, sales tax or other tax returns, bank books, duplicate deposit slips, POS records, computer records and other evidence of Gross Sales and business transactions for such calendar year. The Franchisor shall have the right at any time to enter Franchisee's premises to inspect, audit and make copies of books of account, bank statements, documents, records, tax returns, papers, POS records, computer records and files of Franchisee relating to Gross Sales and business transacted and upon request by the Franchisor, Franchisee shall make any such materials available for inspection at Franchisee's premises. If the Franchisor should cause an audit to be made and the Gross Sales and business transacted as shown by Franchisee's statements should be found to be understated by two percent (2%) or more, Franchisee shall immediately pay to the Franchisor the cost of such audit, as well as the additional amount payable as shown by such audit, plus interest allowed by law (1-1/2% per month); otherwise, the cost of the audit shall be paid by the Franchisor. Should an audit or investigation disclose that Franchisee withheld the reporting of any portion of Gross Sales or the payment of any fees owed on said unreported Gross Sales, the same shall be considered to be a separate material breach for each and every month and the Franchisor shall have the right to terminate this Agreement immediately and without prior Notice at its option. If the Franchisee should at any time cause an audit of Franchisee's business to be made by a public accountant, Franchisee shall furnish the Franchisor with a copy of said audit, without any cost or expense to the Franchisor.
- c. Franchisee agrees to provide to the Franchisor copies of its State, Federal and local income tax returns upon request, and Franchisee hereby waives any privilege pertaining thereto.
- d. Upon request, Franchisee shall furnish the Franchisor with a profit and loss statement of the Franchised Business for any previous calendar quarter; and within ninety (90) days after the end of each calendar year, Franchisee shall furnish the Franchisor with a profit and loss statement and balance sheet of the Franchised Business for the previous calendar year. All such financial statements shall be prepared in accordance with the format established by the Franchisor and in accordance with income tax basis.
- e. Franchisor shall have the right to request information from any suppliers and vendors used by Franchisee. In order to verify the information supplied by Franchisee, Franchisor shall have the right to reconstruct Franchisee's sales through the inventory extension method or any other reasonable method of analyzing and reconstructing sales.
- f. All expenses and costs incurred by Franchisor due to the failure of Franchisee to

maintain its records, cooperate fully in any audit, or furnish Franchisor with any required financial statements, tax returns and reports, as set forth above, shall be paid or reimbursed by Franchisee.

10. **Accounting Controls**. The Franchisor may offer guidance to the Franchisee in setting up books and records, auditing them, and providing the necessary forms. The Franchisor may issue a manual of accounting procedures, or require periodic reports, which may be amended or modified from time to time, which must be followed by Franchisee. The Franchisor may require this uniformity of accounting and also the furnishing of periodic reports because it is a necessary adjunct to its own planning, control and accounting functions. Therefore, it is deemed desirable and in the best interest of Franchisees and the Franchisor that Franchisees use a uniform accounting system and make reports based thereon in order that the Franchisor may be able to disseminate helpful information to its Franchisees, evaluate the relative operating performance of each Franchisee, and develop criteria that will enable the Franchisor to formulate plans and policies in the interest of each Franchisee and Franchisor and will enable each Franchisee to obtain the most satisfactory results from his business. Therefore, the Franchisee shall install, maintain and use an accounting system in accordance with Franchisor's manual of Franchisee accounting procedures. Any such system shall be given priority in use by Franchisee, but shall not be exclusive of any other or different accounting system that Franchisee may desire to use.

ARTICLE V **ADVERTISING**

1. **Franchisee's Local Advertising**. Recognizing the value of local advertising to build a customer base and repeat customers for Franchisee's restaurant, Franchisee shall conduct local advertising on the following terms and conditions:

- a. Franchisee shall spend during each twelve-month period of the term of this Agreement an amount equal to not less than one percent (1%) of Franchisee's Gross Sales during such period on media for advertising, public relations and promotional campaigns for his Franchised Business including, but not limited to, sponsorship of local sports teams.
- b. Franchisee shall submit to Company, in writing, for the Franchisor's approval, at least fourteen (14) days prior to publication, the content of all proposed advertising, publicity and promotional campaigns. All local advertising shall display the Franchisor's website address, www.AURELIOSPIZZA.COM, unless the advertising consists of sponsorship of a local sports team. Should the Franchisor disapprove of the format, content or any other aspect of such proposed advertising, publicity or promotional campaign, Franchisee shall refrain from conducting such program. Aurelio's alone has the right to determine with whom it will enter into any type of contract. The cost of any local advertising which is not first approved by the Franchisor shall not be counted toward Franchisee's fulfillment of his local advertising obligations.
- c. Franchisee will be required, within thirty (30) days after the end of each twelve-month period during the term hereof, to report to the Franchisor, in such manner and detail as the Franchisor from time-to-time prescribes for its Franchisees, including electronically, the advertising, publicity or promotional campaigns conducted by it pursuant to this paragraph and provide the Franchisor, upon request, with receipts or other verification of the sums spent on media therefor during such period.
- d. Franchisee will honor all Aurelio's Pizza charitable, fundraising, and customer appreciation paper issued vouchers issued by any Aurelio's Is Pizza restaurant, whether franchised or company-owned. The issuing Franchisee shall reimburse the honoring Franchisee promptly in the amount of fifty percent (50%) of the value of the voucher honored. The Franchisor shall enforce payment from the issuing Franchisee.
- e. In the event that Franchisee shall fail to expend such sums required on local advertising during any calendar year, Franchisor may, immediately upon notice provided to Franchisee, assess Franchisee for any such deficiency, which shall be deposited to and become part of the Advertising Fund.
- f. Franchisee, at its expense and exclusive of any fees paid to the Advertising Fund, and exclusive of any local advertising under this paragraph, shall:
 - i) Obtain listings of the Franchised Business in the white and yellow pages of all local telephone directories of the kind and size specified from time-to-time by Franchisor for all comparable Aurelios Is Pizza System units; and

- ii) Obtain, display and maintain any special promotional materials of the kind and size as Franchisor may from time-to-time require for comparable Aurelios Is Pizza System units.

2. **Advertising Fund.** Recognizing the value of standardized advertising and marketing programs to the furtherance of the goodwill and public image of the Aurelios Is Pizza System, Franchisee agrees to pay to the Aurelios Is Pizza Advertising Fund (“Advertising Fund”) a recurring, non-refundable advertising fund contribution of two percent (2%) of Franchisee’s Gross Sales for the preceding week to be paid on a weekly basis as more fully set forth in Article IV, Paragraph 4 above. Said sum shall be expended by the Advertising Fund for national and regional advertising and promotional materials and market research for the Aurelios Is Pizza System, under the following conditions and limitations:

- a. Franchisor or its designee shall exclusively maintain and administer the Advertising Fund for national and/or regional advertising, public relations and marketing programs and market research.
- b. The Advertising Fund is not a trust or escrow account, and Franchisor has no fiduciary obligation to Franchisees with respect to the Advertising Fund; provided, however, Franchisor will make a good faith effort to expense such fees in a manner that Franchisor determines is in the general best interests of the Franchised System.
- c. All reasonable costs incurred by Franchisor or charged to Franchisor by third parties for the production and dissemination of such advertising and promotional materials may be charged to the Advertising Fund.
- d. Franchisor, upon request, shall provide Franchisee with an unaudited accounting of receipts and disbursements of the Advertising Fund for each fiscal year of said Fund, which shall coincide with Franchisor’s fiscal year.
- e. Selection of concepts, materials, media and locale for media placement for the Advertising Fund shall be at the sole discretion of the Franchisor.
- f. The Advertising Fund, all contributions thereto, and any earnings thereon, shall be used exclusively to meet any and all costs of maintaining, administering, directing, and preparing advertising and/or promotional activities. Franchisee shall contribute to the Advertising Fund by separate electronic funds transfer (ACH). All sums paid

by the Franchisee to the Advertising Fund shall be maintained in an account separate from the other monies of Franchisor and shall not be used to defray any of Franchisor's expenses except as provided herein, and as Franchisor may incur in activities reasonably related to the administration or direction of the Advertising Fund and advertising programs for franchisees and the System. The Advertising Fund and its earnings shall not otherwise inure to the benefit of Franchisor. Franchisor shall maintain separate bookkeeping accounts for the Advertising Fund.

- g. It is anticipated that all contributions to and earnings of the Advertising Fund will be expended for advertising and/or promotional purposes during the taxable year in which contributions and earnings are received. If, however, excess amounts remain in the Advertising Fund at the end of such taxable year, all expenditures in the following taxable year(s) shall be made first out of accumulated earnings and contributions from previous years, next out of earnings in the current year, and finally from contributions.
- h. The Advertising Fund is not, and shall not be, an asset of Franchisor. Although the Advertising Fund is intended to be of perpetual duration, Franchisor maintains the right to terminate the Advertising Fund. The Advertising Fund shall not be terminated, however, until all monies in the Advertising Fund have been expended for advertising and/or promotional purposes or refunded to the then existing Franchisees on a pro-rata basis based upon contributions.
- i. Franchisee understands that such advertising is intended to maximize the public's awareness of the Franchised Units and the System, and that Franchisor accordingly undertakes no obligation to insure that any individual Franchised Business benefits directly or on a pro rata basis from the placement, if any, of such advertising in his local market.
- j. Franchisor shall have the sole right to enforce the obligations of Franchisee, and all other Franchisees of the Aurelios Is Pizza System who are obligated to contribute to the Advertising Fund, and neither Franchisee nor any other Franchisee of Franchisor who shall be obligated to contribute to the Advertising Fund shall be deemed a third party beneficiary with respect to said Advertising fund or have any right to enforce any obligation to contribute thereto.
- k. No part of the Advertising Fund shall be used by Franchisor to defray any of its general operating expenses other than those reasonably allocable to such Advertising Fund, or other activities reasonably related to the administration or direction of the Advertising Fund and its related programs. Franchisor may hire an employee to manage and provide advertising and marketing expertise for the Advertising Fund and may pay the employee's salary and benefits from the Fund.

- l. Franchisor may, in its sole discretion, elect to accumulate monies in the Advertising Fund for such periods of time as it deems necessary or appropriate, with no obligation to expend all monies received in any fiscal year during such fiscal year.
- m. Franchisor shall contribute to the Advertising Fund by payment into the Fund of any and all rebates received by Franchisor for any and all inventory and supplies purchased by its Franchisees.
- n. It is recognized that Franchisor's affiliate, Aurelio's Pizza, Inc., may operate one or more Aurelio's restaurants which would benefit from the Advertising Fund. Therefore, Franchisor shall enter into an agreement with Aurelio's Pizza, Inc. to require it to contribute to such Advertising Fund by contribution of all rebate monies received by Aurelio's Pizza, Inc. for any and all inventory and supplies purchased by it. However, said restaurants operated by Aurelio's Pizza, Inc. shall have no obligation to pay an advertising fee or otherwise contribute to the Advertising Fund.
- o. From time to time, the Franchisor or a subsidiary of the Franchisor may repurchase and operate a franchised restaurant which would benefit from the Advertising Fund. Therefore, each such repurchased franchised restaurant shall contribute all rebate monies received for inventory and supplies purchased by it into the Advertising Fund. However, said repurchased restaurants shall have no obligation to pay an advertising fee or otherwise contribute to the Advertising Fund.
- p. In the event Franchisor's expenditures from the Advertising Fund in any one fiscal year shall exceed the total amount contributed to the Advertising Fund during such fiscal year, Franchisor shall have the right to be reimbursed to the extent of such excess contributions from any amounts subsequently contributed to the Advertising Fund or to use such excess as a credit against its future contributions.

3. **Websites and Internet Social Networking.** Franchisee shall not be entitled to maintain a website for the Franchised Business or a homepage on internet social networking sites, including but not limited to Facebook, Twitter, Instagram, Pinterest, YouTube, Tumblr, Flickr, Google Plus, Urban Spoon, Yelp, Trip Advisor, Four Square and other similar sites which are currently or may in the future be in existence. Franchisee may only maintain a website or a presence on internet social networking sites through the Franchisor's website at www.aureliospizza.com.

4. **Coupons, Special Offers and Discounts.** Franchisee shall not issue any coupons, make any special offers, or participate in any sales campaign offering discounts from Franchisee's

normal menu prices without first obtaining the Franchisor's approval of the same. All such coupons, offers and sales campaigns shall be submitted to the Franchisor at least fourteen (14) days prior to publication of the same. Should the Franchisor disapprove of any coupon, offer or sales campaign or any aspect of the same, Franchisee shall refrain from using or publishing any coupon, offers or sales campaign not so approved.

5. **Grand Opening Campaign.** Franchisee shall spend a minimum of \$10,000.00 as and for advertising, marketing and promoting the grand opening of the Franchised Business (the "Grand Opening" Campaign). The Grand Opening Campaign shall take place over a period of two (2) consecutive weeks beginning on the date the "soft opening" of the Franchised Business takes place. The entire Grand Opening Campaign shall be submitted to and approved by the Franchisor at least fourteen (14) days prior to the date upon which the Grand Opening Campaign will begin. Franchisee shall provide to the Franchisor receipts or other verification of sums spent on the Grand Opening Campaign at least seven (7) days prior to the date upon which the Grand Opening Campaign will begin. No portion of the monies spent in the Grand Opening Campaign shall be counted toward the Franchisee's fulfillment of his local advertising obligations or its contribution to the Advertising Fund, as set forth above.

ARTICLE VI

FRANCHISE GRANTED TO FRANCHISEE

1. **Nature of Grant.** The franchise granted hereby consists only of the right to operate the Franchised Business only upon the terms and conditions contained herein, to use and display the Aurelio's Is Pizza trademarks and to use the Franchisor's trade secrets, copyrighted materials, methods of operation, boxed and branded foods and ingredients and good will. The Franchisee is granted only

in connection with the promotion of a franchised pizzeria and the retail sale of pizza and related foods for the public in accordance with the Aurelio's Is Pizza Franchise system, the requirements of this Agreement and the requirements of the Operations Manual. Franchisee shall not offer or sell any other services to the public unless the Franchisee shall first obtain the Franchisor's express written consent to offer such services, which consent shall be granted only in the Franchisor's sole, subjective discretion.

2. **No Ownership Rights.** Nothing herein shall give the Franchisee any right, title or interest in or to the Aurelio's Is Pizza trademarks, the Franchisor's trade secrets, copyrighted materials, methods of operation or good will or any part of the same except a mere privilege and franchise during the term hereof to display and use the same according to the foregoing limitations and upon the terms, covenants and conditions contained herein. Upon the expiration or termination of the Franchise Agreement for any reason, Franchisee shall deliver and surrender up to the Franchisor each and all of the Franchisor's manuals, bulletins, instruction sheets, menus, copyrighted materials and forms and shall not thereafter use any of the same or any of such trade secrets, methods of operation, copyrighted materials, good will, or any of them. Franchisee acknowledges that the material and information now or hereafter provided and/or revealed to him pursuant to this Agreement is revealed in confidence and Franchisee expressly agrees to keep and respect the confidence so reposed.

3. **Required Use of Trademarks and Copyrighted Materials.** Franchisee further agrees to operate and advertise the Franchised Business only under the names or marks from time to time designated by the Franchisor, to adopt and use the Franchisor's trademarks solely in the manner prescribed by the Franchisor and to use only such boxes, bags, copyrighted menus, and packaging materials for the pizza and other foods sold at, from or through the Franchised Location as contain

the Franchisor's trademarks, as specified by the Franchisor from time to time.

4. **Acts in Derogation of the Aurelio's Is Pizza Trademarks and Copyrights.**

- a. Franchisee agrees that, as between the Franchisor and Franchisee, the Aurelio's Is Pizza trademarks and copyrights are the exclusive property of the Franchisor and Franchisee now asserts no claim and will hereafter assert no claim to any good will, reputation or ownership thereof by virtue of Franchisee's franchised use thereof. Franchisee agrees that he will not do or permit any act or thing to be done in derogation of any of the Franchisor's rights in connection with the same, either during the term of this Agreement or thereafter, and that he will use same only for the uses and in the manner franchised hereunder and as herein provided.
- b. Franchisee shall not use, or permit the use, as part of the name of any corporation, limited liability company, or partnership which may operate the Franchised Business pursuant hereto, the words "Aurelio's Is Pizza" or any name or combination of words confusingly similar thereto.

5. **Prohibition Against Disputing the Franchisor's Rights.** Franchisee agrees that he will not, during or after the term of this Agreement, in any way, dispute or impugn the validity of the Aurelio's Is Pizza trademarks or copyrights franchised hereunder, or the rights of the Franchisor thereto, or the right of the Franchisor and other Franchisees of the Franchisor to use the same both during the term of this Agreement and thereafter.

6. **Confidentiality of Franchise System.** The Franchisee hereby acknowledges that the Franchisor is the sole owner of all proprietary rights in and to the Franchised System and all material and information relating to the Franchised System now or hereafter revealed to the Franchisee under this Agreement. The Franchisee further acknowledges that the Franchised System, in its entirety, constitutes Confidential Information of the Franchisor and that it is revealed to the Franchisee in confidence, solely for the purpose of enabling the Franchisee to establish and operate the Franchised Business licensed herein in accordance with the terms of this Agreement. Such Confidential Information includes all information not generally known or used by the competitors of Franchisor

and which gives it a competitive advantage in the marketplace or could otherwise be harmful to it if disclosed without authorization. Confidential Information includes, without limitation: (a) Marketing, sales, and advertising information including: lists of actual or potential Customers; Customer preference data; marketing and sales techniques, strategies, efforts, and data; merchandising systems and plans; business plans; product development and delivery schedules; market research and forecasts; marketing and advertising plans, techniques and budgets; overall pricing strategies; the specific advertising programs and strategies utilized, and the success or lack of success of those programs and strategies; (b) Financial information such as: product costs; supplier information; overhead costs; profit margins; bookkeeping and accounting procedures; and pricing policies; (c) Technical information including: recipes, product specifications, improvements, discoveries, developments, designs, inventions, techniques, and new products; and (d) the contents of Franchisor's training manuals, operations manuals, policy manuals and the Continuous Improvement Training Program. The Franchisee hereby agrees that both during and after the term of this Agreement, he will not reveal, report, publish, disclose or transfer any of the Confidential Information to any person or entity or use any of the Confidential Information for any purpose other than disclosure to authorized employees and agents of Franchisee or such other third parties who need such information in furtherance of Franchised Business and who are bound to maintain the confidentiality of the Confidential Information. Nothing contained in this Section shall be deemed to prohibit the Franchisee from engaging or participating in any lawful trade or business, either during or after the term of this Agreement, other than as prohibited by Article XIII, Paragraphs 5 and 6 of this Agreement, provided that the Franchisee does not reveal, use or appropriate in connection therewith any of the proprietary rights, Confidential Information or trade secrets referred to in this Section and does not violate any other provision of this Agreement.

7. **Rights to Goodwill.** The Franchisee acknowledges that all goodwill which may arise

from the Franchisee's use of the Franchisor's Marks, or Franchised System, is and shall at all times remain the sole and exclusive property of the Franchisor and shall inure to the sole benefit of the Franchisor. Nothing contained in the preceding sentence shall be construed to prohibit the Franchisee from receiving, for a sale of his Franchised Business made in compliance with the provisions of this Agreement, a price which includes payment for goodwill.

8. **Unauthorized Use.** Franchise shall promptly report to the Franchisor any unauthorized use of the Franchisor's Marks or copyrighted materials that come to his attention in any manner whatsoever. If requested by the Franchisor, the Franchisee will cooperate with the Franchisor in precluding unauthorized use of the Franchisor's Marks or copyrighted materials, or any confusingly similar mark of indicia, but at the sole expense of the Franchisor.

ARTICLE VII OPENING FOR BUSINESS AND INSPECTIONS

1. **Opening for Business and Pre-Opening Inspection.** Franchisee may not open for business until the Franchised Location is inspected and approval is granted by the Franchisor. Such approval shall be at the Franchisor's sole discretion. In exercising its discretion, the Franchisor may take into account the satisfactory pursuit and completion of any and all training programs, the satisfactory renovation, improvement and decoration of the Franchised Location, satisfactory display of all required interior decorations and exterior signage, the satisfactory compliance with Franchisees's other obligations contained in Articles XII and XIII and elsewhere in this Agreement, and the satisfactory preparation of foods and beverages in any pre-opening tests.

2. **Opening for Business and Payment of Training Costs to Company.** Franchisee may not open for business unless and until all training costs payable pursuant to Article VIII are paid

in full to the Franchisor.

3. **Opening for Business and Telephone Service.** Franchisee may not open for business unless and until the Franchisor has been listed as an additional responsible party on Franchisee's primary telephone number, which shall be the telephone number used in all advertising conducted by Franchisee for the Franchised Business.

4. **Inspections.** The Franchisor or any of its authorized agents or representatives may at any time during normal business hours, enter upon the Franchised Location for the purpose of examining and inspecting the same, the fixtures, furnishings, equipment, products and supplies contained therein and the condition thereof, the employees thereof and services performed thereby and for conferring therewith, and for the purpose of examining and inspecting the operation of the Franchised Business in all respects to determine compliance with this Agreement and with the Franchisor's Operation Manual and standard procedures. Failure to allow an inspection of the Franchise Location and the Franchised Business shall constitute a violation of the Franchise Agreement.

ARTICLE VIII **TRAINING AND STORE OPENING**

1. **Franchisee and Manager Training.** Prior to the date Franchisee's franchised pizzeria is ready to open for business to the public, Franchisee and Franchisee's Manager and Pizzeria Director, shall satisfactorily pursue and complete the Franchisor's management training program. If Franchisee is a corporation, limited liability company or partnership, then the Franchisor and the Franchisee shall agree upon a person representing the Franchisee ("Franchisee's Representative") who shall be the person primarily in charge of managing the day-to-day operations of the Franchisee. Franchisee's Representative shall also satisfactorily pursue and complete the Franchisor's

management training program. Such training program shall be for a minimum of seven (7) days at the Franchisor's training center in Homewood, Illinois or at an assigned Aurelio's location. Should the Franchisor not be satisfied as to each such person's pursuit or completion of the Franchisor's management training program, the Franchisor shall have the right to disqualify Franchisee as a Franchisee hereunder and to thereby terminate this Agreement. In the event of a termination of this Agreement by the Franchisor pursuant to this Paragraph, the Franchisor shall refund to Franchisee a portion of the initial franchise fee paid by him to the Franchisor, as more fully set forth in Article IV, Paragraph 1.b. above.

2. **Staff Training and Post-Opening Assistance.** Prior to the date Franchisee's Franchised Business is ready to open for business to the public, all personnel whom Franchisee will employ at the commencement of operation of his Franchised Business, other than maintenance personnel and those who have completed the Franchisor's training pursuant to Paragraph 1 above, shall satisfactorily pursue and complete the Franchisor's employee training program at the Franchised Location. Franchisee or its Franchisee's Representative, Franchisee's Manager and Pizzeria Director shall participate in and assist with such staff training. Such training shall extend beyond the opening of the Franchised Business for so long as Franchisor deems necessary in order to determine that the Franchisee, his management, the Franchisee's Representative and all staff are performing their duties in a satisfactory manner.

3. **Scheduling during Training.** In furtherance of Franchisee's obligations to have its management and staff successfully complete training pursuant to Paragraphs 1 and 2 above, Franchisee must disclose to the Franchisor the names and contact information of all of the Franchisee's initial management and staff at least seven (7) days in advance of any training. The

Franchisor and its representatives shall have full authority to schedule all such initial management and staff to be present at the Franchised Location for training purposes. However, payment of any and all wages, salaries and any other costs and expenses associated with the presence of such management and staff at the Franchised Location shall be solely the responsibility of the Franchisee. Franchisee shall not hire or use any management or initial staff in the operation of the Franchised Business who have not successfully completed the applicable initial training program.

4. **Additional Management and Staff Training.** During the entire term of this Agreement:

- a. Should Franchisee employ a Franchisee's Representative, manager or food service director of the Franchised Business other than those persons who have completed the Franchisor's training program as described in Paragraph 1 above, the Franchisor may require such persons, prior to the time they actually perform services in the Franchised Business, to satisfactorily pursue and complete the Franchisor's management training program as set forth in Paragraph 1.
- b. If the Franchisor shall determine, through its inspection of the Franchised Business that, in its sole subjective judgment exercised in good faith, that any of Franchisee's personnel is not satisfactorily performing his duties, as prescribed by the Franchisor's operations manual, the Franchisor shall have the right to require such person to pursue such additional training as the Franchisor determines is necessary. Such person shall satisfactorily pursue and complete such training prior to returning to work at the Franchised Business.
- c. The Franchisor reserves the right to charge a reasonable fee to the Franchisee for any additional training conducted for Franchisee's management or staff pursuant to Paragraphs 5.a. and 5.b. above. Such reasonable fee shall include necessary travel, lodging, per diem and the sum of \$30.00 per hour for each instructor. All expenses incurred by any trainee in connection with attendance at or during such training, including, but not limited to, the cost of airfare and other transportation, meals, lodging and other living expenses shall be at the sole expense of the Franchisee. Franchisee shall pay all wages or salaries for all Franchisee management personnel and staff required to attend any such additional training.

5. **Costs and Expenses of Management Training and Post-Opening Assistance Payable by Franchisee.**

- a. The management training program for the Franchisee, the Franchisee's Representative, Franchisee's manager and pizzeria director shall normally take place at the Franchisor's training center located in Homewood, Illinois, or at another assigned Aurelio's location. All expenses incurred by any trainees in connection with attendance at or during such training, including, but not limited to, the cost of air fare and other transportation, meals, lodging and other living expenses shall be at the sole expense of the Franchisee. Franchisee shall pay any wages or salaries of any trainee during attendance. The cost of wages and salaries for all instructors shall be paid by Franchisor.
- b. The Franchisor will bring instructors to the Franchised Location to train the personnel described in Paragraph 2 above prior to the commencement of operation, and to assist the Franchisee and staff during opening and for such period of time thereafter deemed necessary by the Franchisor. The Franchisor shall be responsible for booking direct flights, lodging and rental cars and other transportation for all instructors and for Joseph M. Aurelio or his designated replacement. The Franchisee shall be responsible for paying all such travel and lodging expenses and further shall further be responsible for paying the Franchisor for all expenses incurred for per diem for meals. The cost of wages and salaries for all instructors shall be paid by Franchisor. Franchisor shall give to Franchisee an estimate of the total of all anticipated travel and lodging expenses, and per diem for such training and post-opening assistance, and Franchisee shall deposit with the Franchisor, in advance of such training, that estimated sum. The Franchisee shall be responsible for reimbursing Franchisor for all actual expenses over and above the amount of said deposit. Such reimbursement must be paid before the Franchised Business will be allowed to open pursuant to Article VII, Section 2 above.
- c. In the event Franchisee shall request that personnel of the Franchisor travel to the Franchised Location, wherever located, or in the event the Franchisor shall determine, in its sole discretion, that it is necessary to send such personnel, for additional training, troubleshooting, problem solving or assistance of any type, Franchisee shall pay all travel expenses, lodging expenses and per diem expenses plus a flat rate of \$30.00 per hour for each of said personnel. Such expenses shall be estimated by the Franchisor, and Franchisee shall pay for the same in advance.

6. **Training Upon Assignment.** Before completion and final approval of any assignment of this Franchise Agreement pursuant to the terms of Article XIV below, the new Franchisee and Franchisee's Representative and Franchisee's Manager and Pizzeria Director shall satisfactorily pursue and complete the Franchisor's management training program. Should the Franchisor not be

satisfied as to each person's pursuit or completion of the Franchisor's management training program, the Franchisor shall have the right to disqualify the new Franchisee as a Franchisee hereunder and to thereby withdraw approval of the new Franchisee and to terminate any Franchise Agreement theretofore entered into with the new Franchisee. Further, all such persons and any staff who are not otherwise trained shall pursue and complete the Franchisor's employee training program at the Franchised Location.

7. **Training for Additional Locations.** In the event Franchisee is granted the right to open additional locations, the Franchisee's Manager, Pizzeria Director and first staff for each additional Franchised Location shall satisfactorily pursue and complete the Franchisor's training programs as set forth in Paragraphs 1 through 6 above. Should the Franchisor not be satisfied as to each person's pursuit or completion of the Franchisor's training program, the Franchisor shall have the right to withdraw approval of the new franchise and terminate any Franchise Agreement theretofore entered into with regard to the new Franchised Location. However, nothing in this Paragraph shall grant to the Franchisee any right to open any Franchised Location other than the one (1) location specifically licensed in this Agreement, nor obligate the Franchisor to grant any further rights or locations to the Franchisee. The Franchisee shall be responsible to pay for all costs and expenses of staff training as set forth in Paragraphs 2 and 6(b) above.

8. **Satisfactory Training.** Whenever reference is made in this article to the satisfactory pursuit and completion of the Franchisor's training program, the judgment as to such matters shall be exercised solely and subjectively by the Franchisor in good faith, it being agreed that such judgments are those which only the Franchisor is capable of making because of its unique experience and knowledge of its business and methods.

9. **No Control Over Employees.** Nothing herein shall require or allow the Franchisor to exercise control over Franchisee's hiring, firing, discipline or the day-to-day supervision of Franchisee's employees. The purpose of the Franchisor's training programs is to establish system standards which impact food quality and the overall presentation of the Aurelio's brand and concept to customers. Any other standards to be imposed upon the Franchisee's management and employees shall be solely within the discretion and control of Franchisee. The determination of whether a manager or employee meets any such other standards, the decision to hire, fire or discipline any manager or employee, and the level of supervision given to any manager or employee are strictly within the exclusive control of Franchisee.

ARTICLE IX
FURTHER OBLIGATIONS OF THE FRANCHISOR

1. **Additional Initial Obligations.** In connection with the franchise herein granted, the Franchisor agrees to provide:

- a. One (1) operations manual (optional at the Franchisor's discretion);
- b. A basic bookkeeping system (optional at the Franchisor's discretion);
- c. A standard set of interior and exterior plans and specifications, equipment and fixtures specifications, materials list for your selected Franchised Location.
- d. An approved source from which to purchase a standard set of Aurelio's branded decorations and photographs to be displayed at the Franchised Business as directed by the Franchisor.
- e. An approved distributor of a Point of Sale (POS) System consisting of POS software specifically modified for use at Aurelio's Is Pizza restaurants, as well as computer hardware compatible with such software;
- f. An approved source for an online ordering website, a mobile app for ordering and for customer loyalty and gift card services;
- g. An electronic reporting and electronic funds transfer (ACH) service;

- h. An approved supplier of Aurelio's standard exterior signage;
 - i. Approved sources for you to purchase the ingredients, foods and supplies necessary for you to operate the Franchised Business;
 - j. An approved supplier of uniforms for your employees;
 - k. Assistance and/or advice in purchasing food supplies, other merchandise and services required to open and operate the Franchised Business;
 - l. Assistance and/or advice in hiring Franchisee's first staff;
 - m. Assistance and/or advice in the development of a "grand opening" promotional and publicity campaigns;
 - n. A management training program for the Franchisee, his designated representative and managers; and
 - o. A training program for your initial staff and post opening assistance to be conducted at your Franchised Location.
2. **Ongoing Obligations.** During the entire term of this Agreement to:
- a. Be available at the home office of the Franchisor for consultation and guidance of the Franchisee with respect to the operation and management of the Franchised Business;
 - b. Provide additional training to your staff and management employees on the terms described in Article VIII;
 - c. Provide on-going quality assurance through regular inspections and on-location training and assistance by one of the Franchisor's franchise directors;
 - d. Provide an internet based Business Management Portal, which will allow communication between the Franchisor and other Franchisees, and which will provide information regarding news, events and meetings relating to the Franchised System, product alerts, supplier and pricing information, training videos and documents, marketing materials and other documents and information related to the successful management of the Franchised Business.
 - e. Conduct periodic Franchisee meetings at its Homewood, Illinois offices, or at such other place as designated from time to time, to discuss with the Franchisees issues related to the Franchisees, Aurelio's brand, the Aurelio's Franchised System and the pizzeria restaurant industry in general.

- f. Provide approved sources for you to purchase the ingredients, foods and supplies necessary for you to operate the Franchised Business.

ARTICLE X
RELATIONSHIP OF FRANCHISEE TO THE FRANCHISOR

1. **No Agency or Joint Venture.** It is expressly agreed that the parties intend by this Agreement to establish the relationship of Franchisor and Franchisee and that it is not the intention of either party to undertake a joint venture or to make the Franchisee in any sense an agent, employee or affiliate of the Franchisor. It is further agreed that Franchisee has no authority to create or assume in the Franchisor's name or on its behalf, any obligation, express or implied, or to act or purport to act as its agent or representative for any purpose whatsoever.

2. **Day-to-Day Operation.** Franchisee shall be an independent contractor, and shall control the manner and means of day-to-day operation of its Franchised Business. Franchisee shall exercise complete control over and responsibility for the conduct of Franchisee's managers, agents and employees and the safety and security of Franchisee's customers, managers, agents and employees in, on and about the Franchised Location.

ARTICLE XI
LOCATION, IMPROVEMENT AND LEASE OF FRANCHISED PIZZERIA

1. **Determination of Franchisee's Location.** Franchisee shall choose a site or sites at which Franchisee desires to locate its Franchised Location, and shall submit to the Franchisor such information regarding the same as the Franchisor shall require, including the terms and conditions of any proposed lease or purchase agreements. The Lessor for any site submitted must agree to execute a Consent and Agreement of Lessor to the Conditional Assignment of Lease in the form attached hereto as Exhibit B. If the Franchisor has not rejected the site within thirty (30) days of its

receipt of the requested information, the site shall be deemed approved. The Franchisor shall not unreasonably reject a proposed site nor unreasonably delay its approval or disapproval thereof.

2. **Required Use of Standard Plans and Specifications.**

- a. **Standard Plans and Specifications.** The Franchisor has produced standard plans and specifications for an Aurelio's Is Pizza franchised restaurant, including exterior decor and signage, interior layout, standard equipment lists and interior decor specifications, optimal layout for the kitchen, and standards for HVAC, electrical, plumbing and other interior systems within the restaurant. Said standard plans and specifications shall be made available to Franchisee and its architect and general contractor. Upon selection and approval of Franchisee's Franchised Location, as more fully set forth in Paragraph 1 above and in this Paragraph below, Franchisee's architect or general contractor shall produce an initial interior and exterior design incorporating to the extent possible the standard plans and specifications, with appropriate modifications to fit the Franchised Location chosen. All of the above shall be accomplished at the Franchisee's sole expense.
- b. **Franchisee's Employment of Architects, Designers, Engineers and General Contractor.** Franchisee shall, at his sole cost and expense, employ such architects, designers, engineers, general contractors or others as may be necessary to complete the design and construction of the Franchised Business at the Franchised Location. Any other such architects, designers, engineers or general contractors proposed to be employed or hired by Franchisee must first be approved in writing by Franchisor, and Franchisee or the person or firm the Franchisee proposes to hire shall provide to Franchisor such information and references as Franchisor requests in order to determine the skills, qualifications, insurance coverage and resources necessary to perform the services proposed. Franchisor will, from time to time, provide a list of pre-approved architects, designers, engineers and general contractors.
- c. **Modifications to Standard Plans and Specifications.** Franchisee may request modifications from the standard plans and specifications. However, no such modifications may be made unless and until Franchisee has obtained the prior written consent and approval of Franchisor to each and every such modification. No such modification shall be approved except for good cause shown by the Franchisee. The approval of any such modification shall at the sole subjective discretion of Franchisor. Franchisee shall not commence construction of the Franchised Business unless and until Franchisor has approved in writing the final plans and specifications to be used. Franchisor shall consult with Franchisee, and shall inspect the interior and exterior of the Franchised Business during all phases of remodeling and construction, to the extent Franchisor deems necessary. However, it shall be and remain the sole responsibility of Franchisee to diligently design, construct, equip and otherwise ready

to open the Franchised Business in accordance with the final plans and specifications approved.

3. **Franchisee's Sole Cost and Expense.** Franchisee shall, at his sole cost and expense, improve, decorate, equip and furnish the premises from which he will conduct his Franchised Business and purchase inventory and supplies for the operation thereof. Franchisee shall maintain liability and property damage insurance coverage in the amounts required by Article XII, Paragraph 1.a. and 1.b. during the entire period from the beginning of construction or renovation until opening. Any cost and expense associated with requesting any modification to the standard plans and specifications, Franchisor's review of such modification requests and in and about modifying the standard plans and specifications shall be borne solely by Franchisee.

4. **Construction.** Franchisee shall use a fully bonded and insured licensed general contractor approved by Franchisor to perform all remodeling and construction work at the Franchised Business. Franchisor shall not be responsible for delays in the construction, equipping or decoration of the Franchised Business or for any loss or damage to Franchisee or any third party resulting from the design or construction of such Franchised Business and shall be indemnified by Franchisee as provided for in Article XVIII herein. Franchisor and the Franchisor's agents shall be granted full access to the interior and exterior of the Franchised Business during all phases of remodeling and construction.

5. **Equipment Requirements.**

a. Franchisee shall purchase according to specifications issued by Franchisor such equipment, fixtures, decor and small wares, which shall be sufficient to equip the Franchised Business. No change or addition shall be made in or to such specified equipment, fixtures, decor and small wares at anytime during the term of this Agreement without Franchisor's prior written consent and approval, which consent and approval shall not be unreasonably withheld.

- b. Franchisee shall purchase from Franchisor's approved supplier and use the Franchisor's standard set of Aurelio's branded decorations and photographs, which shall be displayed as directed by the Franchisor.
- c. Franchisee shall lease or purchase from Franchisor's approved supplier a Point of Sale (POS) System consisting of specified POS software specifically developed for use at Aurelio's restaurants, as well as computer hardware compatible with such software.
- d. Franchisee shall purchase from Franchisor's approved suppliers a package of Aurelio's standard exterior signage.
- e. Franchisee shall purchase from any source all equipment and services necessary to communicate with Franchisor by facsimile, internet and intranet.
- f. Franchisee shall use Franchisor's specified electronic reporting and electronic funds transfer (ACH) service.

6. **Inspection and Approval.** Franchisor and the Franchisor's agents shall have full access to the Franchised Business and the Franchised Location while work is in progress and may require such reasonable alterations or modification of the construction of the Franchised Business as it deems necessary. Franchisee's failure to commence the design, construction, equipping and opening of its Franchised Business with reasonable due diligence shall be grounds for the termination of this Agreement. Franchisor shall make a final inspection of the completed Franchised Business and may require such corrections and modifications as it deems necessary to bring the Franchised Business into compliance with accepted plans and specifications, the designated display of Aurelio's branded decorations and photographs and the correct display of Aurelio's standard signage. Such inspection shall occur no later than four (4) days before the scheduled date for opening of the Franchised Business. The Franchised Business will not be allowed to commence operations if it does not conform, in any material respect, to the plans and specifications approved by Franchisor, including any changes to such plans and specifications accepted by Franchisor, the use of only

approved equipment, fixtures, decor and smallware, the designated display of Aurelio's branded decorations and photographs and the correct display of Aurelio's standard signage. Failure to promptly correct any unauthorized variance from the accepted plans and specifications, the designated display of Aurelio's branded decorations and photographs and the correct display of Aurelio's standard signage will result in the termination of this Agreement.

7. **Completion of Construction.** Franchisee shall commence the construction of such improvements and installation of equipment in the Franchised Business as soon as practicable after the date hereof and diligently pursue said work and cause same to be diligently pursued to completion. Subject to force majeure or any other cause beyond the reasonable control of Franchisee, Franchisee shall complete such work, obtain all required franchises or permits, hire and train all staff, purchase and have delivered all opening inventory of supplies and merchandise and in general do all things as shall be necessary so that the Franchised Business shall be open for business to the public on or before six (6) months from the date of this Agreement or from that date when the Franchisor has furnished the plans and specifications described in Paragraph 2 above, whichever shall be later.

8. **Lease Requirements and Franchisor's Succession Rights.** Franchisee shall enter into a lease agreement for the Franchised Location which shall have a term of not less than five (5) years, with an option for an additional five (5) year term. A fully executed copy of such lease or sublease shall be delivered to the Franchisor promptly upon the execution thereof. Further, Franchisee shall execute a Conditional Assignment of Lease for the Franchised Location in favor of Franchisor, and shall cause the Lessor for the Franchised Location to execute a Consent and Agreement of Lessor to said Conditional Assignment, all in the form attached hereto as Exhibit "B" which shall provide:

- a. A conditional assignment on the part of Franchisee to assign said lease or sublease to the Franchisor and the right of the Franchisor, if it so elects, to succeed to Franchisee's interest under said lease and expel Franchisee upon the default by franchisee under the Lease Agreement or under the Franchise Agreement.
- b. The right on the part of the Franchisor to notice from the landlord of any default by Franchisee under said lease or sublease simultaneously with notice to Franchisee, but in any event, not less than thirty (30) days prior to the termination of said lease, and the right, but not the obligation, to cure any such default prior to such termination. The cost to the Franchisor to so cure any such default on the part of the Franchisee under his lease or sublease shall be due and payable to the Franchisor by Franchisee upon demand.
- c. The right on the part of the Franchisor to enter upon the leased premises to remove any and all interior and exterior signage containing Aurelio's name, marks, designs or color schemes immediately upon the termination or non-renewal of Franchisee's Franchise Agreement.
- d. The right on the part of the Franchisor to enter upon the leased premises to remove any and all Aurelio's branded decorations from the interior, including but not limited to all photographs and decorations provided to the Franchisee by the Franchisor.

9. **Maintaining and Refurbishing of Franchised Business.**

- a. Franchisee shall at all times during the term hereof and any renewals maintain at his or her sole expense the interior and exterior of the Franchised Business and the entire Franchised Location, including the parking lot, in first class condition and repair and in compliance with the operations manual, bulletins, and all local rules, ordinances and regulations; provided, however, that to the extent this provision is inconsistent with any preexisting lease or sublease, the terms of such lease or sublease shall be controlling.
- b. Upon each renewal of this Franchise Agreement, at Franchisee's sole cost and expense, Franchisee shall refurbish, remodel, equip, re-sign and improve both the interior and exterior of the Franchised Business in accordance with Franchisor's then current standards. Franchisee shall complete any such refurbishing, remodeling, equipping, re-signing and improving as expeditiously as possible, but in any event within 30 days of commencing the same.
- c. Franchisor may, on one or more occasions, waive or defer for such period of time as Franchisor may deem appropriate, Franchisee's obligation to refurbish, remodel, equip, re-sign and improve the Franchised Business, if Franchisor determines in its reasonable judgment that the Franchised Business is, on the date scheduled for commencement of such refurbishing, remodeling, equipping, resigning or improving, substantially in conformity with Franchisor's then current standards as aforesaid.

ARTICLE XII

INSURANCE

1. **Policies Required.** Franchisee shall procure and maintain in full force and effect during the entire term of this Franchise Agreement, at the Franchisee's expense, such primary and/or umbrella insurance policies regarding the Franchised Business and the Franchised Location as are necessary to maintain the following policy limits:

- a. Comprehensive general liability insurance covering operations and premises, completed operations, products liability and contractual liability with minimum policy limits of \$2,000,000.00 per occurrence for bodily injury or property damage and \$3,000,000.00 aggregate per policy period;
- b. All risk property damage insurance in an amount not less than 100% of the replacement cost value of the Franchisee's equipment, improvements to the Franchised Business and the Franchised Location itself, if owned by Franchisee;
- c. Liquor liability insurance (dram shop insurance), where alcoholic beverages are sold from the Franchised Location, with policy limits of \$1,000,000.00;
- d. Owned, non-owned, rented and hired motor vehicles insurance, specifically covering delivery drivers, with minimum policy limits of \$1,000,000.00;
- e. Worker's compensation and employer's liability insurance with minimum policy limits of \$1,000,000.00 each accident, each employee and disease policy limits; and
- f. Business income insurance in a minimum amount equal to 50% of Gross Sales of the Franchised Business for the prior year (or 50% of expected Gross Sales for the first year).

2. **Persons Protected.** All such policies of insurance must cover the Franchisor and Aurelio's Pizza, Inc., and their officers, directors, shareholders and employees as additional named insureds against any loss, liability or expense arising or occurring upon or in connection with the Franchisee's Aurelio's Is Pizza restaurant, or by reason of the construction, operation or occupancy of the Franchised Business. All policies of liability insurance shall require the insurer to defend Franchisor, Franchisee and Aurelio's Pizza, Inc. in any such litigation.

3. **Extent of Coverage.** All insurance shall cover all services and activities conducted on or out of the Franchised Location, and all products sold or distributed and all employees or independent contractors performing services in furtherance of the services and activities of the Franchised Business at all times the Franchised Business is open.

4. **Companies Acceptable.** Such policy or policies shall be written by an insurance company acceptable to Franchisor, with an A.M. Best Issuer credit Rating of at least "A-" or better, and shall include the minimum coverage specified above. Additional coverage and higher policy limits may reasonably be specified for all Franchisees from time to time by Franchisor in writing.

5. **Certificate of Insurance.** A Certificate of Insurance issued by the insurance company showing compliance with the foregoing requirements shall be furnished by Franchisee to Franchisor no later than the date insurance is to be procured in accordance with Article XII, Paragraph 1 of this Franchise Agreement and annually thereafter. The Certificate of Insurance shall include a statement that the policy or policies may not be canceled or altered without at least thirty (30) days prior written notice to Franchisor. Franchisor reserves the right to request copies of all policies from Franchisee or directly from the insurance company.

6. **No Relief from Indemnity.** Maintenance of insurance and the performance by Franchisee of the obligations under this Article XII, shall not relieve the Franchisee of liability under the indemnity provisions set forth in Article XVIII of this Franchise Agreement.

7. **Franchisor's Rights.** Franchisee shall give the Franchisor 30 days written notice prior to amending, modifying or cancelling any required insurance policies or changing insurance carriers. Should Franchisee, for any reason, not procure and maintain the insurance coverage required by this Franchise Agreement, the Franchisor shall have the right and authority (without, however, any

obligation to do so) immediately to procure such insurance coverage through agents and insurance companies of its own choosing and charge same to Franchisee, which charges, together with the fee of ten percent (10%) of the cost to the Franchisor of such insurance coverage as an administrative fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice. Nothing contained herein shall be construed or deemed to impose on Franchisor any duty or obligation to obtain or maintain any specific forms, kinds or amounts of insurance for or on behalf of Franchisee, or as an undertaking or representation by Franchisor that such insurance as may be obtained by Franchisee or by Franchisor for Franchisee will insure Franchisee against any or all insurable risks of loss which may or can arise out of, or in connection with, the operation of the Franchised Business.

ARTICLE XIII **OTHER OBLIGATIONS OF FRANCHISEE**

1. **Compliance with Laws and Company's Operations Manual.** Franchisee shall not sell or offer to the public, without prior written approval, services or products other than those specified by the Franchisor and shall not use the Franchised Business and the Franchised Location for any other purpose than the operation of an "Aurelio's Is Pizza" restaurant. Franchisee shall operate his Franchised Business in strict compliance with all applicable laws, rules, codes and regulations of duly constituted governmental authorities and in strict compliance with the standard procedures, policies, rules and regulations established by the Franchisor and incorporated in the Franchisor's operations manual. Such standard procedures, policies, rules and regulations established by the Franchisor may be revised from time to time as circumstances warrant and Franchisee shall strictly comply with all such procedures as they may exist from time to time as though they were specifically

set forth in this Agreement. By way of illustration and without limitation, such standard procedures, policies, rules and regulations may or will specify payment procedures, hours of operation, advertising and promotion, cooperative programs, minimum standards and qualification for employees, uniforms and standards of dress and appearance, employee training, artistic standards, service requirements, including products which must be offered, equipment, accounting, forms and reports and in general will govern all matters that in the Franchisor's judgment require standardization and uniformity in all Franchised Businesses. The Franchisor has furnished Franchisee with its current operations manual for his review prior to the execution of this Agreement.

2. **Compliance with Laws.** Franchisee shall obtain and maintain in effect all required licenses, permits and certificates related to the operation of the Franchised Business and shall operate the Franchised Business in full and strict compliance with all applicable federal, state and local laws, ordinances and regulations, including without limitation all government law, ordinances and regulations relating to (1) licensing and certification; (2) sanitation and food safety; (3) occupational hazards and health; (4) handling, storage and disposal of chemicals and other materials of a similar nature; (5) the Occupational Safety and Health Act; (6) environmental matters; (7) workers' compensation; (8) insurance; and (9) unemployment insurance and withholding. All owners and management personnel shall be serv-safe certified upon opening and at all times thereafter.

3. **Taxes.** Franchisee shall pay any and all city, county, state and/or federal sales and/or use taxes arising in connection with or levied or assessed by any of said governmental bodies in connection with all or any part of this Agreement, the Franchised Business and/or all or any of the services being sold hereunder, promptly in full, when due, and prior to any delinquency. The Franchisee shall hold the Franchisor harmless for nonpayment of taxes due the State or the Federal

Government for monies withheld from employees' salaries.

4. **Pricing.** The Franchisor from time to time recommends or suggests those prices to be charged by Franchisee for its merchandise and services sold at the Franchised Business. Such recommended or suggested prices are not binding upon Franchisee, and Franchisee is and shall be at all times free to charge prices entirely of his own choosing. If Franchisee desires to increase prices over the recommended or suggested prices, he may do so up to 5% of the recommended or suggested prices without the consent of the Franchisor. If Franchisee desires to increase prices more than 5% over the recommended or suggested prices, he is required to obtain written approval of the Franchisor, which approval will not be unreasonably withheld for good cause shown.

5. **In-Term Covenant Not to Compete and Not to Disclose.** During the term of this Agreement, Franchisee and its officers, directors, shareholders, members and partners, (hereinafter individually and collectively known as "Franchisee") covenant individually and jointly, not to directly or indirectly own, operate, control, manage or have an interest in or provide services for any business other than the Franchised Business, wherever located or operating, that manufactures, distributes, markets, sells or promotes pizza or in any other restaurant, grill (including a sports bar or bar and grill), catering business or other establishment that serves for dine in, take our or delivery any category of prepared food offered on the Aurelio's menu other than as a Franchise owner in the Aurelio's Is Pizza system and to maintain the confidentiality of Franchisor's trade secrets. Provided, however, that Franchisee shall not be prohibited hereby from owning equity securities of any pizzeria business, whose shares are traded on a stock exchange or on the over-the-counter market so long as the Franchisee's ownership interest shall represent two percent (2%) or less of the total number of outstanding shares of such business. In furtherance of this covenant, all of Franchisee's officers,

directors, shareholders, members or partners shall execute a Non-Competition and Non-Disclosure Agreement in the form specified by the Franchisor requiring the same to refrain from such activities during the term of this Agreement. It is the intention of this Agreement to preclude not only direct competition but also all forms of indirect competition, such as consultation for competitive businesses, or any assistance or transmission of information of any kind or nature whatsoever which would be of any material assistance to any business competitive with the Franchised Business which Franchisee will conduct hereto or the Franchisor.

6. **Post Termination Covenant Not to Compete and Not to Disclose.** Franchisee and its officers, directors, shareholders, members and partners, (hereinafter individually and collectively known as “Franchisee”) covenant individually and jointly, that for two (2) years after expiration or termination of this Agreement Franchisee will not, either directly or indirectly, own, operate, control or manage any entity, soliciting orders for, selling, distributing, or otherwise marketing products and/or services which directly or indirectly compete with Franchisor’s products within a five (5) mile radius of Franchisee’s Franchised Location or within a five (5) mile radius of any franchised or company-owned Aurelio’s pizzeria location associated with Franchisor, including but not limited to any restaurant, grill (including a sports bar or bar and grill), catering business or other establishment that serves for dine in, take out or delivery any category of prepared food offered on the Aurelio’s menu and to maintain the confidentiality of Franchisor’s trade secrets. Franchisee shall further covenant not to solicit customers or employees of the Franchisor or any franchisee. In furtherance of this covenant, all of Franchisee’s officers, directors, shareholders, members or partners shall execute a Non-Competition and Non-Disclosure Agreement in the form specified by the Franchisor requiring the same to refrain from such activities for such two (2) year period after expiration or

termination. It is the intention of this Covenant to preclude not only direct competition but also all forms of indirect competition, such as consultation for competitive businesses, or any assistance or transmission of information of any kind or nature whatsoever which would be of any material assistance to any business competitive with the Franchisor. The length of time set forth above will be tolled for any period during which Franchisee in breach of the covenants or any other period during which Franchisor seeks to enforce this Agreement. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement.

7. **Non-Competition and Non-Disclosure Obligations of Key Individuals.** In furtherance of the obligations set forth above in Article XIII, Paragraphs 5 and 6, Franchisee shall cause each of its officers, directors, shareholders, members, owners and store level or higher managers to execute a Non-Competition and Non-Disclosure Agreement in the form specified by the Franchisor. Said Non-Competition and Non-Disclosure Agreements shall be consistent with the terms of Article XIII, Paragraphs 5 and 6 above. The execution of such agreements by officers, directors, shareholders, members and owners shall be a condition precedent to execution of this Franchise Agreement. All store level or higher managers shall execute such an agreement at the time of hiring.

8. **Services of the Franchisee.** The Franchisee, or in the case of a corporation or a limited liability company, its principal executive officer or member, shall be in active, full-time charge of the Franchised Business conducted pursuant to the terms of this Agreement, or, if the Franchisor expressly consents in writing, shall appoint a full-time manager for such purpose.

9. **Purchases from the Franchisor.** Franchisee must use the Franchisor's boxed and branded sauces, cheese, sausage, pepperoni, other meats, dough mix, garlic mix, packaged Italian dressing, mushrooms and all other foods and ingredients, as well as all Aurelio's Is Pizza branded

boxes and packaging, as required from time to time by the Franchisor to conduct its Franchised Business. All such foods and ingredients must be purchased from approved suppliers. The Franchisor or a firm affiliated with the Franchisor may be an approved supplier.

10. **Purchases from Approved Suppliers.**

- a. Franchisee must purchase all boxed and branded sausage, pepperoni, meat, cheese, spices, Aurelio's Is Pizza mixes, sauces, dressings, mushrooms and all other foods and ingredients required for the preparation of foodstuffs sold by the Franchised Business, as well as all Aurelio's Is Pizza branded boxes and packaging, solely from suppliers who demonstrate, to the continuing reasonable satisfaction of the Franchisor, the ability to meet the Franchisor's reasonable standards and specifications for such items and who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; and who have been approved in writing by the Franchisor and not thereafter disapproved.
- b. If Franchisee desires to purchase any items from an unapproved supplier, Franchisee shall submit to the Franchisor a written request for such approval, or shall request the supplier itself to do so. Such approval shall be at the sole discretion of the Franchisor. Franchisee may not use, sell or offer to sell any products made by the proposed supplier until written approval of that supplier is received. Rejection of any proposed supplier may be based solely upon the Franchisor's decision not to reveal its secret recipes to that proposed supplier. The Franchisor is not required to make available to any prospective supplier the Franchisor's standards, specifications, recipes or ingredients for proprietary or trade secret products that are considered confidential, in Franchisor's sole discretion. The Franchisor shall have the right to require, as a condition of its approval, that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, at the Franchisor's option, either to the Franchisor or to an independent, certified laboratory designated by the Franchisor for testing prior to granting approval. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test shall be paid by the supplier. The Franchisor reserves the right, as its option, to reinspect the facilities and products of any such approved supplier and to revoke its approval upon its failure to continue to meet any of the foregoing criteria.
- c. The Franchisor currently has approved only three (3) suppliers of foods and ingredients as meeting the high quality standards set by the Franchisor. Boxed and branded sausage, pepperoni, meat and cheese shall be supplied by Aurelio's Quality Products, LLC. Boxed and branded produce, spices, sauces, mixes, dressings and mushrooms shall be supplied by Wilkens FoodService. All sandwich bread, pasta bread and breadsticks shall be supplied by Turano Baking Company. Notwithstanding

the above, the Franchisor may change suppliers or approve other suppliers from time to time in other geographical areas, pursuant to Sub-paragraph 10(b) above or at the Franchisor's discretion.

- d. Franchisee must enter into a Commissary Agreement with Aurelio's Quality Products, LLC, in the form specified by the Franchisor from time-to-time during the term of this Agreement. The Franchisee's obligations pursuant to the Commissary Agreement must be guaranteed by each and every owner or partner of the Franchise, each and every shareholder, officer and director of any corporate Franchisee and each and every member and manager of any limited liability company Franchisee.
- e. Franchisee shall purchase all soft drink products, including all syrup, and bottled soda used in the Franchised Business from such national supplier as designated by the Franchisor from time to time. Franchisee shall purchase such soft drink products only through the national contract negotiated by the Franchisor. The Franchisor may require each Franchisee to enter into its own agreement with the national supplier. The Franchisor currently designates that franchisee use only Pepsi branded products in order to take advantage of Pepsi's national accounting pricing for the benefit of all franchisees. The Franchisor may change its national soft drink supplier upon 30 days written notice to its franchisees, in the Franchisor's sole discretion. Franchisee shall have no right to submit or propose any other national soft drink supplier to the Franchisor.
- f. Franchisee shall purchase its basic package of equipment, fixtures, decor and smallwares in accord with Franchisor's specifications.
- g. Franchisee shall purchase all employee uniforms only from J & L Uniforms.
- h. Franchisee must purchase all Aurelio's Branded photographs, interior decor, and menus only from Integra Graphics.
- i. Franchisee must purchase a package of Aurelio's standard exterior signage only from Express Signs.
- j. Franchisee must lease or purchase the (POS) System software and hardware only from Toast, or such other POS Software and hardware as Franchisor may require from time-to-time.
- k. Franchisee must use Incentivio as its sole provider of software and support for an online ordering website, a mobile app for ordering and for customer loyalty and gift card services.
- l. Franchisee agrees to use only that electronic funds transfer and electronic reporting

services as specified by Franchisor from time-to-time.

- m. Franchisee shall at all times during the term of this Agreement carry in stock a complete line of Aurelio's Is Pizza products in sufficient quantity as shall be necessary to meet reasonably expected demand therefor in the Franchised Business.
- n. Franchisee shall not make, manufacture, alter or dilute the Aurelio's Is Pizza boxes and branded foods and ingredients and shall maintain in confidence any information he may acquire with regard thereto.
- o. Although Franchisor approves or designates the use of certain suppliers and certain services, products and equipment, Franchisee makes no warranty and expressly disclaims all warranties, including warranties of merchantability and fitness for any particular purpose, with respect to services, products, equipment (including, without limitation, any required computer systems), supplies, fixtures, furnishings or other approved items. In addition, Franchisor disclaims any liability arising out of or in connection with the services rendered or products furnished by any supplier approved or designated by Franchisor. Franchisor's approval or consent to any services, goods, suppliers, or any other individual, entity or any item shall not create any liability to Franchisor.

11. **Indebtedness.** Franchisee shall promptly pay when due any and all accounts or other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Business. Franchisee hereby expressly covenants and agrees to accept full and sole responsibility for any and all debts and obligations incurred in the operation of the franchised pizzeria.

12. **Maintenance and Repair.** It is of the essence of this Agreement that at all times during the term of this Agreement, the Franchised Business and the Franchised Location shall maintain the image, appearance and color scheme specified in this Agreement and in the Franchisor's operations manual. Accordingly, Franchisee shall at all times during the term of this Agreement, at his sole expense, maintain the interior and exterior of the Franchised Business and Franchised Location, all equipment, furniture, furnishings and leasehold improvements, air conditioning systems and signs in and at the Franchised Location and all the appurtenances thereto in clean and good

condition and repair and will promptly repair, replace, repaint and refurbish the same when necessary. The Franchisee will repaint the interior of the Franchised Business in accordance with the Franchisor's color scheme, at such times as directed by the Franchisor.

13. **Employees.** Franchisee shall at all times throughout the term of this Agreement keep the Franchised Business adequately staffed with, and pay the salaries and wages of sufficient, competent employees, licensed where required by law, all of whom have been trained in the Franchisor's system regarding food quality and presentation of Aurelio's brand, so as to enable Franchisee to operate the Franchised Business efficiently and in a manner in keeping with the standards set by the Franchisor. Franchisee shall comply with all minimum wage requirements under state and federal laws. Franchisee shall ensure that all employees, including management, wear uniforms approved by the Franchisor. Notwithstanding the above, Franchisee shall be solely responsible for setting any other standard to be imposed upon Franchisee's employees, including but not limited to standards relating to the safety and security of customers, other employees and the public. The determination whether an employee meets any such other standards, the decision whether to hire, fire or discipline any employee, and the level of supervision given to any employee shall be solely within the responsibility of Franchisee.

14. **Photographs, Signs and Business Licenses.** All exterior signage must be purchased from Franchisor's approved supplier, and such signage must include the Franchisor's logo as required by the Franchisor. All interior decor, Aurelio's Branded decorations and photographs, menus and direct mail materials must be purchased from Franchisor's approved supplier. The Franchisee shall display such photographs and signs in the manner as directed by the Franchisor. The Franchisee shall not display in the Franchised Business any photograph or sign not approved by the Franchisor, which approval it may withhold in its sole subjective discretion. The Franchisee shall display all required

business licenses and the “Owner/Operator Decal” provide by the Franchisor, framed, on a wall in the front of the Franchised Business in public view.

15. **Limitations on Sales and Services.** Franchisee shall comply with the following limitations upon sales and services offered from the Franchised Location or by the Franchised Business:

- a) Franchisee shall offer and sell only these foods, beverages and services approved by the Franchisor. Additional foods, beverages or services may be sold, but only after obtaining the prior written approval of the Franchisor.
- b) Franchisee shall offer and sell all foods and beverages required by the Franchisor.
- c) Franchisee shall not use, or allow the use of, the Franchised Business or the Franchised Location, or any portion thereof, for any purpose or any other business other than the operation of an “Aurelio’s Is Pizza” restaurant.
- d) Franchisee shall not sell at wholesale or for redistribution or resale, or allow, authorize or otherwise permit the redistribution or resale of any of the foods or beverages offered at the Franchised Location or by the Franchised Business, either with or without the use of the Franchisor’s marks.
- e) Franchisee shall not sell frozen pizza by overnight delivery.
- f) Franchisee may not install or maintain at the Franchised Location any newspaper racks, video games, jukeboxes, gum machines, games, rides, vending machines, or other similar devices without first obtaining the written approval of Franchisor. If Franchisee does not obtain such approval, then Franchisee must remove them within 3 days from receiving written notice from Franchisor. Any income from vending services by the Franchised Business or at the Franchised Location, regardless of which person or entity collects the money, and regardless of whether Franchisor authorized Franchisee to install them, must be included in gross sales for purposes of calculating royalty fees and advertising fees. Upon written approval of Franchisor, the money derived from services provided by charitable organizations or services that are for customer convenience, such as pay phones or cash machines, will not be included in gross sales.
- g) Pool tables, cigarette vending machines gambling and gaming machines and games of chance are strictly prohibited, except for video gaming strictly conducted pursuant to the Illinois Video Gaming Act (230 ILCS 40/1, et.seq.), the Administrative Rules

promulgated thereunder and Article XXV of this Franchise Agreement.

h). Franchisee shall not issue, sell or participate in any gift card program other than as approved by the Franchisor.

16. **Franchisor Menu.** Franchisee shall use only those menus approved by the Franchisor.

17. **Hours of Operation and Services Offered.** The Franchised Business shall be open for business, seven (7) days per week for lunch and dinner service and a minimum of fifty (50) hours per week, or such longer number of hours as may be specified in the Operations Manual.

18. **Pizzeria Services and Products Offered.** Franchisee shall offer in all cases carry-out and delivery services to the public, as well as dine-in services if Franchisee has purchased a Franchise for a sit-down restaurant. Franchisee shall participate in the on-line ordering program through the Franchisor's approved point of sale software. All sizes of pizza and quantities of other foods must be offered for sale, as specified by the Franchisor from time to time. Franchisee shall use the size and type of Aurelio's branded box or packaging as specified by the Franchisor from time to time. Franchisee shall not sell frozen pizza by overnight delivery.

19. **Point of Sale Software and Support Fee.** Franchisee must use the POS Software specified by the Franchisor from time to time, and all of the functions provided therein, in all aspects of the operation of the Franchised Business, including but not limited to order taking, on-line ordering, record keeping, and credit card processing. Franchisee must pay a monthly fee to the Franchisor's approved POS software supplier, which monthly fee shall provide access to the software, periodic upgrade and software support.

20. **Communication with Franchisor and Franchise System.** Franchisee shall obtain and maintain broad band internet access, and all hardware necessary therefore, during the entire term

of this Agreement: Franchisee shall allow full access for internet and intranet communication with Franchisor and other Franchisees. Franchisee shall be available for communication with the Franchisor by e-mail. The Franchisor will provide access to an internet based business management portal. Franchisee shall use said business management portal for communication with the Franchisor and with other Franchisees, and shall regularly utilize said portal to receive information about franchise system news and events, meetings, product alerts, additional training, marketing materials and other business management information. As reflected more fully in Article IV, Franchisor may charge each Franchisee an online portal subscription fee at some time during the term of this Agreement.

21. **Additional Programs.** Franchisee shall fully participate in all coupon, gift card, marketing and customer service programs mandated by Franchisor. Franchisee acknowledges that technology changes rapidly, and Franchisee agrees to participate in and cooperate with any other or additional program reasonably mandated by Franchisor from time to time during the term of this Agreement and any renewals thereof.

22. **Franchisor Listed as Additional Responsible Party on Primary Telephone Number.** Franchisee shall list Franchisor as an additional responsible party with regard to Franchisee's primary telephone number, which shall be considered to be the telephone number used in all advertising conducted by Franchisee for the Franchised Business. However, nothing herein shall obligate Franchisor to pay Franchisee's telephone bill, Franchisee's telephone listing or Franchisee's yellow pages advertising, in whole or in part.

23. **Mandatory Attendance at Franchisee Meeting.** Franchisor conducts periodic meetings for its Franchisees in order to discuss issues related to the Franchisees, Aurelio's brand,

the Aurelio's System and the pizzeria restaurant industry. Franchisor currently conducts three (3) such meetings each year at its offices in Homewood, Illinois. Franchisee shall attend at least one (1) such Franchisee meeting during each and every calendar year at the Franchisor's Homewood, Illinois offices, or at such other place designated by Franchisor from time to time.

ARTICLE XIV
DISCLOSURE OF AND CHANGES OF PRINCIPALS

1. If Franchisee is a corporation, partnership or limited liability company, then a shareholder, member, manager or partner must be designated in writing as the Franchisee Contact. The Franchisee Contact shall disclose in writing, on the form attached hereto as Exhibit C, all Franchisee Owners, and all Franchisee Management.

2. If Franchisee is a corporation, partnership or limited liability company, then the Franchisee must advise Franchisor, in writing and in advance, of any proposed change in the Franchisee Contact, the Franchisee owners and/or the Franchisee Management.

ARTICLE XV
ASSIGNMENT

1. **Assignment by the Franchisor.** The Franchisor shall have the right to assign this Agreement and all of its rights and privileges hereunder to any other person, firm or corporation provided that, in respect to any assignment resulting in the subsequent performance by the assignee of the functions of the Franchisor:

- a. The assignee shall be financially responsible and economically capable of performing the obligations of the Franchisor hereunder, and
- b. The assignee shall expressly assume and agree to perform such obligations.

2. **Assignment by Franchisee.** Franchisee understands and acknowledges that the rights

and duties created by this Agreement are personal to the Franchisee and Franchisee's partners, shareholders, members or owners, and that this Franchise has been granted in reliance upon many factors, including but not limited to, the individual and collective character, skill, aptitude and business and financial capacity of each and every owner, partner, shareholder or member of the Franchisee. Accordingly, during the term of this Agreement, Franchisee shall not transfer, sell or assign the Franchise Agreement or the Franchised Business, nor may any owner, partner, shareholder or member of Franchisee transfer, sell, assign, gift, give away or redeem any part of the ownership of the Franchisee, including voting stock, securities convertible thereto, membership interests, and general or limited partnership interests (hereinafter referred to as "Transfer"), either voluntarily, involuntarily, by operation of law, directly or indirectly, except upon the terms and conditions set forth in Paragraphs 3 through 6 of this Article. Any transfer (including installment sales, lease, pledge, management agreement, contract for deed, option agreement, assignment, bequest, gift, transfer into a trust or otherwise, or any arrangement pursuant to which Franchisee or its owners, shareholders; or members turn over all or part of the daily operation of the business to a person or entity who shares in the losses or profits of the business in a manner other than as an employee will be considered a transfer for purposes of this Agreement. Franchisee may not place in, on or upon the location of the Franchised Business or in any communication media or any form of advertising, any information relating to the sale of the Franchised Business or the rights under this Agreement, without prior written consent.

3. **Right of First Refusal of Franchisor.** Any Transfer, whether voluntarily or by operation of law, shall be subject to Franchisor's right of first refusal. Franchisor's right of first refusal shall include the following: (i) Franchisor may substitute cash for any form of payment

proposed in such offer; (ii) Franchisor's credit will be deemed equal to the credit of any proposed transferee; and, (iii) Franchisor shall be given not less than sixty (60) days after notifying Franchisee of its election to exercise its right of first refusal to prepare for closing. Franchisor's right of first refusal shall be exercised in the following manner:

- a. Franchisee shall deliver to Franchisor a true and complete copy of the offer, which shall include what interest is proposed to be transferred, the price, terms of payment, any other terms and conditions agreed to, the name and address of the proposed transferee and the date and place of closing of the proposed Transfer. Any such offer must be in writing and signed by the proposed transferee, and a copy of said written offer shall be provided to the Franchisor. Franchisee shall also furnish to Franchisor such additional information concerning the proposed transaction as Franchisor shall reasonably request, and the proposed transferee shall submit to an interview at Franchisor's offices as more fully set forth in Paragraph 4 (c) below;
- b. Within thirty (30) days after Franchisor's receipt of such offer (or, if it shall request additional information, within thirty (30) days after receipt of such additional information), Franchisor may consent or withhold its consent to such Transfer, in accordance with this Article. Alternatively, and at its option, Franchisor may accept the Transfer to itself or to its nominee, upon the terms and conditions specified in the offer, *provided, however*, that Franchisor shall be entitled to all of the customary representations and warranties given by the seller of assets of a business including, without limitation, representations and warranties as to ownership, condition of and title to assets, liens and encumbrances on the assets, validity of contracts and agreements, and liabilities of Franchisee affecting the assets, contingent or otherwise;
- c. If a Transfer occurs by virtue of the Transfer of more than fifty percent (50%) of the capital stock of a corporate Franchisee, or of more than fifty percent (50%) of the membership or partnership interests to other than the original partners or members of a Franchisee operating as an LLC or a partnership (measured against the ownership of the Franchisee as originally constituted on the date of execution of this Agreement), then Franchisor shall have the option to purchase not only the interest being transferred but also all remaining interests in the Franchisee, so that Franchisor's ownership will be one hundred percent (100%). Any purchase of such remaining interests shall be valued on a basis proportionate to the price of the interest initially being offered;
- d. Should Franchisor elect to exercise its right of first refusal, Franchisee shall take all action necessary to cause his lease agreement with the lessor of the Franchised Location to be assigned to Franchisor;

- e. If Franchisor shall elect not to exercise its right of first refusal and shall consent to such Transfer, Franchisee shall, subject to the provisions of this Article, be free to close upon said Transfer to its proposed transferee on the terms and conditions specified in said notice. If, however, said terms shall be changed, including but not limited to an extension of the date of closing, or if the proposed Transfer is not completed within ninety (90) days of the date of Franchisor's consent, then such shall be deemed a new proposal, and Franchisor shall have such right of first refusal with respect thereto; and
- f. An election by Franchisor not to exercise its right of first refusal with regard to any offer shall not affect this right of first refusal with regard to any subsequent offer made to Franchisee or its owners. Further, Franchisor's failure to exercise its right of first refusal shall not be construed or deemed as approval of the proposed transferee or the transaction itself. Franchisee and any proposed transferee must comply with all of the criteria and procedures for Transfer, as specified in this Article.

4. **Consent to Assignment.** Any such Transfer without the prior written consent of the Franchisor shall constitute a default in this Agreement which shall allow the Franchisor the right to terminate this Agreement without prior notice. Should the Franchisor not elect to exercise its right of first refusal, as provided in Paragraph 3 above, the consent of the Franchisor shall not be unreasonably withheld. The withholding of such consent by the Franchisor shall be reasonably related to those factors affecting the ability of the proposed transferee to successfully operate the Franchised Business in accordance with the terms of this Agreement. It shall not, however, be unreasonable for Franchisor to impose, among other requirements, the following conditions precedent to its consent to any such Transfer:

- a. Franchisee shall comply with the right of first refusal provisions set forth in Paragraph 3 of this Agreement;
- b. The proposed transferee shall apply to Franchisor for acceptance as a Franchisee, and furnish to Franchisor such information and references as Franchisor requests to determine transferee's skills, qualifications and economic resources;

- c. The application must indicate whether Franchisee or any of its owners, shareholders or members proposes to retain a security interest in the property to be transferred. No security interest may be retained or created, however, without Franchisor's prior written consent and except upon conditions acceptable to Franchisor. Any agreement used in connection with a transfer shall be subject to Franchisor's prior written approval, which approval will not be withheld unreasonably.
- d. The proposed transferee, or if the proposed transferee is a corporation or limited liability company, its proposed Franchisee's Representative, shall appear for a personal interview at Franchisor's corporate office, or such other location designated by Franchisor, at such date and time reasonably requested by Franchisor, without expense to Franchisor and prior to the expiration of the thirty day consent period;
- e. The proposed transferee (or its principal officers, shareholders, directors or members in the case of a corporate or limited liability company transferee) demonstrates that it has the skills, qualifications, ethics, moral values and economic resources necessary, in Franchisor's reasonably exercised judgment, to conduct the Franchised Business contemplated by this Agreement, and to fulfill his obligations to the assignor; and
- f. Whether the proposed Transferee is then (and will continue to be after the proposed assignment) the owner or operator of another business competitive with the Franchised Business located in or near the city in which the Franchised Location is situated.

Notwithstanding the foregoing, any consent granted by the Franchisor may be withdrawn and shall be null and void should the Franchisee or the proposed Transferee not comply with any of the other conditions to Transfer set forth in Paragraphs 3 through 6 of this Article.

5. **Transfer Fee.** Upon the Transfer by Franchisee of this Agreement, Transferee shall pay to Franchisor a transfer fee in the amount of Twenty Thousand (\$20,000.00) Dollars.

6. **Conditions to Transfer by Franchisee.** The right of Franchisee to complete any proposed Transfer shall be subject to the following conditions:

- a. Franchisee shall have fully complied with its obligations pursuant to Article XIV, Paragraph 3 above.
- b. The proposed Transferee shall have been approved as set forth in Article XIV, Paragraph 4 above.

- c. All ascertained or liquidated debts of the Franchisee to the Franchisor or to any third parties in connection with the operation of any Franchised Location or Franchised Business owned in whole or in part by the Franchisee or any entity affiliated with the Franchisee have been paid in full.
- d. As of the date of any such Transfer, the Franchisee shall have fully complied with all of its obligations to the Franchisor, whether under this Agreement, or any other agreement, arrangement or understanding with the Franchisor.
- e. The training required by Paragraph 7, Article VIII shall have been successfully completed.
- f. The proposed Transferee shall execute Franchisor's then current standard Franchise Agreement and all other documents then currently used by the Franchisor in the grant of franchises for a full term as provided therein.
- g. The proposed Transferee shall agree in writing in an Addendum to the new Franchise Agreement to upgrade such furniture, fixtures, decorations, signage and equipment at the Franchised Location as required by Franchisor, including, but not limited to the POS System.
- h. The proposed Transferee's shareholders or members shall have executed Franchisor's then current Personal Guarantee and Franchisor's then current Agreement Not to Compete and Not to Disclose Trade Secrets.
- i. The assignee shall have paid Twenty Thousand Dollars (\$20,000.00) as and for a transfer fee as more fully set forth in Article XIV, Paragraph 5 above.

7. **Assignment to a Corporation or Limited Liability Company.** Franchisee's assignment of this Agreement to a corporation or limited liability company (hereinafter referred to as the "Legal Entity") formed by the Franchisee for the purpose of owning and operating the Franchised Business shall not be deemed a Transfer within the meaning of this Article XIV, provided that:

- a. Franchisee shall be and remain together with said Legal Entity jointly and severally liable for all existing or subsequent breaches of this Agreement and for all obligations accrued or accruing hereunder. Franchisee shall waive notice or demand in the event of a default, and will be bound by any modifications or supplemental agreements entered into between the Franchisor and the assignee Legal Entity, as hereinafter set

forth. Each of the Legal Entity's shareholders or members, as the case may be, shall execute the Franchisor's then current Personal Guarantee.

- b. The assignee Legal Entity shall execute an acceptance of such assignment, which shall contain a recital agreeing to be bound by all of the terms and conditions herein contained.
- c. Franchisee shall be possessed of and retain at all times, legal and beneficial ownership of not less than sixty-six and two-thirds percent (66-2/3%) of all the outstanding ownership interests of the assignee Legal Entity, and the voting power of such ownership interests.
- d. The assignee Legal Entity shall not use in its name, Aurelio's Is Pizza or any derivation thereof or any similar name or any of the words contained in such name.
- e. All of the certificates of the assignee Legal Entity both issued and unissued shall have endorsed upon them the following statement: "The transfer of this ownership interest is subject to the terms and conditions of a Franchise Agreement, all dated _____, 201__, " and the date of such execution shall be inserted into such statement.
- f. When formation of the Legal Entity shall have been completed, Franchisee shall advise the Franchisor and thereafter keep the Franchisor advised of the names, addresses and titles of the officers, directors, managing members and resident agent of the assignee Legal Entity, and the names and addresses of all shareholders or members and the number of shares issued to each.
- g. The Legal Entity is newly organized and its activities are confined exclusively to operating an Aurelio's Is Pizza restaurant pursuant to this Franchise Agreement.
- h. The prior Franchisee, or a manager approved by the Franchisor, actively manages the corporation and continues to devote his best efforts and full and exclusive time to the day-to-day operation and development of the Franchise.

8. **Death or Disability of Franchisee.** In the event of the death or disability of Franchisee, if Franchisee is an individual, or if Franchisee is a corporation, limited liability company, partnership or other form of business association, then in the event of the death or disability of any party or parties owning an interest in Franchisee, Franchisor shall consent to an assignment and transfer of this Agreement to the executor, administrator or other personal representative of the deceased, and subsequently to the person or persons entitled to distribution from the deceased's estate

or to the guardian of the disabled person's estate, provided that each of the following conditions is fulfilled with respect to each such assignment and transfer:

- a. All conditions set forth in Article XIV, Paragraphs 5(a) through (e) are fulfilled.
- b. It shall be demonstrated to the reasonable satisfaction of Franchisor that such executor, administrator, personal representative, distributee or guardian is of good moral character, and possesses the business experience and capability, credit standing, health and financial resources necessary to successfully operate the Franchised Business in accordance with the terms of this Agreement. Such executor, administrator, personal representative, distributee or guardian shall cooperate with Franchisor in making available such information as Franchisor may require to make the above-described determinations.
- c. The executor, administrator, personal representative, distributee or guardian shall attend and successfully complete Franchisor's management training program.
- d. The executor, administrator, personal representative, distributee or guardian shall agree to personally participate in the management of the Franchised Business.
- e. The executor, administrator, personal representative, distributee or guardian shall submit to Franchisor satisfactory evidence that he has succeeded or otherwise become entitled to all rights of Franchisee hereunder, or to all rights of the deceased in Franchisee, as the case may be. If the deceased or disabled person was the Franchisee, such executor, administrator, personal representative, distributee or guardian shall have executed and delivered to Franchisor a written instrument, in form satisfactory to the Franchisor, by which he expressly assumes all obligations of the Franchisee hereunder, whether accrued at the date of Franchisee's death or disability or arising thereafter, and agrees to be bound by all of the terms and provisions of this agreement to the same extent and in the same manner as Franchisee. If the deceased or disabled person was the owner of an interest in Franchisee, such executor, administrator, personal representative, distributee or guardian shall execute and deliver to the Franchisor its then standard forms of personal guarantee of the obligations of the Franchisee hereunder.
- f. The ultimate transfer of this Agreement due to such death or disability shall have been closed prior to the expiration of nine (9) months from the date of death or the onset of disability, unless such period is expressly extended by Franchisor in writing.
- g. In the event the Franchisor shall not approve any assignment contemplated in this Section, then Franchisee's estate shall have a period of six (6) months from the date of written disapproval to sell the Franchised Business to an assignee acceptable to Franchisor. Such sale shall be subject to Franchisor's right of first refusal. If a sale is not closed within that period, the Franchisor may terminate this Agreement.

9. **No Right To Encumber.** Notwithstanding the above, the Franchisee shall have no right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever without the express prior written permission of the Franchisor, which permission may be withheld for any lawful reason whatsoever in the Franchisor's sole subjective judgment.

ARTICLE XVI DEFAULT AND TERMINATION

1. **Franchisor's Right of Termination After Notice of Default.** The Franchisor may terminate this Agreement prior to its expiration only on account of a material breach of this Agreement by Franchisee or the disqualification of the Franchisee pursuant to Paragraph 1 of Article

VIII. As used herein, the phrase "material breach" shall mean:

- a. Failure to pay any of the sums due the Franchisor pursuant to the terms of this Agreement for a period of ten (10) days after written notice of such default shall be delivered to Franchisee by the Franchisor;
- b. Failure to obtain and maintain insurance policies in full compliance with the terms of Article XII of this Agreement for a period of ten (10) days after written notice of such default shall be delivered to Franchisee by the Franchisor.
- c. Failure to comply with any other obligation of Franchisee pursuant to this Agreement or the Operations Manual for a period of thirty (30) days after written notice of such default shall be delivered by the Franchisor to Franchisee; provided, however, that if the nature of such default shall be such that it cannot be cured within said thirty (30) day period and Franchisee shall immediately commence to cure such default, Franchisee shall have such additional reasonable period of time as may be necessary to cure such default.

2. **Franchisor's Right of Termination Without Prior Notice of Default.** Each of the following shall also be deemed a "material breach" of this Agreement which shall be grounds for termination of this Agreement without notice. Said material breaches, or any of them, shall by their

nature be deemed noncurable, and the Franchisor shall not be required to give Franchisee any notice of default with respect thereto. In subparagraphs a, e and f below, each minimum period of time or minimum number of violations shall be considered a separate material breach.

- a. Failure to keep the Franchised Business open for business during ordinary business hours for a continuous period of five (5) days or more without the prior written consent of the Franchisor, unless it was closed by reason of governmental action or force majeure not related to a breach by Franchisee of this Agreement and not caused directly or indirectly by Franchisee's willful conduct or failure to correct violations of any health, safety or sanitation law, rule, code or regulation.
- b. Franchisee's insolvency (as revealed by his books and records or otherwise); if Franchisee shall be adjudicated a bankrupt or a voluntary or involuntary petition in bankruptcy shall be filed by or against him; or if he shall make an assignment for the benefit of creditors; or if a receiver or trustee in bankruptcy or similar officer, temporary or permanent, be appointed to take charge of Franchisee's affairs or any of his property; or if a petition for involuntary dissolution commenced by or against Franchisee remains unsatisfied or unbonded of record for fifteen (15) days.
- c. If Franchisee shall assign or attempt to assign this Agreement without the prior written consent of the Franchisor or if an assignment of this Agreement shall occur by operation of law or by reason of a judicial process.
- d. If Franchisee shall attempt to assign, transfer or convey the Aurelio's Is Pizza Franchise System trademarks, copyrighted materials or the good will which is annexed thereto or if Franchisee shall use or permit the use of the Aurelio's Is Pizza Franchise System trademarks, copyrighted materials or the good will annexed thereto in derogation of the Franchisor's rights pursuant to this Agreement or if Franchisee shall use or permit the use of the Aurelio's Is Pizza System trademarks, copyrighted materials or the good will annexed thereto in a manner or at locations not authorized by the Franchisor pursuant to the terms of this Agreement.
- e. If Franchisee submits two (2) or more monthly or annual financial statements, other financial information, sales or income tax returns or supporting records to Franchisor that understate by two percent (2%) or more the Gross Sales of the Franchised Business or materially distorts any other material information.
- f. If Franchisee fails to submit when due two (2) or more weekly or monthly Gross Sales reports, sales or use tax reports, POS reports, profit and loss statement or annual financial statements or other information.
- g. If Franchisee violates and fails to cure or repeatedly violates any health or safety law,

ordinances or regulation or operates the Franchised Business in a manner that presents a health or safety hazard to its customers or the public.

- h. If Franchisee receives three (3) or more notices to comply with the Franchise Agreement, Operations Manual, or any specification, standard or operating procedure prescribed by Franchisor, whether or not such failures are corrected, with any twenty-four (24) month period.
- i. If Franchisee makes any material misrepresentations or misstatements on his application for the franchise or with respect to the ownership of the Franchised Business.
- j. If Franchisee suffers termination, cancellation of or fails to renew or extend the lease or sublease for, or otherwise fails to maintain possession of the premises occupied by the Franchised Business and fails to secure suitable alternative approved by Franchisor.
- k. If Franchisee is convicted of a felony or any other crime or offense that is reasonably likely, in the sole opinion of Franchisor, to adversely affect the System, the Marks, the goodwill associated therewith, or Franchisor's interest therein.
- l. If the Franchisee fails to keep and preserve business records as required by Article IV, Paragraph 9 of this Agreement.
- m. If Franchisee shall allow a judgment against him in the amount of more than \$5,000 to remain unsatisfied for a period of more than thirty (30) days (unless a supersedes or other appeal bond has been filed); if the Franchised Location, or the Franchisee's assets are seized, taken over or foreclosed by a government official in the exercise of its duties, or seized, taken over, or foreclosed by a creditor or lienholder; or if a levy of execution of attachment has been made upon the license granted by this Agreement or upon any property used in the Franchised Location or by the Franchised Business, and it is not discharged within five (5) days of such levy or attachment.
- n. If an audit or investigation of Franchisee discloses that Franchisee has withheld reporting of any portion of Gross Sales or payment of fees owed upon unreported Gross Sales for two (2) or more months.

3. **Termination by Franchisee.** Franchisee may terminate this Agreement only for good cause shown, which shall be defined as any material and substantial breach of the Franchisor's obligations under this Agreement which continues for a period of thirty (30) days after written notice of such default shall be delivered to the Franchisor by Franchisee; provided, however, that if the

nature of such default shall be such that it cannot be cured within said thirty (30) day period and Franchisor shall immediately commence to cure such default, the Franchisor shall have additional reasonable time as may be necessary to cure such default.

4. **Conformity with Laws.** If any law or regulation by any competent authority with jurisdiction over this Agreement shall require a longer or different notice than that specified in Paragraphs 1 and 2 above, said Paragraphs shall be deemed amended to conform with requirements of such law or regulation.

5. **Reimbursement of Franchisor Costs.** In the event of a default by Franchisee, all of Franchisor's costs and expenses arising from such default, including reasonable legal fees, shall be paid to Franchisor by Franchisee within five (5) days after cure.

6. **Cross-Default.** Any material default by Franchisee or any shareholder, member, officer or director of the Franchisee under the terms and conditions of this Agreement or any Lease, or any other agreement between Franchisor, or its affiliates, and Franchisee, or any entity affiliated with Franchisee by virtue of any commonality of shareholders, members, officers or directors, or any default by Franchisee of its obligations to any Advertising Fund of which it is a member, shall be deemed to be a material default of each and every said agreement. Furthermore, in the event of termination, for any cause, of this Agreement or any other agreement between the parties hereto, Franchisor may, at its option, terminate any or all said agreements, including but not limited to Franchise Agreements with any affiliated entity as defined above.

ARTICLE XVII **REMEDIES OF FRANCHISOR**

1. **Remedies.** In the event of a material breach of this Agreement, the Franchisor may,

at its election:

- a. Terminate this Agreement and any right to operate the Franchised Business in accordance with the provisions of Article XV hereof and seek such relief as it may deem proper to protect its rights hereunder;
- b. Take such action as Franchisor deems necessary to perform Franchisee's obligations under Article XVIII of this Agreement, in the event Franchisee does not so perform such obligations within fourteen (14) days of the date of termination or non-renewal of this Agreement, and to collect from the Franchisee all sums expended by Franchisor in and about performing such obligations;
- c. Bring such action in any court of competent jurisdiction for injunctive or other provisional relief as the Franchisor deems to be necessary or appropriate to compel Franchisee to comply with his obligation hereunder or to protect the Franchisor's trademark, copyright or other property rights; and
- d. Pursue such other remedies as may be available to it at law or equity, including, but not limited to, the collection of all sums owing to the Franchisor at the time of termination of this Agreement.

The Franchisor's pursuit of any remedy set forth above shall not preclude its right to pursue any other remedy or multiple remedies.

2. **Attorney's Fees and Expenses.** If Franchisor secures any declaration, injunction or order of specific performance, if any provision of this Agreement is enforced at any time by Franchisor or if any amounts due from Franchisee to Franchisor are, at any time, collected by or through an attorney at law or collection agency, Franchisee shall be liable to Franchisor for all costs and expenses of enforcement and collection including, but not limited to, court costs and reasonable attorneys' fees.

ARTICLE XVIII **OBLIGATIONS UPON TERMINATION OR EXPIRATION**

In the event of the termination or expiration of this Agreement for any reason, the Franchisee

shall forthwith:

1. Pay to the Franchisor within seven (7) days of such termination or expiration all royalties, service fees, advertising fees and other charges owed by the Franchisee to the Franchisor;
2. Continue to pay to the Franchisor all scheduled payments upon any note financing the initial franchise fee;
3. Return to the Franchisor all copies of the operations manual and menus then in the possession or control of the Franchisee;
4. Remove all Aurelio's branded interior decorations, including pictures, signs;
5. Take any and all actions as may be required to cancel all assumed names or equivalent registrations relating to the use of any name or mark and to notify the telephone company and yellow page listing agencies of the termination or expiration of the Franchisee's right to use all telephone numbers and all classified and other directory listings of and for the Franchised Business;
6. Cease the sale or issuance of any gift cards or "Joe Sent Me" rewards cards to the public or customers and return all such cards and other related equipment and supplies to the Franchisor.
7. Franchisee acknowledges that there will be substantial confusion among the public if, after the termination or expiration of this Agreement, Franchisee continues to use the telephone number(s) listed in and telephone directory under the name "Aurelio's Is Pizza," or some other name confusingly similar thereto. Franchisee further acknowledges that Franchisee's telephone number(s) are substantially connected to the goodwill and name recognition which have arisen from Franchisee's use of the Franchisor's Marks and System pursuant to this Agreement, and that such telephone number(s) and any yellow pages or other ongoing advertising associated with said telephone number(s) have value to the Franchisor. Accordingly, effective upon the expiration or termination

of this Agreement for any reason whatsoever, Franchisee shall, in the Franchisor's sole discretion, either direct the telephone company servicing Franchisee to disconnect the telephone number(s) listed under the Franchisor name in the then-current telephone directory, or assign such number(s) and transfer the telephone service agreement to Franchisor or to such person and location as Franchisor directs. If Franchisee fails to promptly so direct the telephone company in accordance with Franchisor's instructions, the Franchisor shall have the right to so direct the telephone company to make such transfer or to disconnect the telephone number, in Franchisor's capacity as an additional responsible party and pursuant to a Conditional Assignment of Telephone Number and a Transfer of Telephone Service Agreement. In order to more fully protect Franchisor's interests in and to said telephone number(s), Franchisee shall execute the Conditional Assignment to Telephone Number(s) and the Transfer to Telephone Service Agreement, copies of which are attached hereto as Exhibit "D." Franchisee understands and agrees that notwithstanding any billing arrangements with any telephone company or yellow pages directory company, Franchisor shall be deemed for purposes hereof to be the subscriber of such telephone numbers, with full authority to instruct the applicable telephone or yellow pages directory company as to the use and disposition of telephone listings and numbers. Franchisee hereby agrees to release, indemnify and hold such companies harmless from any damages or loss on account of following Franchisor's said instructions.

8. Upon demand of the Franchisor, Franchisee must assign to Franchisor or Franchisor's assignee any remaining interest of Franchisee in any lease then in effect for the Franchised Location.

9. If the Franchisor does not demand assignment of the lease, or for any reason Franchisee retains possession of the premises from which the franchised business was operated, then the Franchisee must make such reasonable modifications in the exterior and interior color schemes

and decor of the premises as are necessary in order to remove its identification to the public as an Aurelio's Pizzeria, including any decor which has been present on or at the franchised premises for such length of time such that it has become synonymous with that Franchised Business, even if such decor does not contain the Franchisor's name, marks, color schemes or designs. Franchisee must also remove, at its sole cost and expense, all exterior and interior signage which in any manner identifies the premises as an Aurelio's Pizza restaurant or implies that the location is or was affiliated with the Franchisor. In the event Franchisee fails or refuses to remove said signage within fourteen (14) days of the date of termination or non-renewal, then the Franchisor shall have the right to remove all such signage, and all costs and expenses of doing so shall be chargeable to Franchise and to Franchisee's shareholders or members pursuant to any Personal Guarantee executed by any shareholders or members.

10. Cease doing business under the Franchisor's names and marks and refrain from identifying himself or the premises as an Aurelio's Is Pizza restaurant or having been formerly associated with the Aurelio's organization;

11. Remove, close or alter any website or other internet presence and any social media presence to remove any of the Franchisor's trade-names, logotypes, trademarks, menus, color schemes or decorations or any words or device which would give the impression to the public that such website, internet presence or social medial presence is now or has been affiliated with Aurelio's.

12. Abide by all provisions of the covenant not to compete;

13. Generally refrain from operating or doing business under any name or in any manner that might tend to give the general public the impression that the former Franchisee is, either directly or indirectly, associated, affiliated with, franchised by, or related to the Franchisor and to refrain from

either directly or indirectly, using any name, logotype, trademark or symbol confusingly similar to the trademarks or names utilized by the Franchisor;

14. Immediately return to Franchisor all of Franchisee's inventory of Aurelio's branded Products used by Franchisee in the production, distribution or sale of pizzas and other menu items sold by the Franchised Business;

15. Refrain from using, either directly or indirectly, for any purposes whatsoever, any of the Franchisor's trade secrets, procedures or techniques acquired by the Franchisee by virtue of the relationship created by this Agreement, including but without limitation,

- a. All manuals, bulletins, instruction sheets, and supplements thereto;
- b. All photographs, signs, forms, menus, advertising matter, marks, devices, insignias, slogans and designs used from time to time in connection with the Aurelio's Is Pizza franchise;
- c. All logotypes, trademarks, trade names and copyrights now or hereafter applied for or granted in connection with the operation of a franchised restaurant;
- d. All mixes, sauces and, formulas provided to the Franchisee by the Franchisor for use in the preparation of food stuffs sold by Franchisee; and
- e. All Aurelio's Branded Products delivered to or purchased by the Franchisee from any supplier.

ARTICLE XIX **FRANCHISOR'S PURCHASE OPTION**

1. Upon expiration or termination of this Agreement, Franchisor shall have the right to purchase or designate a third party that will purchase all or any portion of the assets of the Franchised Business that are owned by Franchisee or any of its affiliates, including, without limitation, the land, building, equipment, fixtures, signage, furnishings, supplies, leasehold improvements, liquor license and inventory of the Franchised Business. Such right to purchase shall be at a price determined by

a qualified appraiser, or qualified appraisers in one party believes it is better to have a real estate appraiser appraise the value of the land and building and a business appraiser appraise the Franchised Business's other assets. Any appraiser or appraisers shall be selected with the consent of both parties. Franchisor shall give written notice of Franchisor's preliminary intent to exercise its purchase rights under this article within 30 days after the date of expiration or termination to this Agreement. If the parties cannot agree upon the selection of an appraiser, then one or both appraisers will be appointed by a judge of the United States District Court for the Northern District of Illinois upon petition of either party.

2. The price determined by the appraiser(s) will be the reasonable fair market value of the assets based upon their continuing use in, as and for the operation of an Aurelio's Is Pizza restaurant, and the appraiser will designate a price for each category of the assets (e.g. land, building, equipment, fixtures, etc.). However, the fair market value of the assets shall not include the value of any good will of the Franchised Business, since the good will of the Franchised Business is attributable to the Franchise trademarks and Franchise system owned by the Franchisor. In the event of expiration of this Agreement, the parties agree that the Franchisee may elect not to include the land and appraisal and option to purchase process. In this instance, Franchisee may elect to lease the land to Franchisor or Franchisor's designee for a lease term of at least 10 years, with two 5 year options to renew, and for a primary rate equal to fair market value as determined by the appraiser(s).

3. Within 45 days after receipt of the appraisal report(s), Franchisor or its designated purchaser will identify the assets, if any, that Franchisor or its designee intends to purchase at the price designated for those assets in the appraisal report. Franchisor or its designated purchaser and Franchisee must then proceed to complete and close the purchase of the identified assets, and to prepare and execute purchase and sale documents customary for the assets being purchased, in a

commercially reasonable time and manner. Franchisor and Franchisee will each pay one-half of the appraisers fees and expenses.

4. Franchisor's interest in the assets of the Franchised Business that are owned by Franchisee or its affiliates will constitute a lien thereon and may not be impaired or terminated by the sale or other transfer of any of those assets to a third party. Upon the exercise of the purchase option and tender of payment, as aforesaid, Franchisee agrees to sell and deliver, and cause its affiliates to sell and deliver, the purchased assets to Franchisor or Franchisor's designated purchaser, free and clear of encumbrances, and to execute and deliver, and cause Franchisee's affiliates to execute and deliver a bill of sale therefore and such other documents as may be commercially reasonable and customary to effectuate the sale and transfer of the assets being purchased.

ARTICLE XX **GENERAL PROVISIONS**

1. **Franchisor's Rights.** Whenever this Agreement provides that Franchisor has a certain right, that right is absolute and the parties intend that Franchisor's exercise of that right will not be subject to any limitation of review. Franchisor has the right to operate, administrative, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

2. **Franchisor's Reasonable Business Judgment.** Whenever Franchisor reserves discretion in a particular area or where Franchisor agrees to exercise its rights reasonably or in good faith, Franchisor will satisfy its obligations whenever Franchisor exercises Reasonable Business Judgment in making a decision or exercising rights. Franchisor's decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if Franchisor's decision or action is intended, in whole or

significant part, to promote or benefit the Franchised System generally even if the decision or action also promotes Franchisor's financial or other individual interest. Examples of items that will promote or benefit the Franchised System include, without limitation, enhancing the value of the Trademarks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the Franchised System.

3. **Waiver of Punitive Damages.** Franchisee and Franchisor agree to waive, to the fullest extent permitted by law, the right to or claim for any punitive or exemplary damages against the other and agree that in the event of any dispute between them, each will be limited to the recovery of actual damages sustained.

4. **Adaptions and Variances.** Complete and detailed uniformity under many varying conditions may not always be possible, practical, or in the best interest of the Franchised System. Accordingly, Franchisor has the right to vary the Menu Items and other standards, specifications, and requirements for any franchised restaurant or franchisee based upon the customs or circumstances of a particular franchise agreement, site or location, population density, business potential, trade area population, existing business practice, competitive circumstance or any other condition that Franchisor deems to be of importance to the development or operation of such restaurant, any Franchised Business or the Franchised System. Franchisor is not required to grant to Franchisee a like or other variation as a result of any variation from standard menus, specifications or requirements granted to any other franchisee.

5. **Notice of Potential Profit.** Franchisor or its affiliates may from time to time make available to Franchisee or require Franchisee to purchase goods, products and/or services for use in

the Franchised Business on the sale of which Franchisor or its affiliates may make a profit. You agree that Franchisor and/or its affiliates are entitled to said profits and/or consideration.

6. **System Modifications**. Franchisee acknowledges and agrees that Franchisor has the right to modify, add to or rescind any requirement, standard or specifications prescribed under this Agreement to adapt the System to changing conditions, competitive circumstances, business strategies, business practices and technological innovations and other changes as Franchisor deems appropriate. Franchisee must comply with these modifications, additions or rescissions at Franchisee's expense.

ARTICLE XXI **DISPUTE RESOLUTION**

Except to the extent that the Franchisor believes it is necessary to seek injunctive relief as permitted in Article XVI, Paragraph 1.b., or to recover royalty or advertising fees owed to it by the Franchisee, if a dispute arises out of or relates to this Agreement, or the breach thereof, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Procedures as a condition precedent to either party's right to pursue litigation or any other remedy available under law. The parties shall mediate for a minimum of four (4) hours. In the event a written settlement agreement is not entered into by the parties within twenty (20) days of the date of submission of the request for mediation or fifteen (15) days of the date of appointment of the mediator, whichever is longer, then either party may withdraw from the mediation by written notice to the mediator and the other party and thereupon pursue litigation or any other remedy available under law.

ARTICLE XXII
INDEMNITY BY FRANCHISEE

1. Franchisee agrees to defend, indemnify and save the Franchisor and its shareholders, officers, directors, insurers, successors and assigns harmless from and against any and all claims, demands, losses, damages, costs, liabilities and expenses (including, but not limited to, attorney's fees and costs of suit) of whatever kind or character, on account of any actual or alleged loss, injury or damage to any person, firm or corporation or to any property arising out of or in connection with Franchised Business conducted pursuant to this Agreement.

2. Franchisee waives any and all claims it might have against Franchisor for damages to property or injuries to persons arising out of or in connection with the Franchised Business conducted pursuant to this Agreement.

3. Franchisor reserves the right to hire and select its own legal counsel to represent the Franchisor's interests in any litigation for which Franchisor is indemnified by Franchisee, and Franchisee must reimburse Franchisor for all of Franchisor's attorneys fees and costs and expenses of litigation immediately upon request as they are incurred.

ARTICLE XXIII
WAIVER

1. The Franchisor reserves the right from time to time on more than one occasion, to waive any of the obligations imposed under this Agreement on the Franchisee. No waiver by the Franchisor of any breach by Franchisee of any of the covenants or conditions of this Agreement shall constitute a waiver by the Franchisor of any prior, concurrent or subsequent breach of the same or any other covenant or condition.

ARTICLE XXIV
GOVERNING LAWS, JURISDICTION AND VENUE

1. This Agreement shall be deemed to have been made in the State of Illinois and shall be construed according to the laws of the state. The parties agree to submit all disputes hereunder, which are not settled by mediation pursuant to Article XIX, to the jurisdiction of the courts of the State of Illinois, and agree that venue shall lie in a court located in Cook County, Illinois.

ARTICLE XXV
VIDEO GAMING

1. **Video Gaming Permitted.** Video Gaming is permitted at the Franchised Location so long as Franchisee obtains a license for the Franchised Location as a Licensed Establishment pursuant to the Illinois Video Gaming Act (230 ILCS 40/1, et.seq.) and the Administrative Rules promulgated thereunder and so long as Franchisee's video gaming activities are conducted in strict compliance with said Act, Administrative Rules and this Article XXV of the Franchise Agreement.

2. **Video Gaming Fee.** The Franchisee shall pay to the Company during the entire term of this Franchise Agreement a continuing Video Gaming Fee equal to ten percent (10%) of Net Terminal Income (as defined under the Illinois Video Gaming Act) paid to Franchisee by the Terminal Operator. Payments of such Video Gaming Fee shall be made weekly on a date one (1) business day after Franchisee receives its share of Net Terminal Income. Each payment shall be made by Electronic Funds Transfer (ACH) using the electronic funds transfer service specified by the Franchisor.

3. **Reporting of Net Terminal Income.** Franchisee shall provide to Franchisor a signed copy of any Use Agreement entered into by Franchisee with any Terminal Operator. Franchisee shall report all Net Terminal Income to the Franchisor by transmitting to Franchisor a true and accurate copy of any and all documents (including emails) provided to Franchisee by the Terminal Operator

showing Franchisee's Net Terminal Income and any and all documents accompanying the payment to Franchisee of Franchisee's share of Net Terminal Income, including any and all remittance advice or direct deposit information. Such documents shall be transmitted to Franchisor by email no later than midnight of the date received by Franchisee.

4. **Franchisee's Authorization to Share Net Terminal Income Information.**

Franchisee shall do all things necessary to authorize its Terminal Operator to transmit directly to Franchisor any and all documents and information the Terminal Operator transmits to Franchisee reflecting video gaming revenues and Net Terminal Income realized at the Franchised Location. The documents and information transmitted by the Terminal Operator to Franchisee must be transmitted to Franchisor at the same time as transmitted to Franchisee.

5. **Late Payment of Video Gaming Fee.** In the event any Video Gaming Fee is not made when due and in full due to insufficient funds or any other reason, then the electronic debit shall be attempted each day thereafter until all sums owed have been paid in full. In that event, there shall be assessed a late charge of \$5.00 per day for each and every additional electronic debit attempted after the first, and all amounts due shall also accrue interest at a daily periodic rate equal to 1.5% per month for each day such payment is late, until paid in full. Such late fees and interest shall be automatically added to any such attempted debit, and shall be paid at the time such debit is successfully made. In the event any electronic debit shall be made in a sum less than the full amount due including late charges and interest, the amount of that debit shall be applied first to the payment of such late charges and interest.

6. **Late Reporting of Net Terminal Income.** In the event Franchisee shall fail to report as required by Paragraph 3 above in a timely manner, there shall be assessed a late reporting charge

of \$23.00 for each week or part of a week such report is late.

7. **Additional Insurance Required.** In addition to any insurance required to be carried by Franchisee pursuant to Article XII of the Franchise Agreement, Franchisee shall obtain any additional policies or coverages necessary to cover its video gaming activities under its policy of comprehensive general liability insurance and under its liquor liability insurance. All requirements of Article XII shall be fully applicable to any additional policy or coverage obtained pursuant to this Paragraph.

8. **Location, Design and Placement of Video Gaming Area.** Franchisee, at its sole cost and expense, shall design and construct its video gaming area in full compliance with the Video Gaming Act and the Administrative Rules. The proposed video gaming area shall not be constructed unless and until Franchisee has obtained the prior written consent and approval of Franchisor to the proposed plans and modifications. Franchisee shall provide to Franchisor written and detailed plans accurately showing the dimensions of and placement of the video gaming area in relation to the bar area and the dining area. The approval of any such plans and modifications shall at the reasonable discretion of Franchisor. Franchisee shall not commence construction of the video gaming area unless and until Franchisor has approved in writing the final plans and specifications to be used.

9. **Franchisor's Right to Inspect.** Franchisor and the Franchisor's agents shall have full access to the Franchised Location while work is in progress and may require such reasonable alterations or modification of the construction of the video gaming area as it deems necessary. Franchisor shall make a final inspection of the completed video gaming area and may require such corrections and modifications as it deems necessary to bring the area into compliance with accepted plans and specifications. Such inspection shall occur no later than four (4) days before the scheduled

date for opening of the video gaming area, and the same will not be allowed to commence operations if it does not conform, in any material respect, to the plans and specifications approved by Franchisor.

10. **Right to Terminate Video Gaming.** Franchisor may terminate Franchisee's right to offer video gaming on the Franchised Location upon ten (10) days written notice to Franchisee for any of the following reasons:

- a. Franchisee shall fail to maintain and operate its video gaming facilities in full compliance with all requirements of the Video Gaming Act and its Administrative Rules, as determined by the Franchisor in its sole reasonable discretion;
- b. Franchisee shall fail to comply with any term or condition of its Franchise Agreement or any Addendum, including but not limited to its obligation to pay any fee due to Franchisor when due and in full; and
- c. Franchisee shall fail to maintain in good standing with the Illinois Video Gaming Board its right to operate a Licensed Establishment pursuant to the Video Gaming Act.

The Franchisor's pursuit of any remedy set forth above shall not preclude its right to pursue any other remedy or multiple remedies under the Franchise Agreement, including but not limited to termination of the Franchise Agreement.

11. **Obligations Upon Termination of Video Gaming.** Upon termination of Franchisee's right to offer video gaming at its Licensed Location, Franchisee shall:

- a. immediately cease offering to and operation of its video gaming machines by the public or its customers; and
- b. arrange for the removal and remove all video gaming terminals from the Franchised Location within ten (10) days of the date of termination.

ARTICLE XXVI **ENTIRE AGREEMENT**

1. This Agreement and all related agreements executed simultaneously with this Agreement constitute the entire understanding of the parties and supercede any and all prior oral or

written agreements between you and us on the matters contained in this Agreement; but nothing in this or any related agreement is intended to disclaim the representations we made in the latest franchise disclosure document that we furnished to you. No officer or employee or agent of the Franchisor has any authority to make any representation or promise not contained in this Agreement, or in any Franchise Disclosure Document for prospective Franchisees required by applicable law, and Franchisee agrees that he has executed this Agreement without reliance upon any such representations or promises. This Agreement cannot be modified or changed except by written instrument signed by all of the parties hereto.

ARTICLE XXVII
SEVERABILITY

1. If any of the provisions of the contract governing termination or non-renewal are inconsistent with Wisconsin law, the said Wisconsin law shall apply.

2. Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provision of this Agreement thus affected shall be curtailed and limited only to the extent that any part, article, paragraph or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the entire Agreement shall not fail on account thereof and the balance of the Agreement shall continue in full force and effect. If any tribunal or Court of appropriate jurisdiction deems any provision hereof (other than for the payment of money) unreasonable, said tribunal or Court may declare a reasonable modification hereof, and this Agreement shall be valid and enforceable, and the parties hereto agree

to be bound by and perform the same as thus modified.

ARTICLE XXVIII
COUNTERPARTS

1. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

ARTICLE XXIX
SURVIVAL OF COVENANTS

1. The covenants contained in this Agreement which, by their terms, require their performance by Franchisee after the expiration or other termination of this Agreement, shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

ARTICLE XXX
ARTICLE AND PARAGRAPH HEADINGS

1. The article and paragraph headings contained herein are for the convenience of the parties only and shall not for any purpose whatsoever be deemed a part of this Agreement.

ARTICLE XXXI
NOTICES

1. All written notices and reports permitted or required to be delivered by the parties pursuant hereto shall be deemed so delivered at the time delivered by hand, one business day after transmission by facsimile, email or other electronic system (with confirmation copy sent by regular U.S. mail), or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows:

If to Franchisor:

Joseph M. Aurelio
Aurelio's Is Pizza Franchise, Ltd.
18162 Harwood Avenue
Homewood, Illinois 60430
Facsimile No.: 708/798-6692
Email Address: jaurelio@Aureliospizza.com

With copy
(which shall not constitute notice) to:

A. Michael Kopec
Kopec, White & Spooner
225 W Spring Street
Springfield, Illinois 62704
Facsimile No.: 217/726-7543
Email Address: mkopec@kws-law.com

If to Franchisee:

Facsimile No: _____

Any party may change his or its address by giving ten (10) days prior written notice of such change to all other parties.

ARTICLE XXXII
SUBMISSION OF AGREEMENT

1. THE SUBMISSION OF THIS AGREEMENT DOES NOT CONSTITUTE AN OFFER, AND THIS AGREEMENT SHALL BECOME EFFECTIVE ONLY UPON THE EXECUTION HEREOF BY THE FRANCHISOR AND FRANCHISEE. THIS AGREEMENT SHALL NOT BE BINDING ON THE FRANCHISOR UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF THE FRANCHISOR. IN THOSE STATES WHERE REQUIRED BY LAW, THIS AGREEMENT SHALL NOT BECOME EFFECTIVE UNTIL AND UNLESS FRANCHISEE SHALL HAVE BEEN FURNISHED BY

THEFRANCHISOR WITH SUCH DISCLOSURE IN WRITTEN FORM AS MAY BE REQUIRED UNDER OR PURSUANT TO APPLICABLE LAW.

THE FRANCHISOR:

AURELIO'S IS PIZZA FRANCHISE, LTD.

By:_____

JOSEPH M. AURELIO, President

I/WE HAVE READ THE FOREGOING AGREEMENT, AND I/WE HEREBY ACCEPT AND AGREE TO EACH AND ALL OF THE PROVISIONS, COVENANTS AND CONDITIONS THEREOF. I/WE HEREBY ACKNOWLEDGE RECEIPT OF A COPY OF THIS AGREEMENT.

FRANCHISEE(S):

By:_____

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TRADE MARK
"AURELIO'S IS PIZZA"

EXHIBIT "A"
TO AURELIO'S IS PIZZA FRANCHISE, LTD.
FRANCHISE AGREEMENT
SPECIFICATION OF FRANCHISED LOCATION

This Exhibit "A" is executed this ____ day of _____, 20__, by and between Aurelio's Is Pizza Franchise, Ltd., an Illinois corporation and _____, a

_____, in furtherance of a Franchise Agreement entered into by the parties on the ___ day of _____, 20__, in reference to the following:

A. The parties wish to hereby specify the Franchised Location with reference to said Franchise Agreement, and thereby specify the exclusive territory as well.

NOW, THEREFORE, THE PARTIES HERETO AGREE THAT:

1. The Franchised Location to be specified in Article III, Paragraph 1 of the Franchise Agreement is hereby identified as _____.

2. The parties agree that the exclusive territory shall be a three (3) mile radius of the Franchised Location identified above.

IN WITNESS WHEREOF, the parties to said Franchise Agreement have executed this Exhibit "A" this ___ day of _____, 20__.

THE COMPANY:
AURELIO'S IS PIZZA FRANCHISE, LTD.

By: _____
JOSEPH M. AURELIO, President

FRANCHISEE(S):

By: _____

By: _____

**EXHIBIT B TO AURELIO'S IS PIZZA FRANCHISE, LTD.
FRANCHISE AGREEMENT**

CONDITIONAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, _____, a(n) _____
_____ (“Assignor”) hereby assigns and transfers to **Aurelio’s Is Pizza Franchise, Ltd., an Illinois corporation (“Assignee”)**, all of Assignor’s right, title and interest as tenant in, to and under that certain lease, a copy of which is attached hereto as Exhibit 1 (the “Lease”) respecting premises commonly known as _____.

This Assignment is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee takes possession of the premises demised by the Lease pursuant to the terms hereof and assumes the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under the Franchise Agreement for an Aurelio’s Pizza Restaurant between Assignee and Assignor (the “Franchise Agreement”), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered, immediately upon written notice, to take possession of the premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor shall have no further right, title or interest in the Lease. In order to facilitate the same, Assignor grants to Assignee all of the rights of the Lessor, whether arising by law or pursuant to the terms of the Lease, to evict Assignor and take possession of said premises.

However, nothing herein shall obligate Assignee to accept this assignment, take possession of the premises, pay any money due from Assignor, or to cure any default of Assignor under said Lease.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days prior to the last day that the option must be exercised, unless Assignee otherwise agrees in writing. If Assignee does not otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Assignor for the purpose of effecting such extension or renewal.

WITNESS:

ASSIGNOR: _____

By: _____

Title: _____

Print Name: _____

CONSENT AND AGREEMENT OF LESSOR
TO CONDITIONAL ASSIGNMENT OF LEASE

_____, a(n) _____
_____, Lessor under the aforescribed Lease, with offices located at _____
_____, hereby consents and agrees to the Conditional Assignment of
Lease in favor of **Aurelio's Is Pizza Franchise, Ltd., an Illinois corporation, Assignee**, as follows:

(a) Agrees to notify Assignee in writing of and upon the failure of Assignor to cure any default by Assignor under the Lease;

(b) Agrees that Assignee shall have the right, but shall not be obligated, to cure any default by Assignor under the Lease within 30 days after delivery by Lessor of notice thereof in accordance with paragraph (a) above;

(c) Consents to the foregoing Conditional Assignment and agrees that if Assignee takes possession of the premises demised by the Lease and confirms to Lessor the assumption of the Lease by Assignee as tenant thereunder, Lessor shall recognize Assignee as tenant under the Lease, provided that Assignee cures within the 30-day period the defaults, if any, of Assignor under the Lease;

(d) Agrees that Assignee may further assign the Lease to a person, firm or corporation who shall agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Lessor and upon such assignment Assignee shall have no further liability or obligation under the Lease as assignee, tenant or otherwise;

(e) Agrees to provide all such notices to Assignee in writing and delivered by facsimile (with confirmation copy sent by regular U.S. mail), e-mail (with confirmation copy sent by regular U.S. mail), or placement in the United States mail by regular mail, postage pre-paid and addressed as follows:

Mr. Joseph M. Aurelio, President
Aurelio's Is Pizza Franchise, Ltd.
18162 Harwood Avenue
Homewood, Illinois 60430
Facsimile No.: 708/798-6692
E-mail: jaurelio@aol.com

(f) Agrees that, in the event Assignor's rights under the Lease Agreement are terminated by Lessor, or in the event Assignor's rights under the Franchise Agreement are terminated by Assignee, then notwithstanding any other provision of the Lease Agreement, Assignee shall have the right at any time during normal business hours to enter the leased premises and to remove therefrom:

i) Any and all interior and exterior signage containing Aurelio's name, marks, designs or color schemes; and

ii) Any and all of Assignee's branded interior decorations, including, but not limited to, all photographs and decorations provided to the Assignor by Assignee.

Assignee may use its own personnel or such third party contractors as it reasonably deems necessary to remove such signage and branded decorations. Such removal shall be accomplished with reasonable dispatch. Assignee's rights to said signage and branded decorations shall be superior to any and all lien or ownership rights of the Lessor, whether the same are imposed by contract or law. Assignee's shall repair any damage caused by such removal at its own cost or expense.

DATED: _____

LESSOR: _____

By: _____

Title: _____

Print Name: _____

**EXHIBIT C TO AURELIO'S IS PIZZA FRANCHISE, LTD.
FRANCHISE AGREEMENT**

DISCLOSURE OF PRINCIPALS

(To be completed if Franchisee is a Corporation,
Partnership, or Limited Liability Company Only)

1. Date: _____
2. Franchisee Representative. The following individual is a shareholder, member, manager, or partner of Franchisee and is the Franchisee Representative to be contacted on all matters relating to the Franchised Business:

Name: _____

Address: _____

Daytime Telephone No.: _____

Evening Telephone No.: _____

Facsimile No.: _____

E-mail Address: _____

3. Franchisee Owners. The undersigned agrees and acknowledges that the following is a complete list of all of the shareholders, partners, or members ("Owners") of Franchisee and the percentage interest of each individual:

<u>Name</u>	<u>Position</u>	<u>Interest (%)</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

4. Franchisee Management. The undersigned agrees and acknowledges that the following is a

complete list of all of **the officers and directors of any corporate Franchisee** or the managers or member/managers of any limited liability company Franchisee or the general partners of any partnership Franchisee:

<u>Name</u>	<u>Position</u>
_____	_____
_____	_____
_____	_____
_____	_____

5. Restaurant Managers. The following are the names of the current store level managers employed by the franchisee as General Manager, Shift Manager, Kitchen Manager or any other type of store level manager:

<u>Name</u>	<u>Position</u>
_____	_____
_____	_____
_____	_____

6. Change in Franchise Contact, Owners and/or Management. Franchisee acknowledges and agrees that it must advise Franchisor in writing and in advance of any proposed change in the Franchisee Contact, Franchisee Owners and/or Franchisee Management. Franchisee acknowledges and agrees that any proposed change in the Owners listed in Paragraph 3 above, shall require Franchisor's prior written consent in accordance with the terms of Article XIV of the Franchise Agreement.

7. The following information is disclosed regarding the Franchisee's Landlord:

Name of Landlord: _____
Address of Landlord: _____
Contact Person or Property Manager for Landlord: _____
Telephone Number for Contact Person or Manager: _____
Email Address for Contact Person or Manager: _____

8. The following information is disclosed regarding the telephone service provider for the Franchisee:

Name of Telephone Service Provider: _____
Address of Telephone Service Provider: _____

IN WITNESS WHEREOF, the undersigned has duly executed this Disclosure of Principals on the date first above written.

FRANCHISEE

Witness/Attest

By: _____

**EXHIBIT D TO AURELIO'S IS PIZZA FRANCHISE, LTD.
FRANCHISE AGREEMENT**

CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBER(S)

_____ (“Franchisee”) operates an Aurelio’s Pizza restaurant at _____ (the “Aurelio’s Pizza Restaurant”). In consideration of the granting of a franchise and other valuable consideration paid by Aurelio’s Is Pizza Franchise, Ltd., (“Franchisor”), Franchisee assigns to Franchisor all telephone numbers and listings Franchisee uses in the operation of Franchisee’s Aurelio’s Pizza Restaurant. In the event of expiration or termination of the Franchise Agreement, Franchisor agrees to assume and perform all the terms, covenants and conditions of Franchisee’s agreement with the telephone company listed below concerning the telephone numbers and telephone listings with the full force and effect as if the telephone numbers and telephone listings had been originally issued to Franchisor. Franchisor will hold this assignment and will deliver it to the telephone company or other interested third parties only upon expiration or termination of the Franchise Agreement between Franchisor and Franchisee dated _____.

Dated this ____ day of _____, 20__.

FRANCHISEE

AURELIO’S IS PIZZA FRANCHISE, LTD.
FRANCHISOR

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Telephone Company:

Name of Telephone Company

Address

City, State, Zip

TRANSFER OF TELEPHONE SERVICE AGREEMENT

In the event the Franchise Agreement with _____ (Franchisee) for the _____, _____ Aurelio's Pizza Restaurant location is terminated, not renewed or discontinued for any reason, I hereby release, assign and transfer to Aurelio's Is Pizza Franchise, Ltd., or its designee, the use of the following telephone number or numbers which were used in conjunction with the Aurelio's Pizza Restaurant.

FRANCHISEE

Date

By: _____

Name: _____

Title: _____

Sworn and subscribed to before me, a Notary Public, by the said _____ (Franchisee) on the ____ day of _____, 20__.

Notary Public, State of _____

My Commission Expires:

**SHAREHOLDERS PERSONAL GUARANTEE OF
CORPORATE FRANCHISEE LIABILITY**

This Agreement made and entered into this ____ day of _____, 20__, by and between **AURELIO'S IS PIZZA FRANCHISE, LTD.**, (hereinafter referred to as the "Franchisor" and _____, (hereinafter referred to as the "Guarantor"), and who is a shareholder of _____, _____, (hereinafter referred to as "Franchisee.")

RECITALS

WHEREAS, the Franchisee desires to enter into a certain Franchise Agreement with the Franchisor under which the Franchisee is granted the right to operate a franchised pizzeria; and

WHEREAS, the shareholders of the Franchisee have offered, as an inducement to the Franchisor to enter into the aforesaid Franchise Agreement, to absolutely and unconditionally guarantee payment of all sums due to the Franchisor under the Franchisee Agreement.

IT IS THEREFORE AGREED BY AND BETWEEN THE PARTIES as follows:

1. In partial consideration of the absolute and unconditional guarantee hereinafter set forth in this Agreement, the Franchisor hereby agrees to enter into a Franchise Agreement of even date herewith with the Franchisee by which the Franchisee will be granted the right to operate a franchised pizzeria under the trade name, trademark and marketing plan of **AURELIO'S IS PIZZA FRANCHISE, LTD.**

2. The Guarantors jointly and severally unconditionally guarantee to the Franchisor the payment of any and all obligations to be paid now and in the future by the Franchisee and to the Franchisor under the terms and conditions of the aforesaid Franchise Agreement. The word

EXHIBIT "G"

“obligations” is used herein in its most comprehensive sense and includes any and all initial franchise fees; advertising fees; royalty fees; the cost of any audit attributable to the Franchisee; the cost of insurance coverage procured by the Franchisor pursuant to the terms of the Franchise Agreement; transfer fees; the cost of any measures performed by Franchisor due to Franchisee’s non-performance of its obligations in the event of termination or non-renewal, including but limited to removal of interior and exterior signs; the cost of attorney’s fees and interest heretofore, now or hereafter made, incurred, or created, whether voluntary or involuntary, and however arising, whether absolute or contingent, liquidated or unliquidated, determined or undetermined, and whether the Franchisee may be liable individually or jointly with others, or whether such obligations may be or hereafter become otherwise unenforceable.

3. Notice to the Guarantors of any obligations due from the Franchisee to the Franchisor, as well as demand upon the Guarantors for payment and diligence in collecting any said obligations are each and all waived by the Guarantors. The granting of any extension or suffering of any indulgence to the Franchisee or any other party regarding any of said obligations due, even though without notice to the undersigned, shall in no way affect the obligation hereunder.

4. The Guarantors jointly and severally represent that, at the time of the execution and delivery of this Guarantee, nothing exists to impair the effectiveness of the liability of the Guarantors to the Franchisor hereunder, or the immediate effectiveness of this Guarantee as the sole Agreement between the Guarantors and Franchisor with respect to guaranteeing the Franchisee’s obligations to the Franchisor.

5. The Franchisor may, at its option, proceed in the first instance against the Guarantors, jointly and severally, to collect any obligation covered by this Guarantee, without first resorting to any property at any time held by the Franchisor as collateral security.

COMMISSARY AGREEMENT

THIS COMMISSARY AGREEMENT (the "Agreement") is made and entered into this _____ day of _____, 20__ (the "Agreement Date"), by and between _____, an _____ corporation, with its principal place of business at _____ ("Franchisee"), and Aurelio's Quality Products, LLC, an Illinois limited liability company with its principal place of business at 18162 Harwood Avenue, Homewood, Illinois 60430, ("Supplier").

WHEREAS, Supplier prepares, stores and sells food products, and such additional products as Supplier or Aurelio's Is Pizza Franchise, Ltd. ("Aurelio's") may designate from time to time in writing or in Aurelio's confidential operations manual ("Manual") in their sole discretion (the "Products").

WHEREAS, pursuant to a Franchise Agreement dated _____ ("Franchise Agreement") between Franchisee and Aurelio's, Franchisee operates a franchised business under the names and marks of Aurelio's that uses and/or sells the Products for retail consumption ("Aurelio's Restaurant").

WHEREAS, Franchisee desires to purchase from Supplier, and Supplier desires to sell to Franchisee, the Products in connection with Franchisee's franchised Aurelio's Pizza business.

NOW, THEREFORE, in consideration of the mutual covenants set forth below, Supplier and Franchisee agree as follows:

1. Appointment. Franchisee hereby appoints Supplier as a supplier of the Products, and Supplier hereby accepts such appointment, subject to the terms and conditions set forth below. Supplier and Franchisee acknowledge and agree that this is a non-exclusive appointment and that during the Term (as defined below) other suppliers may or could be retained to perform the same or similar duties if such supplier(s) are approved by Aurelio's in accordance with the terms of the Franchise Agreement.

2. Term; Termination. This Agreement will become effective on the Agreement Date and, except as otherwise provided in this Agreement, will remain in full force and effect until the sooner of the expiration or termination of the current term of the Franchise Agreement (the "Term"). This Agreement shall automatically terminate upon the termination of the Franchise Agreement by Aurelio's. Either party hereto shall have the right to terminate this Agreement on thirty (30) days prior written notice and opportunity to cure in the event of material default by the other party hereto.

3. Product Purchase Price; Deliveries; Additional Fees.

(a) Current Purchase Price. The current purchase price ("Price") for each Product charged by Supplier and paid by Franchisee is posted on Aurelio's intranet each week. Said Prices shall include all applicable federal, state and local taxes and transportation fees.

EXHIBIT H

(b) Changes to Purchase Price. Franchisee agrees and acknowledges that Supplier shall have the right to make reasonable adjustments in the Purchase Prices provided, however, that Supplier shall have no such obligation for such products sold hereunder (as determined by Supplier) for which there are frequent wholesale price fluctuations. Franchisee acknowledges that Purchase Prices may change as often as weekly, that such Purchase Prices are posted on Aurelio's Intranet and that it shall be the obligation of Franchisee to check for updated Purchase Prices on Aurelio's intranet before placing any order.

(c) Product Delivery. Supplier shall deliver the Products purchased by Franchisee to Franchisee's Aurelio's Pizza location within two (2) days after Franchisee submits its order at no additional cost to Franchisee. Products will be delivered at Supplier's expense, and Supplier shall bear the risk of loss until the Products are delivered to Franchisee.

(d) Supplier Invoice; Payment Timing. On the first (1st) and fifteenth (15th) day of each calendar month during the Term, Supplier shall provide Franchisee with an invoice (the "Invoice") containing all current amounts due for all Products purchased in the prior Accounting Period. "Accounting Period" means either the first (1st) day of the month through the fourteenth (14th) day of the month, or the fifteenth (15th) day of the month through the last day of the month, or such other period (which may include a shorter period) that Supplier specifies in writing from time-to-time. Franchisee shall pay for all Product sales within fifteen (15) days of receipt of each Invoice, which time period may be reduced in Supplier's sole discretion upon written notice to Franchisee. All such payments shall be made by electronic funds transfer. In the event Franchisee fails to pay any Invoice within such fifteen-day (or shorter) period, Supplier shall provide Franchisee with notice of such failure and, upon receipt of such notice, Franchisee shall have five (5) days to cure such failure. If Franchisee fails to make all required payments within such five-day cure period, Supplier shall have the right to immediately terminate this Agreement and to cease delivery of all Products to Franchisee.

(e) Payment by Electronic Funds Transfer. Franchisee shall pay all sums due upon each invoice, including any late fees and interest assessed, by electronic funds transfer to be initiated by Franchisee and paid directly to Supplier's bank account. Supplier shall furnish to Franchisee the bank routing number and account number in order to facilitate such transfers. Franchisee agrees to execute any and all documents as may be necessary to effectuate and maintain the electronic funds transfer arrangement, as required by Supplier. Franchisee agrees to pay all costs associated with any such transfer.

(f) Suspension of Product Shipments. Franchisee acknowledges and agrees that if Franchisee fails to make any payment in full to Supplier when due under this Agreement, Supplier shall have the right, among other remedies, to (a) suspend or refuse shipment to Franchisee of additional Products until such payment has been made, and (b) require payment for any or all future shipments of Products to be made on a cash-on-delivery basis.

(g) Late Fees and Interest. In the event Franchisee does not pay an invoice in full within fifteen (15) days of receipt, then there shall be assessed a late charge of \$30.00, and all amounts due shall also accrue interest at a daily periodic rate equal to 1.5% per month for each day such payment is late, until paid in full.

4. Attorney's Fees and Expenses. If any provision of this Agreement is enforced at any time by Supplier or if any amounts due from Franchisee to Supplier are, at any time, collected by or through an attorney at law or collection agency, Franchisee shall be liable to Supplier for all costs and expenses of enforcement and collection including, but not limited to, court costs and reasonable attorneys' fees.

5. Assignment. Supplier has the right to transfer, assign, or sell, directly or indirectly, this Agreement and any right or obligation under this Agreement without Franchisee's consent or approval. Franchisee shall not transfer, assign, or sell, directly or indirectly, this Agreement and any right or obligation under this Agreement, without Supplier's prior written consent, which Supplier may withhold in its sole discretion.

6. Independent Contractor. Nothing contained in this Agreement shall create an association, partnership, joint venture or the relations of principal and agent between Supplier on the one hand, and Franchisee on the other. Neither Supplier nor Franchisee shall have any authority to bind the other in any way except as stated herein. The parties recognize that during the Term, employees of Supplier may be present on the premises of Franchisee's business. It is understood and agreed that on such occasions the employees of such party shall remain the employees of that party solely, and that party shall be solely responsible for the wages and benefits for its employees, and any injuries which are sustained by such employees shall be covered under the workers' compensation insurance contracts of the respective employer.

7. Waivers; Modifications. No term or provision of this Agreement may be changed, waived, discharged or terminated orally, but only by an instrument in writing explicitly stating a party's intent to change, waive, discharge, or terminate such term or provision, signed by the party against which enforcement of the change, waiver, discharge or termination is sought.

8. Entire Agreement. This Agreement, including all exhibits annexed hereto (which are incorporated herein by reference), represents and incorporates the entire understanding between the parties hereto with respect to the subject matter of this Agreement. Franchisee acknowledges that, prior to executing and delivering this Agreement, it has been provided with sufficient time to consult with an attorney or other legal representative regarding the terms and conditions of this Agreement and its ongoing obligations hereunder.

9. Force Majeure. Neither Supplier nor Franchisee shall be responsible or liable for any delays in the performance of any duties under this Agreement, which are not the fault or within the reasonable control of that party including, but not limited to, fire, flood, natural disasters, acts of God, delays in deliveries by common carriers, governmental acts or orders, late deliveries of products or goods or furnishing of services by third party vendors, civil disorders, acts of terrorism, or strikes and any other labor-related disruption, and in any event said time period for the performance of an obligation hereunder shall be extended for the amount of time of the delay or impossibility. Provided, however, this clause shall not apply to and not result in an extension of: (1) the time for payments to be made by Franchisee as required by Section 3 hereof; or (2) the term of this Agreement.

10. Personal Guarantees. All payments, obligations and indebtedness of Franchisee to

Supplier shall be personally guaranteed by each and every shareholder, member or owner of the Franchisee in the form as attached hereto.

11. Applicable Law. This Agreement shall be interpreted and construed exclusively under the laws of the State of Illinois. In the event of any conflict of law, the laws of Illinois shall prevail, without regard to the application of Illinois conflict-of-law rules.

12. Jurisdiction and Venue. Any action, whether or not arising out of, or relating to, this Agreement, brought by Franchisee (or any principal thereof) against Supplier shall be brought in the U.S. District Court for the Northern District of Illinois or, if such court lacks subject matter jurisdiction, in a state court located in Cook County, Illinois. Supplier shall have the right to commence an action against Franchisee in any court of competent jurisdiction. Franchisee hereby waives all objections to personal jurisdiction or venue for purposes of this Section 11 and agrees that nothing in this Section 11 shall be deemed to prevent Supplier from removing an action from state court to federal court.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the date first above written.

AURELIO'S QUALITY PRODUCTS, LLC
("SUPPLIER")

("FRANCHISEE")

By: _____
Joseph M. Aurelio, Manager

By: _____

Attest: _____

**SHAREHOLDERS PERSONAL GUARANTEE OF
CORPORATE FRANCHISEE LIABILITY
TO AURELIO'S QUALITY PRODUCTS, LLC**

This Agreement made and entered into this ____ day of _____, 20__, by and between **AURELIO'S QUALITY PRODUCTS, LLC.**, (hereinafter referred to as the "AQP" and _____, (hereinafter referred to as the "Guarantor"), and who is a shareholder of _____, _____, (hereinafter referred to as "Franchisee.")

RECITALS

WHEREAS, the Franchisee desires to enter into a certain Commissary Agreement (the "Agreement") with AQP under which the Franchisee is granted the right to purchase Aurelio's Branded Products and other Products; and

WHEREAS, the shareholders of the Franchisee have offered, as an inducement to AQP to enter into the Agreement, to absolutely and unconditionally guarantee payment of all sums due to AQP under the Agreement.

IT IS THEREFORE AGREED BY AND BETWEEN THE PARTIES as follows:

1. **Consideration.** In partial consideration of the absolute and unconditional guarantee hereinafter set forth in this Agreement, AQP hereby agrees to enter into the Agreement with the Franchisee by which the Franchisee will be granted the right to purchase Aurelio's Branded Products and other Products from AQP.

2. **Obligation.** The Guarantors jointly and severally unconditionally guarantee to AQP the payment of any and all indebtedness to be paid now and in the future by the Franchisee to AQP under the terms and conditions of the Agreement. The word "obligations" is used herein in its most comprehensive sense and includes any and all debts, obligations and liabilities due for Aurelio's Branded Products and other Products delivered by AQP to Franchisee and the cost of attorney's fees and interest heretofore, now or hereafter made, incurred, or created, whether voluntary or involuntary, and however arising, whether absolute or contingent, liquidated or unliquidated, determined or undetermined, and whether the Franchisee may be liable individually or jointly with others, or whether such obligations may be or hereafter become otherwise unenforceable.

3. **Waiver.** Notice to the Guarantors of any obligations due from the Franchisee to the Franchisor, as well as demand upon the Guarantors for payment and diligence in collecting any said obligations are each and all waived by the Guarantors. The granting of any extension or suffering of any indulgence to the Franchisee or any other party regarding any of said obligations due, the continued delivery of Products to the Franchisee after the Franchisee is in default under the terms of the Agreement and the failure of AQP to require payment on a cash-on-delivery basis, even though without notice to the undersigned, shall in no way affect the obligations hereunder.

4. **Representations.** The Guarantors jointly and severally represent that, at the time of

