

FRANCHISE DISCLOSURE DOCUMENT

ROSATI'S FRANCHISE & DEVELOPMENT, LLC

(An Illinois limited liability company)

28381 Davis Parkway

Warrenville, Illinois 60555

(630) 393-2280

www.rosatispizza.com

dan@rosatis.com



You will own and operate a Rosati's Pizza restaurant which offers for sale to the general public a variety of pizza, pasta, sandwiches and other approved menu items for carry-out, delivery and sit-down using the service marks and trade secrets owned by or licensed to Rosati's Franchise & Development, LLC.

The total investment necessary to begin operation of a Rosati's Pizza restaurant franchise is from \$264,700 to \$1,482,000. This includes \$35,000 that must be paid to the Franchisor.

If you enter into a Multi-Unit Development Agreement to develop multiple Rosati's Pizza restaurants, when you sign the Multi-Unit Development Agreement you will pay the full Initial Franchise Fee of \$35,000 for your first Rosati's Pizza restaurant and a development fee of \$17,500 for each additional Rosati's Pizza restaurant you agree to develop under the Multi-Unit Development Agreement. You must open a minimum of two Rosati's Pizza restaurants under the Multi-Unit Development Agreement.

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

You may wish to receive your Franchise Disclosure Document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact Dan Perillo at (630) 393-2280 or at 28381 Davis Parkway, Warrenville, Illinois 60555.

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

Buying a franchise is a complex investment. The information in this Franchise 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 Franchise 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, DC 20580. You can 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: **April 25, 2023**

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits H and I.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor 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 K 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 Rosati’s Pizza in my area?	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What’s it like to be a Rosati’s Pizza franchisee?	Item 20 or Exhibits H and I lists current or 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*

Continued 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.

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

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

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

Some States Require Registration

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

Special Risks to Consider About *This* Franchise

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

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

Spousal Liability. Your spouse must sign a document, such a guarantee, that makes your spouse liable for your financial obligations under the franchise agreement even if your spouse does not own any part of the franchise business. If you live in a community property state, your spouse may be liable for your financial obligations even if he or she hasn't signed anything. In either case, both you and your spouse's marital and personal assets, including your house could be lost if your franchise fails.

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

Supplier Control. You must purchase all or nearly all of the inventory & supplies necessary to operate your business from Franchisor, its affiliates, or from suppliers that Franchisor designates at prices that the Franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profits of your franchised business.

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

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

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

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

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

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

Any questions regarding the notice of this Offering should be directed to:

Michigan Attorney General's Office
Consumer Protection Division
Attn. Franchise Section
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, Michigan 48933
(517) 335-7567

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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, “Rosati’s,” “we,” “us,” or “our” refers to Rosati’s Franchise & Development, LLC, the franchisor. “You” means the person who has been granted the right to develop one or more Rosati’s Pizza restaurants. If the franchisee is a corporation, limited liability company, partnership or other business entity, “you” also includes the franchisee’s owners.

We are an Illinois limited liability company formed on May 1, 2006. We began offering franchises in 2006. We do business only as “Rosati’s Pizza” and “Rosati’s.” We do not intend to do business under any other name. Our principal business address is 28381 Davis Parkway, Warrenville, Illinois 60555, (630)393-2280.

Our agents for service of process are listed in **Exhibit B** to this Franchise Disclosure Document.

The Business of the Franchisor

We grant franchises to qualified candidates for the operation of one or more Rosati’s Pizza restaurants, offering pizza and other menu items for carry-out and delivery (referred to as a “Franchised Business” in this Franchise Disclosure Document). Franchised Businesses provide a wide variety of menu items, including Rosati’s pizza, calzones, sandwiches, pasta and other Italian specialties. Franchised Businesses operate under our uniform format of designs, standards, specifications, and procedures (the “System”) and identify themselves and their products and services with the trademarks “Rosati’s,” “Rosati’s Pizza,” and certain related marks (the “Marks”)

We grant the right to operate a Franchised Business under an agreement between you and us (“Franchise Agreement”) (**Exhibit C**). We may also grant you the right to develop and operate more than one Franchised Business pursuant to a Multi-Unit Development Agreement (“Multi-Unit Development Agreement”) (**Exhibit D**), under which you would agree to develop and open a set number of Franchised Businesses in an agreed upon Development Area, in accordance with an agreed upon Development Schedule. You do not have the right to offer franchises to others or to subfranchise.

We do not currently operate any businesses of the type being franchised, nor are we involved in any other business activities. Our owners and certain entities in which our owners have an interest, operate Rosati’s Pizza restaurants in Arizona, Florida, Illinois, Texas and Wisconsin (the “Affiliated Restaurants”). A list of the Affiliated Restaurants is attached to this Franchise Disclosure Document as **Exhibit E**. Three of our owners are also minority shareholders in Franchised Businesses as noted in the list of current franchisees, which is attached to this Franchise Disclosure Document as **Exhibit H**.

Our affiliate, Hampshire Pizza, Inc., is an Illinois corporation incorporated on April 15, 1997. It is located at 28381 Davis Parkway, Warrenville, Illinois. Hampshire Pizza, Inc. owns an interest in two Rosati’s Pizza restaurant. Hampshire Pizza, Inc. also currently negotiates purchasing arrangements or buying programs with suppliers and distributors of Franchised Businesses and of other branded restaurants operated by our affiliates (see Item 8). Hampshire Pizza, Inc. has never offered franchises in this or any other line of business. Some of our Affiliated Restaurants, which have been in operation since the 1990s or before, pay a flat royalty fee.

Our affiliate, Rosati's Advertising Coop, Inc. ("Rosati's Advertising"), is an Illinois corporation incorporated on May 29, 2018. Its principal place of business is the same as ours: 28381 Davis Parkway, Warrenville, Illinois 6055. Rosati's Advertising is wholly owned by Rosati's Franchise & Development, LLC. The Advertising Fund referenced in Items 6 and 11 are administered by Rosati's Advertising. Rosati's Advertising has never offered franchises in this or any other line of business.

Prior Business Experience of the Franchisor

The Rosati's Pizza restaurant concept began in 1964, when Alfred, Richard and Ronald Rosati opened the first Rosati's Pizza restaurant. From 1979 to 1983, Rosati's Family Restaurants, Inc. sold franchises for Rosati's Pizza restaurants. In 1988, Rosati's Family Restaurants, Inc. assigned the Marks to Rosati's Franchise Systems, Inc. ("RFSI"). RFSI continues to own the Marks. From 1988 to 1998, RFSI sold franchises for Rosati's Pizza restaurants. RFSI does not currently have any operations; RFSI only owns the Marks. In 1998, RFSI licensed 10 Rosati family members to use the Marks with the requirement that each restaurant be at least 5 miles apart. In September 2006, two of those family members (the late Fredric Rosati and Michael Rosati) organized Rosati's Franchise & Development LLC to franchise Rosati's Pizza restaurants. Other Rosati family members own, license or franchise their own Rosati's Pizza restaurants independently from us.

Other than the foregoing, we have no predecessors, affiliates, or parent companies.

We do not conduct any other business activities. There are no principal addresses of any parents. We have not had any predecessors during the 10-year period immediately preceding the close of our most recent fiscal year.

The Rosati's Franchise

Franchised Businesses offer quality Rosati's pizza and other menu items for dine-in, carry-out and delivery. Customers of the Franchised Business include adults and children of all ages. Franchised Businesses primarily cater to carry-out and delivery customers and typically occupy approximately 1,000 to 1,500 square feet. In some cases, franchisees may have dine-in facilities which occupy 3,500 square feet or more.

Franchised Businesses are open for lunch and dinner. The menu features Rosati's pizza and calzones, sandwiches, pasta and other Italian specialties. You will be licensed to use the Marks, as well as the System, which you must follow. You will also be licensed to use our confidential manuals (collectively, the "Manual") which set forth the standards and specifications for the management and operation of a Franchised Business.

Competition

The general market for Franchised Businesses will be the general public, with a primary focus on families and adults ages 18 to 65. The competition for Rosati's Pizza restaurants comes mainly from other carry-out and delivery restaurants which feature pizza, including local, regional and national chains such as Domino's Pizza, Pizza Hut and Papa John's.

Your competition may also include other Rosati's Pizza restaurants (currently about 230) operated under the Marks by one or more of the other 8 shareholders of RFSI (not our owners), or their franchisees or licensees. These Rosati's Pizza restaurants may be located within close proximity to your Franchised Business, although not within your Territory ("Territory" is defined in Item 12 of this Franchise Disclosure Document). While the other 8 shareholders are obligated by the RFSI

license agreement to ensure that the Rosati's Pizza restaurants operate in a quality manner that is not detrimental to the Marks, the other Rosati's Pizza restaurants may be operated in a manner different from the System, and they may offer different menu items, different promotions, and a different overall dining experience. We do not have the ability to control the operations of the Rosati's Pizza restaurants that we do not license.

Other than as stated above, we have no predecessor in interest, affiliates, parent corporation, or other parent entity.

Regulatory Matters

There are no regulations specific to the industry in which Rosati's Pizza restaurants operate, although you must comply with all local, state and federal licensing, health, sanitation and environmental laws that apply to restaurant operations. You will also be required to comply with workers' compensation, equal protection and workplace safety laws and regulations, including Title VII and the Americans with Disabilities Act.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce laws and regulations that govern food preparation and service and sanitary conditions. State and local agencies inspect restaurants to ensure that they comply with these laws and regulations. State, federal, and local regulations may require you to disclose the nutritional content of certain food items. Additionally, some state and local authorities have also adopted, or are considering to adopting, laws or regulations that would affect the content or make-up of food served in restaurants, such as the level of trans fats contained in a food item. Some states also have laws regulating the handling of food and food products. The Federal Clean Air Act and various implementing state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particulate matters, including caps on omissions from commercial food preparation. Some areas have also adopted or are considering proposals that would regulate indoor air quality.

You should consider these laws and regulations when evaluating your purchase of a Rosati's Franchised Business.

ITEM 2

BUSINESS EXPERIENCE

MANAGING MEMBER: Jeffrey Rosati. Jeffrey Rosati has been a member of Rosati's since our inception in May 2006. Mr. Rosati is a certified public accountant and has worked in public accounting since 1987, currently in his own practice in Illinois. Since 1996, Mr. Rosati has held ownership interests in various restaurants including Beef Shack, Rosati's, Maciano's, Vita Bella Pizza and Chicago Pizza Authority in Illinois. Mr. Rosati has also been president and a shareholder of Hampshire Pizza Inc. since 1997.

PRESIDENT OF FRANCHISING: Daniel Perillo III. Daniel Perillo began his affiliation with Rosati's in May 2015. Mr. Perillo has also been the President of Franchising for Best Brands, LLC since December, 2016.

CHIEF OPERATING OFFICER: Tom Meiron. Tom Meiron joined us in January of 2023 as our Chief Operating Officer. Prior to joining us, Mr. Meiron was the President and Chief Operating Officer of FAT Brands from April of 2019 through October of 2020 in Beverly Hills, California. Mr. Meiron is also the President and Chief Operating Officer of Tom Meiron Consulting, which he opened in December of 2008 and is based out of Miami, Florida. Through his consulting company, Mr. Meiron also (a) serves as the President of US Hemp Group, LLC and Illinois Infusion, LLC in Springfield, Illinois (June of 2020 – present) and (b) served as the President of BurgerIM, USA in Miami, Florida and Encino, California (December of 2015 – March of 2019).

CHIEF MARKETING OFFICER: Jun Roxas. Jun Roxas joined us in April of 2023 as our Chief Marketing Officer. He also acts as a Managing Partner of The MADE Agency in Yorba Linda, California, a role he has held since November of 1999.

DIRECTOR OF TRAINING: Andrew Sidell. Andy Sidell is our Director of Training and is based out of Warrenville, Illinois. He has been with Rosati's since January of 2014 in the role of Franchise Consultant and Regional Operations Manager.

DIRECTOR OF FRANCHISE OPERATIONS: David Piasecki. David Piasecki joined us as our Director of Franchise Operations in March of 2023 and is based out of our Warrenville, Illinois office. Prior to joining Rosati's, he was a Director at Boom Enterprises in Deerpark, IL from January of 2011 to February of 2023.

OPERATIONS MANAGER: Sean Mendyk. Sean is our Operations Manager. He has been with us since August of 2021 and is based out of our Warrenville, Illinois office. Prior to joining Rosati's, he was a Ticket Sales & Digital Media Manager with Windy City Bulls in Hoffman Estates, Illinois from August of 2018 through September of 2021.

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

The initial franchise fee to develop each Franchised Business is \$35,000 (regardless of the number of Franchised Business to be opened if you are a Multi-Unit Developer) and is payable in a lump sum upon signing of the Franchise Agreement, a form of which is attached to this Franchise Disclosure Document as **Exhibit C**. The initial franchise fee is not refundable. During our 2022, we collected between \$0 and \$35,000 in initial franchise fees.

If you sign a Multi-Unit Development Agreement, in addition you must pay 50% of the aggregate initial franchise fee upon signing of the Multi-Unit Development Agreement. The balance (\$17,500) of each initial franchise fee is due upon signing of each individual Franchise Agreement. Each portion of the initial franchise fee is deemed fully earned upon receipt and is non-refundable.

We may vary, waive, reduce, defer or make an exception to our published fee structure and/or payment terms for any reason, provided we make no representations that any opportunities or variations to the standard initial franchise fee will be available/continue to be made available and any that are made available may be discontinued at any time.

Under the Franchise Agreement, if we determine that you (or if you are a corporation, partnership or limited liability company, one of your owners whom we approve) are unable to satisfactorily complete the training program, we have the right to terminate the Franchise Agreement immediately upon notice to you.

Other than the initial franchise fee, any area development fees and the grand opening marketing expense, you need not make any payments to us or our affiliates before you open your Franchised Business.

ITEM 6
OTHER FEES¹

Type of Fee	Amount	Due Date
Royalty ¹	5% of Gross Sales ²	Payable weekly ³
Advertising Fund ⁴	Currently 1% of Gross Sales	Payable monthly
Advertising Expenditures	4% of Gross Sales	Yearly
Local Advertising Cooperative ⁵	Currently none. 1% to 4% of Gross Sales per week	Same as Royalty or as agreed by cooperative members, but at least weekly
Telephone Directory Listing Requirements ⁶	Variable	As incurred

Type of Fee	Amount	Due Date
Interest charge on late payments ⁷	1.5% per month, or lesser amount if required by law (the "Default Rate")	15 days after billing
Transfer Fee ⁸	50% of then-current initial franchise fee (plus any past due amounts) and training fee	Prior to transfer
Audit Fee ⁹	Cost of audit (\$25,000 to \$50,000) plus interest on the underpayment at the Default Rate ¹⁰	Due only if the audit shows an understatement of 2% or more
Indemnification ¹¹	All losses and expenses incurred	Upon being incurred by us
Replacement Fee for the Manual	\$250 per volume	Due only if the Manual is lost, stolen, damaged, etc
Initial Training Expenses; Additional attendees ¹²	Variable; \$2,500 for additional attendees	During initial training
Ongoing Training ¹³	New manager training conducted at a location of our choice at current rate	During ongoing training
Additional Assistance ¹⁴	\$400/day or then current rate, plus expenses	As incurred
Insurance Cost Reimbursements ¹⁵	Variable	As incurred
Costs and Attorney Fees ¹⁶	Variable	As incurred
Renewal Fee ¹⁷	50% of then-current initial franchise fee	Due only if you would like to renew the Franchise Agreement
Late Fee	Lesser of 1.5% per month, or highest rate permitted by law.	Payable on all overdue amounts owed to us
Unauthorized Advertising Fee	\$500 per occurrence, if you use unapproved advertising, promotional or marketing materials.	As incurred
Non-Compliance Fee for each deviation from a contractual requirement, including any system standard in the Manual	\$500 per deviation per day.	As incurred

1 With the exception of advertising expenditures, training expenses, grand opening expenses, and local advertising cooperatives, these fees are payable to us and are fully earned by us upon payment and non-refundable. You must sign the Direct Deposit Authorization attached to the Franchise Agreement as Exhibit 5 to allow us to collect the amounts which are payable to us. All fees are uniformly imposed. However, we may vary, waive, reduce, defer, or make exceptions to these fees or payment terms at any time and for any reason. We make no representations that any waiver, reduction, deferral, or exceptions will be available or continue to be made available, and any that are made available may be discontinued at any time.

2 “Gross Sales” means all sales or revenues generated directly or indirectly through the Franchised Business, including all receipts from sales at special events which we approve (“Off-Premises Sales”) and monies derived at or away from the premises of the Franchised Business, whether for cash, check, credit or debit cards, trade credit or credit transactions (regardless of collectability). “Gross Sales” also includes business interruption insurance proceeds and service charges in lieu of gratuity but shall not include any (a) sales tax or other taxes collected from customers by you for transmittal to the appropriate taxing authority, (b) customer refunds, adjustments, credits including those for coupons and allowances made by the Franchised Business or (c) charges for in-house delivery service.

3 Unless otherwise restricted by applicable banking laws and regulations, we reserve the right to establish a direct debit program with your bank to allow for the electronic transfer of the weekly royalty and advertising fund payments. You will be required to sign any necessary documents authorizing the automatic transfer. If we do so, we will automatically debit your bank account each Wednesday for the previous week’s royalties and advertising fees. These fees will be assessed on the basis of reports submitted by you or, if available, based on computer polling of your point-of-sale register system. For all fees payable on a national holiday, the payment will be due the following business day.

4 We have the right to require you to contribute no less than 1% and no more than 4% of Gross Sales to the Advertising Fund at the same time and in the same manner as the royalty fee. The Advertising Fund contribution is currently 1%.

5 Although we have no immediate plans to do so, we reserve the right to require you to participate in a Local Advertising Cooperative (“**Advertising Cooperative**”) for the placement of local advertising. If an Advertising Cooperative is established, we have the right to require you to contribute no less than 1% and no more than 4% of Gross Sales per week to the Advertising Cooperative or on a more frequent basis as otherwise agreed by the cooperative members.

6 You must reimburse us if we exercise our discretion to pay the cost of listing and advertising your Franchised Business in the regular and classified telephone directories within your primary market area. If other Franchised Businesses are listed with yours, the cost will be reasonably apportioned among the Franchised Businesses listed. We may, at our option, maintain one or more telephone number for the Franchised Business and, if we do maintain the number(s), including the applicable area code, you will be authorized and required to use the number(s) during the term of the Franchise Agreement. You acknowledge that we will have the sole rights to and interest in all telephone number(s). We will notify you monthly of the cost of the telephone service and you must, within five days of your receipt of the bill, reimburse us for our costs in maintaining telephone number(s) for the Franchised Business. In the event you do not so reimburse us, we may, at our option, instruct the telephone service provider to terminate the telephone number(s) or to transfer the number(s) to us or our designee.

7 The Default Rate will accrue on all overdue amounts owed to us.

8 You must pay this transfer fee to cover our administrative and other expenses in connection with the transfer of a Franchised Business, unless you make the transfer to an entity formed solely for the convenience of ownership. This transfer fee will also include all amounts that are due and unpaid at the time of transfer. All transfers must be in accordance with the terms of the Franchise Agreement and are subject to our prior approval. The person to whom you transfer the Franchised Business (“**transferee**”) and his or her manager must complete and pay for any training programs then in effect for current franchisees. Multi-Unit Developers must pay this transfer fee for each Franchised Business to be transferred.

9 We reserve the right to audit your books and records. If our audit discloses an understatement of amounts due to us of (a) less than 2%, you will be required to pay us the difference and (b) 2% or more, you will be required to pay us the difference and, in addition, you will be required to pay for all of our costs (including reasonable accountants’ and attorneys’ fees, employee travel expenses, and a daily fee) in connection with the audit, plus interest at the Default Rate on the undisclosed amount.

10 Interest begins from the date of the underpayment.

11 You must indemnify us (and our affiliates, subsidiaries, shareholders, directors, officers, members, managers, employees, agents, successors and assigns) from all losses and expenses incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement that arises out of or is based upon any of the items listed in the sections of the Franchise Agreement and the Multi-Unit Development Agreement entitled “Indemnification.”

12 Training expenses include out-of-pocket expenses for travel, meals, lodging and salaries of those attending the training. There are no extra fees for training payable to us. The initial franchise fee includes training for you and 2 managers. After you open the Franchised Business, we will provide training to any new manager of the Franchised Business for which we may impose a reasonable fee, currently \$2,500 plus expenses. For further information about training programs and requirements see Item 11.

13 Ongoing training includes any supplemental training programs that we may establish or that you may request. For further information about training programs and requirements see Item 11. New manager training is conducted at a location of our choice, (currently, in Chicago, Illinois or Phoenix, Arizona) at current rates detailed in the Manual.

14 If you request additional assistance at your Franchised Business, we will charge you a daily fee plus expenses. For further information about additional assistance see Item 11.

15 You must obtain insurance as specified in Item 8 of the Franchise Disclosure Document. However, if you do not secure or maintain the specified coverage or provide us with evidence of that coverage, we may obtain the insurance on your behalf and charge you for it together with any expenses we incur in doing so.

16 If we are the prevailing party in any dispute or litigation, you shall reimburse us for the costs and expenses in seeking injunctive or other relief for the enforcement of the Multi-Unit Development Agreement or Franchise Agreement or in claiming amounts owned by you to us (including, but not limited to, accounting, legal and attorneys’ fees and arbitrators’ fees).

17 The renewal fee will cover our administrative and other expenses in connection with the

renewal of the Franchise Agreement.

18 We may at times vary, waive, reduce, defer or make an exception to these fees and/or payment terms for any reason. Otherwise all fees are imposed uniformly.

ITEM 7

ESTIMATED INITIAL INVESTMENT*

Expenditure	Amount	Method	When Due	To Whom
Initial Franchise Fee ¹	\$35,000	Lump Sum	At signing of Franchise Agreement	Us
Lease Deposit and Rent (First 3 Months) ²	\$10,000 - \$40,000	As arranged	As arranged	Landlord
Leasehold Improvements ³	\$100,000 - \$600,000	As arranged	As arranged	Contractors, engineers, architects, suppliers
Furniture, Fixtures & Equipment ⁴	\$100,000 - \$500,000	As arranged	As arranged	Suppliers
Signage ⁵	\$5,000 - \$25,000	As arranged	As arranged	Suppliers
Opening Inventory and Supplies ⁶	\$5,000 - \$30,000	As ordered or arranged	Lump sum	Suppliers
Grand Opening Advertising ⁷	\$0 - \$10,000	As ordered or arranged	As arranged; deposit as lump sum	Suppliers, media
Training Expense ⁸	\$1,500 - \$30,000	As incurred	As incurred	Vendors
Miscellaneous Opening Costs ⁹	\$10,000 - \$30,000	As ordered or arranged	Lump sum or as arranged	Insurance companies, utilities, suppliers, landlord
Additional funds – 12 months ¹⁰	\$15,000 - \$150,000	As incurred	As incurred	Suppliers, employees, us
Computer Hardware & Software ¹¹	\$22,000 - \$50,000	As incurred	As incurred	Suppliers

Expenditure	Amount	Method	When Due	To Whom
TOTAL	\$303,500 - \$1,500,000			

***All payments for your initial investment are non-refundable unless otherwise stated or agreed.**

1 **INITIAL FRANCHISE FEE.** As described above in Item 5, the initial franchise fee that you will pay to us is \$35,000. If you sign a Multi-Unit Development Agreement, you must pay us the full initial franchisee fee for the first Rosati's Pizza restaurant you commit to develop, plus one half of the initial franchise fee for each additional Rosati's Pizza restaurant you commit to develop. We estimate that Multi-Unit Developers may also incur \$5,000 to \$7,500 more in expenses in fulfilling their development obligations (e.g., looking for additional sites, etc.) while opening their first Franchised Business. All initial franchise fees are deemed fully earned upon receipt by Rosati's and are non-refundable.

2 **REAL ESTATE.** This estimate includes a one month's security deposit and rent payments for the first 3 months. The estimate is based on the typical Franchised Business, which will occupy approximately 1,000 to 1,500 square feet and will generally be located in a shopping center. We estimate that annual base rental for space will be between \$20.00 and \$35.00 per square foot. However, the amount that you will pay per square foot may vary greatly depending upon your location and local market conditions. The refundability of the security deposit will be governed by the terms of your lease.

3 **LEASEHOLD IMPROVEMENTS.** The cost of leasehold improvements will vary depending on the location of the Franchised Business, the size and condition of the Franchised Business premises, price differences between various suppliers and contractors, and shipping distances from suppliers. All construction materials and fixtures must be of the brands or types we approve and must be purchased from approved suppliers (See Item 8). These costs are normally payable to third parties before you open the Franchised Business or in installments over a period of time, depending on the type of financing you are able to obtain. You will bear the costs of modifying our prototype plans, specifications and layouts for a Rosati's Pizza restaurant to suit the shape and dimension of the premises. These amounts are in addition to landlord contribution.

4 **FURNITURE, FIXTURES & EQUIPMENT.** The lower figure represents the estimated initial investment if you choose to purchase primarily used equipment. The higher figure is the estimated cost if you pay the full purchase price of the equipment. You may purchase approved brands and models of equipment and signs from any supplier we approve or designate, which may include us (See Item 8). We do not require you to purchase or use vehicles for off-premises sales and expect that if you wish to do so, the decision will be made after the Franchised Business is open and operating.

5 **SIGNAGE.** This represents the estimated cost you will pay for having signs that we specify installed in and on the premises of your Franchised Business.

6 **OPENING INVENTORY AND SUPPLIES.** This range represents the estimated cost of acquiring your opening inventory and supplies. The cost will vary depending on shipping distances from suppliers and price differences between suppliers. Materials and supplies used by the Franchised Business must conform to the specifications and standards we establish (see Item 8).

Payment for these items will typically be made when the Franchised Business opens.

7 **GRAND OPENING ADVERTISING.** You must spend at least \$7,000 to conduct a grand opening advertising and promotional program for the Franchised Business during the first 90 days after the Franchised Business opens (see Items 8 and 11).

8 **TRAINING EXPENSE.** As described in Item 6, although there is no charge for the initial training program, you will be responsible for the associated costs and expenses that you and your trainees incur during training including, but not limited to, wages, lodging, meals and transportation. For further information regarding the training program and requirements see Item 11.

9 **MISCELLANEOUS OPENING COSTS.** This range includes expenses for the purchase of miscellaneous items you may need to operate your Franchised Business, utility deposits, and permit and license fees.

10 **ADDITIONAL FUNDS.** This amount estimates your initial start-up expenses for a 12-month period, including working capital. Working capital includes the cost of preparing the Franchised Business for operation, including employee salaries and expenses incurred during pre-opening training and sufficient excess funds to cover Franchised Business operations during the first 3 months of operation, but does not include owner draws or distributions. The actual amount you will need will vary depending on your revenue and other factors. This item does not include any estimate of the cost of any financing, interest or the amount of debt service obligation you may undertake. We relied on nearly 60 years of experience in opening and operating Rosati's Pizza restaurants to compile this estimate.

11 **TOTAL.** We relied on nearly 60 years of experience in operating Rosati's Pizza restaurants to compile these estimates. The estimates are averages and reflect expenses for a single Franchised Business under typical circumstances. Your situation may not be typical and unforeseen circumstances may arise. You should review these figures carefully with a business advisor before you make a decision to accept a franchise. You should be aware that a variety of factors such as demographics, the extent to which you follow our methods and procedures, local economic conditions and your business experience and acumen may affect the actual amount you will need. These figures are estimates, and Rosati's cannot guarantee that you will not have additional expenses starting the Franchised Business. You should review these figures carefully with a business advisor before making a final decision.

We do not offer financing for any portion of your initial investment. Your ability to obtain financing from third parties and the terms of such financing depends on factors such as the availability of financing generally, your own creditworthiness, the collateral you possess and lending policies of financial institutions.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases and Sources

Neither we, nor our affiliates, are currently approved or designated suppliers for any goods or services used in the Franchised Business. However, we reserve the right to become an approved supplier in the future.

None of our officers, directors or members owns an interest in any approved supplier.

Site Approval, Restaurant Design, Construction and Décor

You must obtain our prior written approval of the location for the Franchised Business. A copy of the Site Selection and Territory Addendum is attached as **Exhibit 1** to the Franchise Agreement. Before you acquire, by lease or purchase, any site for a Franchised Business, you must submit to us, in the form we specify, a description of the site and other information or materials we may require for site approval. We will not unreasonably withhold approval of a site that meets our minimum standards for a Franchised Business. By signing the Franchise Agreement, you acknowledge and agree that our approval of the premises for a Franchised Business does not constitute a representation or warranty that the premises are suitable for the Franchised Business or that the Franchised Business will be successful at that site. Our approval of a site means only that the site meets our minimum standards for a Franchised Business. Site selection and approval are based on your personal knowledge of the chose area. Do not rely on us for your site selection.

We will furnish you with mandatory and suggested prototype plans, specifications, and layouts for a Franchised Business, that reflect our requirements for design, décor, furnishings, furniture, layout, equipment, fixtures and signs. It will be your responsibility to prepare all required construction plans and specifications to suit the shape and dimensions of the premises for the Franchised Business, and you must insure that these plans and specifications comply with applicable ordinances, building codes and permit requirements, and with lease requirements and restrictions.

In addition, you must use only the brands, types and/or models that we have approved for equipment, furniture, furnishings, point of sale computer systems, and signs containing the Marks. You must purchase these approved items from suppliers we designate or approve. We will provide you with a list of approved items and supplier and will approve others on a case by case basis.

Food Products and Mixes

We have developed various food products, ingredients, spices, seasonings, coatings, beverages and product mixes that are or will be prepared by or for us according to our secret recipes and formulas. You must purchase product mixes and other products that we develop using a secret recipe or formula only from our designated or approved suppliers whom we license to prepare and sell these products. While we are not currently, we, or an affiliate of ours may be a designated supplier of proprietary items in the future. We may concentrate purchases with one or more distributors or suppliers to obtain lower prices, advertising support, or services for any Rosati's Pizza restaurants franchised or operated by us or our related companies or affiliates.

Computer Hardware and Software

You must keep your books and business records according to our formats. To facilitate your reporting to us and other communications, you must maintain certain systems in operating the Franchised Business. We require that you use the following computer system: Foodtech Solutions, 175 Highland Ave., Boston, Massachusetts, Telephone No. (800) 350- 3339, which is a complete hardware and software restaurant system along with 4 Foodtec security cameras (“POS System”). The POS System collects detailed sales information and can generate various sales reports. We may have independent access to the information and data you maintain and there are no contractual limitations on our right to access the information and data. We are not obligated to repair the POS System. No organization has the contractual right or obligation to provide maintenance, repair upgrades, or updates. We recommend that you obtain a maintenance contract with a reputable organization for your POS System. You may be required to upgrade or update any POS System during the term of the Franchise Agreement. There are no contractual limitations on the frequency or costs associated with this obligation.

Other than the above items, you are not currently obligated to purchase or lease any goods, services, supplies, fixtures, equipment, inventory or real estate from us or designated sources. However, we reserve the right to require you to lease or purchase additional items in the future when we believe it is necessary to maintain the reputation and goodwill of the System.

Advertising

You must spend at least \$7,000 on grand opening promotion and advertising within 90 days after your Franchised Business opens (although we would anticipate you may spend more). You must use the advertising and public relations programs and the media and advertising materials we approve, including the Foodtec marketing platform.

Before you place local advertising and promotional materials in the media or otherwise use them, you must submit to us for our approval samples of all local advertising and promotional materials that we did not prepare or previously approve. If you do not receive written disapproval from us within 15 days from the date we receive the material, we will be deemed not to have approved the materials. You may not use any advertising or promotional materials that we have disapproved.

Pricing and Promotional Programs

We have the right to create national, regional and/or local promotional programs that involve giveaways and/or sales at specified prices, and other incentives or benefits for the time periods we designate. We may develop digital promotions, social media promotions, customer loyalty programs, gift card programs, reward programs, coupons and similar programs for the time period we designate. We have the right to make participation in these promotional programs mandatory and, if we do, you must participate. We are not required to compensate you for participation in any such promotional programs.

Approval and Lease of Premises

If you lease the premises of the Franchised Business, we have the right to approve the terms of the lease or to require specific lease terms that we think are necessary. In particular, any lease must provide that if the Franchise Agreement expires or is terminated for any reason, other than a circumstance where you terminate the lease for cause, we have the option to assume the lease and replace you as tenant. If we exercise our right to assume the lease, we will indemnify and hold you

harmless against any claim made for future rent or other future liability under the lease. Additionally, the lease must include specific provisions that we require (see Item 11). You must deliver a copy of the lease to us for our approval before you sign the lease. See the Mandatory Addendum to Lease which is attached as Exhibit 2 to the Franchise Agreement.

Purchases by Specification

In order to maintain the uniformly high standards and reputation of the System and to meet the expectation of Rosati's customers, you must purchase or lease certain items in accordance with the specifications and guidelines issued by us or from suppliers we approve. This requirement applies to all aspects of the System, including without limitation food items, uniforms, the interior décor, inventory items, menus and signs.

Specifications and guidelines may include minimum standards for quality, quantity, delivery, performance, design, appearance, durability, style, warranties, price range, and other related specifications. We consider these specifications to be of critical importance to the success of the System. The Manual sets forth these specifications and we will make available to you a list of approved suppliers. While we are not currently, we or one or more of our affiliates may be an approved supplier for some of these items.

If you propose to purchase, lease, or distribute any items not previously approved in writing by us or from a supplier not approved by us, but which you believe meet our quality control and other System specifications, you must request our approval in writing. We may require, among other things, submission of sufficient samples, specifications, photographs, drawings, and other related information to determine whether the items meet our specifications.

We apply the following general criteria, among others, in considering whether the supplier will be designated as an approved supplier:

Ability to produce the products, services, supplies or equipment to meet both our standards and specifications for quality and uniformity and Rosati's customers' expectations;

Production and delivery capabilities and ability to meet supply commitments;

Integrity of ownership (to insure that its association with us will not be inconsistent with the Rosati's brand image or damage our goodwill);

Financial stability; and

The negotiation of a mutually satisfactory license to protect Rosati's intellectual property.

We will advise you in writing within a reasonable time (not to exceed 45 days) whether the proposed item and supplier meets our specifications, and our approval will not be unreasonably withheld or delayed. We reserve the right to require you to reimburse us for reasonable expenses we incur in approving new items or suppliers.

Insurance

All insurance policies required under the Franchise Agreement must be maintained with insurance carriers that meet our standards. You must obtain and maintain coverage in the amounts we require for (a) commercial, public, product and motor vehicle liability insurance against claims for bodily and personal injury, death and personal property damage arising from operation of the Franchised Business; (b) general casualty insurance including fire and extended coverage, vandalism, and malicious mischief insurance for the replacement value of the Franchised Business and its contents; and (c) business interruption insurance for a period adequate to reestablish normal business operation. We may periodically increase the kinds of insurance or the amounts of coverage we required based

on factors such as inflation, new risks, changes in law or standards of liability and higher damage awards.

You must name us as an additional insured on all insurance policies, and each policy must contain a provision stating that we will receive 30 days written notice before any policy expires or is cancelled or materially modified. You must provide us with proof that you are maintaining the required insurance coverage by submitting to us copies of the renewal or replacement policies that you obtain. If you do not maintain the required coverage, or if you fail to provide satisfactory evidence of coverage, we have the right to obtain policies on your behalf that provide coverage for your Franchised Business and its operation. If we do so, you must pay us any costs and premiums associated with our efforts to secure your insurance coverage (See Item 6).

Purchasing Cooperatives/Arrangements

We and/or our affiliates may receive payments or other compensation from approved suppliers and manufacturers on account of the suppliers' and manufacturers' dealings with us, you, or other Rosati's franchisees. These payments or compensation may include rebates, commissions or other forms of compensation. We may use any amounts that we receive from suppliers and manufacturers for any purpose we deem appropriate. We and/or our affiliates may negotiate supply contracts with our suppliers and manufacturers under which we are able to purchase products, equipment, supplies, services and other items at a price that will benefit us and our franchisees.

Revenues

We may from time to time make available for your purchase various items of inventory, supplies (including printed materials and uniforms), equipment, and services for use in your Franchised Business upon which we may realize a profit. During the period ended December 31, 2022, our revenue from the sale of these items was \$-0- or 0% of our gross revenues of \$2,534,279.28. These figures are taken from our audited financial statements.

The required purchases for a Franchised Business currently represent approximately 60% to 80% of your initial investment, and approximately 70% to 90% of the cost of all goods and services that you are expected to make on an ongoing basis.

Except as described above, we do not provide material benefits to franchisees based on purchases from designated or approved sources.

Except as set forth above in this Item 8, there are no other requirements for you to purchase or lease in accordance with specifications or from approved suppliers.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

**ITEM 9 TABLE
FRANCHISEE'S OBLIGATIONS**

Obligation	Sections in Franchise Agreement ("FA") and Development Agreement ("DA")	Items in Franchise Disclosure Document
a. Site selection and acquisition/lease	FA: Sections I.B and V.B. DA: Section V	Items 6 and 11
b. Pre-opening purchases/leases	FA: Section V.N	Items 7 and 8
c. Site development and other pre-opening requirements	FA: Section V.B. and V.D DA: Sections III and IV	Item 7
d. Initial and ongoing training	FA: Sections V.E. and V.G DA: Section III.C	Item 11
e. Opening	FA: Section V DA: Section IV	Item 11
f. Fees	FA: Section IV DA: Section III	Items 5 and 6
g. Compliance with standards and policies / Manual	FA: Section VII	Item 11
h. Trademarks and proprietary information	FA: Sections VI and VIII	Items 13 and 14
i. Restrictions on products/services offered	FA: Section V	Item 16
j. Warranty and customer service requirements	None	
k. Territorial development and sales quotas	DA: Section IV	Item 12
l. Ongoing product/service purchases	FA: Section V	Item 8
m. Maintenance, appearance and remodeling	FA: Sections V.I. and V.L.	

Obligation	Sections in Franchise Agreement (“FA”) and Development Agreement (“DA”)	Items in Franchise Disclosure Document
n. Insurance	FA: Section XI	Item 7
o. Advertising	FA: Section X	Items 7 and 11
p. Indemnification	FA: Section XVIII DA: Section XIV	Item 6
q. Owner’s participation/management/staffing	FA: Section V.F.	Item 15
r. Records and reports	FA: Section IX DA: Section XIII	Item 11
s. Inspections and audits	FA: Section IX.E.	Item 11
t. Transfer	FA: Section XII DA: Section VIII	Items 6 and 17
u. Renewal	FA: Section II.B. DA: Section II	Item 6 and 17
v. Post-termination obligations	FA: Section XIV DA: Sections X and XI	Item 17
w. Non-competition covenants	FA: Section XV.B. DA: Section XI	Item 17
x. Dispute resolution	FA: Section XXVI DA: Section XXI	Item 17
y. Other	None	

ITEM 10

FINANCING

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

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, we are not required to provide any assistance to you. Before you open a Franchised Business, we will:

1. Review your site information and approve your site. Our approval of a site as suitable for a Franchised Business is not in any way to be deemed a representation or warranty as to the likelihood of success of the Franchised Business, but only means that your proposed site meets our minimum standards for a Franchised Business. Factors considered in selection and approval of a site include traffic count, visibility, demographics, competition in the area and occupancy cost. (Section III.A.5 of the Franchise Agreement; Section V of the Multi-Unit Development Agreement).
2. Provide a set of prototype plans, specifications and layouts for the construction of a typical Franchised Business, including requirements for design, decoration, furnishing, furniture, layout, equipment, fixtures and signage. These plans are for informational purposes only. You will be required to develop your own working drawings for the construction of Franchised Businesses we must review and approve these plans before the commencement of construction. (Section III.A.4 of the Franchise Agreement).
3. Provide you with written specifications for the operation and management of the Franchised Business. (Section III.A.2 of the Franchise Agreement).
4. Provide the initial training program in the operation of the Franchised Business for you and 2 of your approved managers. (Section III.A.1 of the Franchise Agreement).
5. Provide at least 1 representative for up to 1 week of on-site opening supervision and assistance. If you are a Multi-Unit Developer, we will not provide this assistance beyond the second Franchised Business that you open. We must mutually agree with you, subject to the availability of our training team, regarding the terms of our provision of any further opening assistance. (Section III.A.6 of the Franchise Agreement; Section III.C. of the Multi-Unit Development Agreement).
6. Loan one copy of the Manual for your use. The Manual is confidential and remains our property, and you may not copy any portion of it at any time. We may modify the Manual periodically, but these modifications will not materially alter your status and rights under the Franchise Agreement. The table of contents of the Manual is attached as **Exhibit F** to this Franchise Disclosure Document. (Section III.A.3 of the Franchise Agreement).
7. Provide you with specific lists of suppliers (which may include us or our affiliates) from

which you will obtain the required computer software. We will assist you to obtain the proper and compatible computer products that we require you to use. We will make recommendations and will advise you when you need to upgrade your computer system. However, we will not help you purchase or finance the purchase of a computer, computer system or computer products. Further information about the required computer system and the recommended suppliers is set forth below in this Item. (Section III.A.7. of the Franchise Agreement).

During the operation of the Franchised Business, we will:

1. Provide such general advisory assistance and field support as we deem helpful in the ongoing operation, advertising and promotion of the Franchised Businesses. (Section III.B.1 of the Franchise Agreement).
2. Provide you with updates, revisions and amendments to the Manual as we deem necessary. (Section III.B.3 of the Franchise Agreement).
3. Subject to the availability of our staff, provide management consulting services for special projects or assistance upon a mutually acceptable arrangement pertaining to fees and expenses. (Section III.B.4 of the Franchise Agreement).
4. Coordinate and conduct periodic training programs for franchisees as we deem necessary in our sole discretion. (Section III.B.5 of the Franchise Agreement).
5. Train your new managers. After your Franchised Business opens, we will provide training to new managers at one of the Rosati's Pizza restaurants operated by our owners (or their affiliated entities). You must pay us our then-current fee for any such additional training that takes place after the Initial Training . (Section III.B.6 of the Franchise Agreement).
6. On a periodic basis, as we deem advisable, conduct inspections of the Franchised Business and its operations, and evaluate the methods and the staff employed. (Section III.B.7 of the Franchise Agreement).

At our option, create, maintain and administer an advertising fund (the "Advertising Fund") for regional and/or national advertising programs we deem necessary or appropriate, in our sole discretion. See below for more information about advertising and promotion requirements.

Site Approval and Lease Terms

Site Approval, Restaurant Design, Construction and Décor

The location of the Franchised Business must meet our minimum standards, and we must approve of the location for each Franchised Business you develop. Before you acquire, by lease or purchase, any site for a Franchised Business, you must submit to us, in the form we specify, a description of the site and other information or materials we may reasonably require for site approval. We will not unreasonably withhold our approval of sites that meet our minimum standards for a Franchised Business. We will provide our approval or disapproval of a site within 10 business days of receipt of all required information from you. Your failure to obtain our approval of a location and sign a lease for the location within 90 days of signing of the Franchise Agreement, may lead to our termination of the Agreement (with no refund of any amounts paid to us thereunder).

We will furnish you with mandatory and suggested prototype plans, specifications and layouts for a Franchised Business that reflect our requirements for design, décor, furnishings, furniture, layout, equipment, fixtures, and signs for a Franchised Business. It will be your responsibility to prepare all required construction plans and specifications to suit the shape and dimensions of the premises of the Franchised Business, and you must insure that these plans and specifications comply with applicable ordinances, building codes and permit requirements, and with lease requirements and restrictions.

In addition, you must use only the brands, types and/or models that we have approved for equipment, furniture, furnishings, point of sale computer systems, and signs containing the Marks, and you must purchase these approved items from suppliers we designate or approve. We will provide you with a list of approved suppliers and equipment and will approve other suppliers and equipment on a case by case basis.

If you lease the premises of the Franchised Business, we have the right to approve the terms of the lease or to require specific terms be included in the lease (see Item 8). In particular, any lease must provide that upon the termination or expiration of the franchise for any reason, other than a termination by you for cause, we will have the option to assume the lease and replace you as tenant. If we exercise our right to assume the lease, we will indemnify and hold you harmless against any claim made for future rent or other future liability under the lease. Additionally, the lease must include the following: (i) covenant from landlord to concurrently send a copy to us of any written deficiency or default notice sent to you and granting us the right, in our sole discretion, to cure any deficiency or default under the lease within 15 days of the expiration of the period in which you were required to cure any such default; (ii) consent from landlord to your display of the Marks according to our specifications, subject only to applicable law; and (iii) covenant from landlord to furnish us with copies of all sales and other information landlord may possess relating to the operation of the Franchised Business. You must deliver a copy of the lease to us for our approval before you sign the lease.

Advertising

You must spend at least \$7,000 on grand opening promotion and advertising within 90 days after your Franchised Business opens (although we would anticipate you may spend more).

You will be required to pay to the Advertising Fund a continuing non-refundable weekly fee of between 1% and 4% of Gross Sales. The Advertising Fund fee is currently 1%. Currently, our affiliate, Rosati's Advertising, administers the Advertising Fund; however, we reserve the right in the future to administer it ourselves. The Advertising Fund may be used to conduct print, social media, radio, or television advertising, or anything else we deem appropriate on a national, regional or local level, and, if we deem appropriate to employ an in-house or outside advertising agency. We do not guarantee that the amounts you pay into the Advertising Fund will be used in your marketing area.

The Advertising Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for administrative costs and salaries associated with the Advertising Fund. We may spend in any fiscal year an amount greater or less than the aggregate contribution to the Advertising Fund. If the Advertising Fund spends less in any fiscal year, the surplus will be saved for future use by the Advertising Fund. The Advertising Fund is not required to be audited, although we may choose to do so.

During the period ended December 31, 2022, \$354,924.41 was spent by the Advertising Fund. Of that amount, 26.79% was spent on media placement, 2.41% was spent on production, 28.76% was

spent on promotional items, 4.27% was spent on website/internet, 19.615% was spent on designer fees, 17.76% was spent on agency costs and 0.4% was spent on administrative and miscellaneous expenses. No funds were expended from the Advertising Fund to solicit new franchisees. All franchisees will contribute to the Advertising Fund, and we expect all franchisor-owned outlets to contribute on the same basis as franchisees. We charged and collected \$62,799.88 from the Advertising Fund for designer fees.

Currently, we do not have an advertising council composed of franchisees, although such a council may be established in the future. We also do not currently require you to participate in a local or regional advertising cooperative (“Advertising Cooperative”). However, we reserve the right to require participation in an Advertising Cooperative the future. If an Advertising Cooperative is established, you will be required to pay to the Advertising Cooperative a continuing non-refundable weekly fee of between 1% and 4% of Gross Sales.

You must spend 4% of your Gross Sales to promote and advertise your Franchised Business. Amounts that you pay as Advertising Cooperative contributions, as well as reimbursements you may make to us for placing classified telephone directory advertising, will be counted toward the annual requirement.

Advertising Fund fees we collect will not be used for advertisements that are principally solicitations for new franchisees.

All of your advertising must comply with the policies and procedures we establish for the prior approval of proposed marketing and promotional campaigns and materials, as specified in the Manual.

Training

Before opening the Franchised Business, you (or if you are a corporation, partnership, or limited liability company, one of your owners we have approved) and 2 managers of the Franchised Business must attend and successfully complete our initial 5 week training program (“Initial Training”). The Initial Training must be completed to the franchisor’s satisfaction. We will specify when you will participate in the training. You may send additional operating or management personnel to Initial Training, but we reserve the right to charge a reasonable fee for additional attendees.

Initial Training consists of the following (see Notes 1 and 2):

Franchisees Training Agenda Topics to be Covered	Hours of Classroom Training	Hours of on the Job Training	Location
Operations	10	200	Chicago, Illinois, Scottsdale, Arizona
Administration	10	15	Chicago, Illinois, Scottsdale, Arizona
Advertising	5	10	Chicago, Illinois, Scottsdale, Arizona

Franchisees Training Agenda Topics to be Covered	Hours of Classroom Training	Hours of on the Job Training	Location
Customer Service	3	20	Chicago, Illinois, Scottsdale, Arizona
Cost Controls	2	10	Chicago, Illinois, Scottsdale, Arizona
Personnel	5	10	Chicago, Illinois, Scottsdale, Arizona

Note 1. All aspects of training are integrated and there are no definitive starting and ending times for training subjects.

Note 2. Training will be supervised by Andy Sidell, David Piasecki and Sean Mendyk with assistance from employees of the Rosati's Pizza restaurant in which training takes place. Mr. Sidell, Mr. Piasecki and Mr. Mendyk's business experience includes over 30 years' experience in the field. We may also utilize outside contractors from time to time to provide training.

Training will be held on an as needed basis. We may change the content and/or design of the program if we believe other subjects or a different format are appropriate. Additional training programs and/or refresher courses may be required. We do not charge for Initial Training for you and 2 approved managers. However, if any additional training is subsequently deemed necessary (including, but not limited to, if the initial trainees do not pass the initial training to our satisfaction or if a new manager is hired during the term of the agreement), you will be required to pay for the salary and expenses of the trainers until we are satisfied that you are trained. The fee for additional training will be cost and expenses per trainer plus the hourly wage between \$45 and \$75 depending on the trainer plus lodging, travel and incidental expenses. You are responsible for paying the travel and living expenses incurred by those who attend. See Item 5 for estimates regarding these expenses.

Initial Training is conducted at one of the Rosati's Pizza restaurants owned by our owners (or their affiliated entities) in the Chicago area, and will last approximately 5 weeks. We have the right to require you to continue training beyond the typical time periods if we deem it necessary for successful completion.

The training program is mandatory for all franchisees, and all of their managers, including renewing franchisees and franchisees acquiring franchises by virtue of a sale of a Franchised Business that has previously been operated by us or another franchisee. A condition of our consent to your purchase of a Franchised Business that has previously been operated by us or another franchisee may be that you successfully complete the training program. If we impose such a condition, you must sign a Confidentiality Agreement, a copy of which is attached to this Franchise Disclosure Document as **Exhibit G**.

In addition to the Initial Training, we will provide supplemental training at your request, and will conduct the training at a facility to be chosen by us (most frequently in the Chicago or Phoenix area) or, at our option, our trainers will come to your Franchised Business. We will charge you a fee for

the additional training and you will also be responsible for any expenses incurred by you, your employees or our trainers during the additional training period. The fee for additional training will be cost and expenses per trainer plus the hourly wage between \$45 and \$75 depending on the trainer plus lodging, travel and incidental expenses. . See Item 6 for further details on this subject.

Manual

Attached as **Exhibit F** to this Franchise Disclosure Document is the table of contents of the Manual, which contains 345 pages. To protect the confidentiality of the Manual, we require you to sign a Confidentiality Agreement, a copy of which is attached to this Franchise Disclosure Document as **Exhibit G**.

Computer Requirements

You must purchase your complete hardware, software restaurant system, including security cameras as detailed in the Manual. The total cost of purchasing this system is between \$22,000 and \$35,000. Both software programs collect detailed sales information and can generate various sales reports. We may have independent access to the information and data you maintain through these software programs and there are no contractual limitations on our right to access the information and data. We may periodically retrieve this data (on a schedule we determine) from your computer records or otherwise to use it in our marketing efforts. We may also obtain information regarding the operations and financial status of your Franchised Business to assist you in managing your Franchised Business.

We are not obligated to repair the POS or computers. No organization has the contractual right or obligation to provide maintenance, repair upgrades, or updates. We recommend that you obtain a maintenance contract with a reputable organization for your POS and computer system. You may be required to upgrade or update any computer hardware or software program during the term of the Franchise Agreement. There are no contractual limitations on the frequency or costs associated with this obligation.

Opening

The typical length of time between the signing of a Franchise Agreement and the opening of the Franchised Business is 90 to 270 days. Factors affecting this range include your ability to secure financing, the location and condition of the premises, and completion of improvements to the premises. You must open your Franchised Business within 360 days of executing the Franchise Agreement and within 5 days after we notify you that your Franchised Business is ready to open. Multi-Unit Developers must open the Franchised Businesses in accordance with the terms of Development Schedule agreed upon in the Multi-unit Development Agreement.

ITEM 12

TERRITORY

Franchise Agreement

We may provide certain limited protected rights within a defined territory (the “Territory”). If not, your rights will be limited to the specific street address of your Franchised Business. Your Territory, if any, will be determined by us, in our sole discretion as we consider appropriate under the circumstances, and will in no event be more than 5 miles from the Franchised Business front door to

front door using roads in existence as of the date of the Franchise Agreement. Neither we nor any other franchisees are prohibited from delivering products to customers located in your Territory. The Territory is not computed as a radius around the Franchised Business. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets we own, or from other channels of distribution, or competitive brands that we control. We reserve the right to establish as many company-owned units, or to license as many franchisees to establish Franchised Businesses, as we wish at any site outside the Territory regardless of the proximity to the boundaries of the Territory. In addition, other shareholders of RFSI (individually or through affiliated entities) may develop, or license others to develop Rosati's Pizza restaurants using the Marks, but operated under different systems and standards, within close proximity to your Franchised Business.

We, our affiliates, and other Rosati's franchisees are permitted to advertise and promote their Rosati's Pizza restaurants within your Territory. We ourselves or through an affiliate may offer and sell at wholesale, retail, or through any other distribution system, products and services which are part of the System, including, proprietary or branded products, which products may be resold at retail or through any other distribution channel under the Marks or other trademarks or service marks, including food stores and other retail facilities, the Internet, and as menu items in other restaurants or food service units.

Enclosed malls, institutions (such as hospitals), highway toll plazas, airports, parks (including theme parks), sports arenas, convention centers and other facilities or venues where events are scheduled, are excluded from your Territory. We retain the right to open ourselves or through an affiliate a Rosati's Pizza restaurant at any of these facilities or venues wherever the facility or venue is located, in order to service the facility or venue, or grant licenses for others to do so. In the event we or an affiliate decide to open a Rosati's Pizza restaurant at any of these facilities or venues, or grant a license for others to do so, the delivery and service area of the franchised business will be automatically adjusted to exclude the facility or venue.

Your Territory rights are dependent upon meeting the minimum gross sales requirements. You must maintain average gross sales of \$30,000 per month for any period of 6 consecutive months ("Minimum Monthly Gross Sales"). If you do not achieve the Minimum Monthly Gross Sales, you have 3 months from our delivery of notice to you to increase your Gross Sales so that you meet the Minimum Monthly Gross Sales. If you fail to achieve the Minimum Monthly Gross Sales for the 3-month period from the date of notice, we can terminate your Franchise Agreement and/or we can terminate all of your rights to the Territory. Thereafter, we may establish or franchise another Rosati's Pizza restaurant in your Territory.

You may relocate your Franchised Business with our approval and our approval for relocation is based on the same standards we use to approve new Rosati's Pizza restaurant sites including but not limited to location, size and suitability. We have the right, ourselves or through an affiliate, to operate or to grant to others franchises to operate businesses similar to the Franchised Business but under different Marks, at any location within or outside of the Territory. We also reserve the right to sell pre-packaged retail products under the Marks, or any other marks, through retail outlets, at special events, or through any other channels of distribution, even within your Territory.

You have the right to sell food products and services from temporary locations in the Area (such as trucks, booths and handcarts) at special events, such as neighborhood festivals, carnivals, charitable events and the like ("Special Events") (these sales at Special Events are referred to as "Off Premises Sales"), so long as you obtain our prior consent to conduct Off- Premises Sales at each Special Event and so long as you make these sales according to our standards and specifications to ensure quality and freshness. Immediately upon learning that a Special Event is scheduled to occur in your Territory,

whether you learn about it from us or another source, you must notify us of the time, place and nature of the Special Event and any other information that we may require. Within 5 days of that notice, you must notify us that you wish to conduct the Off-Premises Sales at the Special Event. If you notify us that you wish to conduct the Off-Premises Sales, and if we do not notify you of our disapproval within 10 days of our receipt of your notice, we will be deemed to have given the required consent. If you fail to notify us within the 5 days, or if you notify us that you do not wish to conduct Off-Premises Sales at the Special Event, we will have the right to do so. If the Special Event is located in the Territory of more than one Rosati's Pizza restaurant, then the restaurant with the highest Gross Sales during the prior 12 months will be permitted to conduct Off- Premises Sales at the Special Event.

You must focus your marketing efforts on the business in the Territory, but you are not prohibited from advertising and promoting your Franchised Business outside of the Territory. Similarly, other franchisees can advertise and promote their franchised business within your Territory. You are prohibited from selling products or services by the Internet, mail order, or catalog without our approval. You may accept orders from consumers outside your Territory. You do not have the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing (including without limitation door to door hand delivery of menus and/or flyers), to make sales outside your Territory.

Certain of our members and affiliates have an ownership interest in other pizza restaurant concepts. Furthermore, certain of our members own, directly and indirectly, a minority interest in Best Brands LLC, which is a franchise that offers the right to operate quick serve Beef Shack® restaurants. Currently, a beef sandwich like the ones offered at Beef Shack® is also offered on the Rosati's menu; however, we reserve the right to discontinue that menu item in our sole discretion. Other than this, neither we nor any affiliate of ours nor any member of ours currently operate or franchise, or have present plans to operate or franchise, a business under a different trademark that sells goods and services similar to those being offered at Rosati's Pizza Businesses. Nonetheless, we reserve the right to do so in the future.

Development Agreement

If you sign a Development Agreement, you will be granted a temporary territory (the "Development Area") within which to establish Franchised Businesses according to the Development Schedule. When the Development Schedule has been timely satisfied, you will no longer have any rights to the Development Area and each Franchised Business will be limited to its individual Territory, as described above. The size of the Development Area will depend on the number of Rosati's Pizza restaurants suitable for the Development Area, as you and we determine in light of factors such as population density, and the residential and commercial character of the Development Area.

You will not receive an exclusive Development Area. During the term of the Multi-Unit Development Agreement, and provided you are not in default, we will not establish our own Franchised Businesses, or grant to others the right to establish or own, Franchised Businesses within the Development Area. However, we reserve the right to sell within the Development Area pre-packaged retail products under the Marks, or any other marks, through retail outlets, at Special Events, or through any other channels of distribution, even within the Development Area. We also reserve the right during the term of your Development Agreement, to establish and own, or to grant to others the right to establish and own, businesses similar to the Franchised Business operating under different Marks and located within the Development Area. You may also face competition within the Development Area from Rosati's Pizza restaurants operated under the Marks and owned or franchised by one or more of the other 8 shareholders of RFSI (not our owners), or their franchisees

or licensees.

We reserve the right to establish company- or affiliate-owned units, or to license other franchisees to establish Franchised Businesses, at any site outside the Development Area regardless of the proximity to the boundaries of the Development Area. We reserve the right to establish our own or franchisee-operated businesses that sell similar products and services under different trade names or trademarks other than the Marks, anywhere within or outside of the Development Area.

While preservation of the Development Area is not contingent on sales volume, if you do not meet the timeline for development of Franchised Businesses set forth in the Development Schedule, you will be in default of the Multi-Unit Development Agreement. We will then have the right to terminate the Multi-Unit Development Agreement, or reduce the Development Area. Your right to operate any Franchised Business opened before termination of the Multi-Unit Development Agreement will not be affected by the termination of the Multi-Unit Development Agreement or the reduction of the Development Area.


You have no right to acquire additional franchises within the Territory or the Development Area (beyond those outlined in your Development Schedule) or in contiguous areas; nor do you have any right to participate in any other developments through other distribution channels, under different trademarks or otherwise.

ITEM 13

TRADEMARKS

We grant you the right and license to operate a Franchised Business pursuant to the System and using the Marks licensed by RFSI and Hampshire Pizza Inc.

RFSI is the owner of the following service marks, registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”):

Description of Mark	Registration Number	Registration Date
ROSATI'S PIZZA	1,906,101	July 18, 1995
	1,934,683	November 14, 1995

Hampshire Pizza, Inc. is the owner of the following service mark, registered on the Principal Register of the USPTO:

Description of Mark	Registration Number	Registration Date
KEEP IT REAL	5,070,123	October 25, 2016

RFSI has granted to certain of our owners a non-exclusive license to use and license others to use the Marks. All required affidavits and renewals have been filed. You should be aware that other shareholders of RFSI also have non-exclusive licenses to use and license others to use the Marks and these shareholders may operate and license the operation of Rosati's Pizza restaurants under different systems, using different methods, and in accordance with different standards.

Hampshire Pizza Inc. has granted us an exclusive perpetual license to use and license others to use the

Before RFSI was incorporated, the shareholders of RFSI and their family members operated Rosati's Pizza restaurants, and consequently acquired common law rights in the use of the mark "ROSATI'S PIZZA." Subsequently, the shareholders assigned all of their right, title and interest in the Marks to RFSI, in exchange for a license to use the Marks. RFSI has also established certain common law rights to the Marks by virtue of its (and its licensees') continuous and extensive use of the Marks. On September 30, 1998 RFSI granted a perpetual, royalty-free license to use the Marks to its 10 shareholders, including our founder, the late Fredric Rosati. The license requires that we adhere to and enforce quality control standards, and all licensees agreed not to operate or sublicense another to operate a Rosati's Pizza Restaurant within 5 miles of a restaurant operated by another licensee or another licensee's sublicense.

You must use the Marks in full compliance with the provisions of the Franchise Agreement and in accordance with the rules we prescribe periodically. You may not use any of the Marks or a portion of the Marks as a part of any corporate name, or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed by Rosati's to you). In addition, you may not

use any name or mark in connection with the sale of any unauthorized product or services in any other manner not explicitly authorized in writing by us.

There is no presently effective determination of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending interference, opposition or cancellation proceeding or any pending material litigation involving the trademarks, service marks, trade names, logotypes, or other commercial symbols licensed to us.

We may in our discretion, but we have no obligation to, indemnify you against, and reimburse you for, all damages for which you are held liable in any proceeding in which your use of any Mark, pursuant to and in compliance with the Franchise Agreement, is held to constitute trademark infringement, unfair competition or dilution, and for all costs reasonably incurred by you in the defense of any claim brought against you or in any proceeding which you are named as a party, provided you have timely notified us of such claim or proceeding and have otherwise complied with the Franchise Agreement.

In the event of any infringement of, or challenge to, your use of any name, mark or symbol, you must immediately notify us, and we and RFSI will have sole discretion to take any action as we and RFSI deem appropriate to fulfill obligations to preserve and protect the ownership, identity and validity of the Marks.

If it becomes advisable at any time in our sole discretion to modify or discontinue the use of any name or mark and/or use one or more additional or substitute names or marks, you will be responsible for the tangible costs (such as replacing signs and materials) associated with the change.

Under the Franchise Agreement, you agree not to contest, directly or indirectly, RFSI's or our ownership, title, right or interest in the Marks, trade secrets, methods, procedures and advertising techniques which are part of the System or contest RFSI's or our right to register, use or license others to use these names, marks, trade secrets, methods, procedures or techniques.

There are no infringing uses actually known to us which could materially affect your use of these trademarks, service marks, trade names, logotypes or other commercial symbols in this state or any state in which a Franchised Business is to be located.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not currently own any rights in or to any patents which are material to the operation of the Franchised Business, nor do we have any pending patent applications. We claim common law copyrights to the Manual, operational and training materials, and other proprietary materials specifically created in connection with the System, including recipes (some of which are owned and licensed to us by RFSI), proprietary advertisements, all materials presented to prospective customers of franchisees, and printed materials and forms used in connection with the operation of a Franchised Business. The Manual and other proprietary materials have not been registered with any copyright office. The Manual consists of instructions, techniques and methods used in the operation and advertising of a Franchised Business. The Franchise Agreement grants you a license to use the Manual and proprietary materials for the term of the Franchise Agreement and any renewal.

ITEM 15

**OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION
OF THE FRANCHISED BUSINESS**

You (or your controlling shareholder, partner, or member, if you are a corporation, partnership, limited liability company or other entity) must devote your full time and effort to the management of the Franchised Business and continuously use your best efforts to promote and enhance the Franchised Business. The Franchised Business must be under your direct, on-premises supervision (or that of your controlling shareholder, partner, or member) or a manager who has successfully completed Initial Training (See Item 11). Your managers are not required to have an equity interest in you if you are a corporation, partnership, limited liability company, or other entity.

We believe that the success of the Franchised Business will heavily depend upon your full-time participation in the operation of the Franchised Business, your personal and continued efforts, your supervision and attention to the foregoing items. Full-time participation is defined as your presence at the Franchised Business for at least 50 hours per week.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer only the products and services that we authorize in the Manual, as it may be updated periodically. You are prohibited from offering or selling products or services not authorized by us. From time to time, we may, at our sole and unlimited discretion, set minimum and/or maximum retail prices for any of your products and services. You are not restricted in any way regarding retail pricing for the products and services for which we do not set retail prices.

You are prohibited from using the premises of the Franchised Business for any purpose unrelated to the Franchised Business. You are prohibited from soliciting other franchisees either directly or indirectly for any other business or investment activities.

In general, you must offer the products and services only from the premises of the Franchised Business. However, you will have the right to conduct off-premises sales at Special Events so long as you obtain our prior written consent and conduct these sales according to our standards and specifications to ensure the quality and freshness of products you sell (See Item 12).

The Franchised Business must also offer delivery service. We have the right to prescribe the boundaries beyond which the Franchised Business may not offer delivery service and the standards and specifications for delivery (including standards imposing time limitations) to preserve the quality and freshness of the products when delivered. We also have the right to change the types of authorized required goods and services you must offer.

We impose no limitations on the persons to whom you may provide products and services, except those imposed by the nature of the System itself.

ITEM 17

RENEWAL, TERMINATION, TRANSFER & DISPUTE RESOLUTION

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

ITEM 17 TABLE

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise Agreement	Summary
a. Length of the Franchise term	Section II.A	Term is equal to 15 years.
b. Renewal or extension of the term	Section II.B	If you are in good standing you may renew for 1 additional 15-year term.
c. Requirements for you to renew or extend	Section II.B	Give notice, pass inspection, not in default, sign new franchise agreement, pay fee, train, and sign release. You may be asked to sign a franchise agreement with materially different terms and conditions than your original agreement, but the boundaries of the territory will remain the same, and the continuing royalty on renewal will not be greater than the continuing royalty that we then impose on similarly situated renewing franchisees.
d. Termination by you	None	
e. Termination by us without cause	None	
f. Termination by us with cause	Section XIII	We can only terminate if you are in default
g. "Cause" defined – defaults which can be cured	Section XIII.B	You have 30 days to cure: non-payment of fees, non-submission of reports, and any other default not listed in Sec. XIII.A.

Provision	Section in Franchise Agreement	Summary
h. "Cause" defined – non-curable defaults	Section XIII.A	Non-curable default, bankruptcy, conviction of felony, repeated defaults even if cured, abandonment, trademark misuse, unapproved transfer, etc.
i. Your obligations on termination/non-renewal	Section XIV	Obligations include complete deidentification and payment of amounts due (also see r, below)
j. Assignment of contract by Rosati's	Section XII.A	No restriction on our right to assign
k. "Transfer" by you – definition	Section XII.B	Includes transfer of contract or assets or ownership change
l. Our approval of transfer by franchisee	Section XII.B; XII.I	We have the right to approve all transfers but will not unreasonably withhold approval; restriction on single unit transfer
m. Conditions for our approval of transfer	Section XII.B	New franchisee qualifies and signs current agreement, transfer fee paid, training arranged, you sign release, etc. (see also r, below)
n. Our right of first refusal to acquire your business	Section XII.E	We may match any bona fide offer for your business
o. Our option to purchase your business	Section XIV.K	We reserve the right to purchase tangible assets upon termination
p. Your death or disability	Section XII.E	We must approve transfer or estate must transfer business to our designee within six months
q. Non-competition covenants during the term of the franchise	Section XV.B	No involvement in similar or competing business anywhere in U.S. without our prior written approval (including without limitation no involvement in a Rosati's Pizza restaurant under a franchise, license, or other agreement with anyone other than the Franchisor)
r. Non-competition covenants after the franchise is terminated or expires	Section XV.C	No similar or competing business for 2 years within 20 miles of any Franchised Business (including without limitation no involvement in a Rosati's Pizza restaurant under a franchise, license, or other agreement with anyone other than the Franchisor)

Provision	Section in Franchise Agreement	Summary
s. Modification of the agreement	Section XVI	No modifications generally but Manual may be changed
t. Integration/merger clause	Section XXIII	With respect to a particular Franchised Business, only the terms of the Franchise Agreement are binding (subject to state law). Nothing in the Franchise Agreement, however, is intended to disclaim the representations we made in the franchise disclosure document we furnished to you.
u. Dispute resolution by mediation	Section XXVI	Except for certain claims, all disputes must be arbitrated in Illinois
v. Choice of forum	Section XXV.B	Arbitration or litigation must be in Illinois
w. Choice of law	Section XXV.A	Illinois law applies

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

ITEM 17 TABLE

THE AREA DEVELOPMENT RELATIONSHIP

Provision	Section in Multi-Unit Development Agreement	Summary
a. Term of the Multi-Unit Development Agreement	Section II	The term of the Multi-Unit Development Agreement will be negotiated
b. Renewal or extension of the term	Section II	The renewal term will be negotiated
c. Requirements for you to renew or extend	Sections II and VII	Not in default under the Multi-Unit Development Agreement or any Franchise Agreement
d. Termination by you	None	

Provision	Section in Multi-Unit Development Agreement	Summary
e. Termination by us without cause	None	
f. Termination by us with cause	Section VII	We may terminate you only if you are in default
g. "Cause" defined – defaults which can be cured	None	
h. "Cause" defined – non-curable defaults	Section VII	Failure to comply with Development Schedule, failure to comply with any obligations in Development Agreement or any Franchise Agreement
i. Your obligations on termination / non-renewal	Section XI	Non-competition
j. Assignment of contract by us	Section VIII.A	No restriction on our right to assign
k. "Transfer" by you – definition	Section VIII.B	Includes transfer of contract, assets, any Franchise Agreement or ownership change
l. Rosati's approval of transfer by multi-unit developer	Section VIII.B	We must approve all transfers and we have right of first refusal on all proposed transfers
m. Conditions for Rosati's approval of transfer	Section VIII.B	Paid in full, no in default, release signed, transfer fee paid, transferee is approved, signs current multi-unit development agreement and attends training, etc. (see also r, below)
n. Our right of first refusal to acquire your business	Section VIII.B.5	We may match any bona fide offer for multi-unit development rights
o. Our option to purchase your business	None	
p. Your death or disability	None	

Provision	Section in Multi-Unit Development Agreement	Summary
q. Non-competition covenants during the term of the franchise	Section XI	No involvement in similar competing business anywhere in U.S.
r. Non-competition covenants after the franchise is terminated or expires	Section XI.B	No similar or competing business for 3 years within 15 miles of the designated Development Area or any Franchised Business
s. Modification of the agreement	Section XII	Modifications only upon written agreement of the parties
t. Integration/merger clause	Section XII	Only terms of the Multi-Unit Development Agreement and its attachments are binding (subject to state law). Nothing in the Multi-Unit Development Agreement and its attachments, however, are intended to disclaim the representations we made in the franchise disclosure document we furnished to you.
u. Dispute resolution by non-binding mediation	Section XXI	Except for certain claims, all disputes are subject to arbitration in Illinois
v. Choice of forum	Section XVIII	Arbitration or litigation must be in Illinois
w. Choice of law	Section XVIII	Illinois law applies

Any provision in the Franchise or Development Agreement that allows for termination upon the bankruptcy of the franchisee may not be enforceable under Title 11, United States Code Section 101.

ITEM 18

PUBLIC FIGURES

Rosati's currently does not use any public figure to promote the Franchised Businesses. However, it

reserves the right to do so in the future.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides 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.

Gross Sales Information for Certain Franchised Rosati's Pizza Restaurants and Gross Sales for Affiliate-Owned Rosati's Pizza Restaurants

This financial performance representation contains actual 2022 average annual gross sales information for Rosati's Pizza restaurants (both franchised and affiliate-owned). Gross sales are all sales or revenues generated directly or indirectly through the Restaurant, including all receipts from sales at special events and monies derived at or away from the premises of the Restaurant.

Section I

Actual 2022 Average Annual Gross Sales for Franchised Rosati's Pizza Restaurants in Operation During the Entire 2022 Fiscal Year.

This actual 2022 average annual gross sales for franchised Rosati's Pizza restaurants in the system in the United States that were open for operations during the entire 2022 fiscal year, and we were able to poll from the common point of sale system were \$841,721. The total number of restaurants in this average is 37. The number of restaurants that exceeded the average annual gross sales totaled 15. The franchised Rosati's Pizza restaurants whose average gross sales are reported above are located in various types of structures and venues. The actual average annual gross sales numbers reported above do not reflect the cost of sales, operating expenses, or other cost or expenses that must be deducted from the gross sales to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Rosati's Pizza restaurant. Franchisees or former franchisees, listed in the Franchise Disclosure Document, may be one source for this information.

The actual gross sales volumes of Rosati's Pizza restaurants vary widely. Our and our affiliates' experience indicates that there are numerous factors affecting the sales of a particular Rosati's Pizza restaurant, including the franchisee's management skill, experience, business acumen and the degree of adherence to our methods and procedures in operating the Restaurant; traffic count; accessibility and visibility of a site, the local marketplace and competition, general economic conditions.

Section II

Actual 2022 Average Annual Gross Sales for All Affiliate-Owned Rosati's Pizza Restaurants in Operation During the Entire 2022 Fiscal Year.

The actual 2022 average annual gross sales for affiliate owned Rosati's Pizza restaurants in the system in the United States that were open for operations during the entire 2022 fiscal year, and we

were able to poll form the common point of sale system were \$1,537,762. The total number of restaurants in this average is 13. The number of restaurants that exceeded the average annual gross sales totaled 5. The Rosati's Pizza restaurants whose average gross sales are reported above are located in various types of structures and venues.

It is our opinion that gross sales for the affiliate owned Restaurants is higher on average than the franchised Rosati's Pizza restaurants is due in part to the fact that the affiliate owned restaurants have operated for a longer period of time than the franchised restaurants and are more effectively managed.

Section III

Annual gross sales ranges and averages for the 2022 fiscal year.

Gross Sales for 52-Week Period Ending December 31, 2021				
	Low	High	Average	No./% Units Above Avg.
Rosati's Pizza Restaurants – Annual Gross Sales (\$)	\$485,552	\$2,351,349	\$1,022,691	20
Franchised Rosati's Pizza Restaurants	\$485,552	\$1,445,173	\$841,721	15
Affiliate Owned Rosati's Pizza Restaurants	\$1,069,021	\$2,351,349	\$1,537,762	5

The above representations are a historical financial performance representation about the franchise system's existing outlets. Some outlets have sold this amount. Your individual results may differ. There are no assurances you'll earn as much. The above representations are not a forecast of your future financial performance.

Sales at Rosati's Pizza restaurants, in general, were not negatively impacted by the COVID-19 pandemic. No significant changes to the System were made to account for the current market conditions resulting from the COVID-19 pandemic, and we are not anticipating any future changes to the System to account for future market conditions resulting from the COVID-19 pandemic.

Your individual financial results may differ from the results stated in the above representations. A written substantiation for the financial performance representations above will be made available to you upon reasonable request.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

Systemwide Outlet Summary Years 2020 to 2022

Outlet Type	Year	Outlets at Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	46	46	0
	2021	46	49	3
	2022	49	49	0
Company-Owned¹	2020	15	17	2
	2021	17	13	-4
	2022	13	14	1
Total Outlets	2020	61	63	2
	2021	63	62	-1
	2022	62	63	1

¹For purposes of this Item 20, the Affiliated Restaurants described in Item 1 shall be considered Company-Owned Restaurants.

Table No. 2

**Transfers of Outlets from Franchisees to
New Owners (Other than the Franchisor)**

For Years 2020 to 2022

State	Year	Number of Transfers
Arizona	2020	1
	2021	3
	2022	0
Florida	2020	0
	2021	0
	2022	1

Illinois	2020	0
	2021	0
	2022	1
Indiana	2020	0
	2021	0
	2022	1
Iowa	2020	0
	2021	0
	2022	0
Tennessee	2020	0
	2021	0
	2022	1
Texas	2020	0
	2021	0
	2022	0
Wisconsin	2020	0
	2021	0
	2022	1
Total	2020	1
	2021	3
	2022	5

Table No. 3

**Status of Franchised Outlets
For Years 2020 to 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations/Other	Outlets at End of the Year
Arizona	2020	8	0	1	0	1	0	8
	2021	8	3	0	0	0	0	11
	2022	11	0	0	0	0	1	10
Florida	2020	4	0	0	0	0	1	3
	2021	3	0	1	0	0	0	2
	2022	2	0	0	0	1	0	1
Georgia	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0

	2022	0	0	0	0	0	0	0
Illinois	2020	18	1	0	0	0	0	19
	2021	19	1	0	0	0	0	20
	2022	20	0	0	0	0	1	19
Indiana	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	1	3
Iowa	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Maryland	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Minnesota	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
Nevada	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
North Carolina	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Tennessee	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Texas	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	2	0	0	0	0	4
Wisconsin	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Colorado	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Kansas	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	1	0	0	0	0	0	1
Total	2020	46	2	1	0	1	0	46
	2021	46	4	0	0	0	1	49
	2022	49	2	0	0	1	1	49

Table No. 4

**Status of Company-Owned Outlets
2020-2022**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
Arizona	2020	4	0	1	0	0	5
	2021	5	0	0	0	3	2
	2022	2	0	0	0	0	2
Illinois	2020	9	0	1	0	0	10
	2021	10	0	0	0	1	9
	2022	9	0	0	0	0	9
Iowa	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Texas	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Florida	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	1	0	0	1
Wisconsin	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Total	2020	15	0	2	0	0	17
	2021	17	0	0	0	4	13
	2022	13	0	1	0	0	14

Table No. 5

Projected Openings as of December 31, 2021

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets	Projected New Company-Owned Outlets in the Current Fiscal Year
Illinois	1	1	0
Texas	1	0	0
Kansas	0	0	0
North Carolina	2	0	0
Total	5	1	0

Note: All numbers are as of December 31 of each year. Exhibit H lists the name of all current Franchisees and the address and telephone numbers of their outlets as of December 31, 2022.

Exhibit I lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every Franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Franchise Disclosure Document. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Except for any confidentiality agreements which may be disclosed in Item 3, during the last three fiscal years, we have not signed any confidentiality clauses with current or former franchisees to settle disputes. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Rosati's Pizza System. You may wish to speak with current and former franchisees but be aware that not all of those franchisees will be able to communicate with you.

Exhibit J-1 lists. To the extent known, the names, addresses, telephone numbers, e-mail address and web address of each trademark-specific franchisee organization associated with the franchise system being offered which we have created, sponsored or endorsed.

Exhibit J-2 lists independent franchisee organizations that have asked to be included in this Franchise Disclosure Document.

ITEM 21

FINANCIAL STATEMENTS

Rosati's fiscal year end is December 31. Rosati's audited financial statements for the periods ending December 31, 2020, December 31, 2021, and December 31, 2022 are attached as Exhibit K.

ITEM 22

CONTRACTS

The following agreements are attached as Exhibits to this Franchise Disclosure Document:

Franchise Agreement with appended Site Selection and Territory Addendum, Mandatory Amendment to Lease, Telephone Assignment Agreement, Guarantee, and Direct Deposit Authorization – Exhibit C

Multi-Unit Development Agreement with appended Exhibits – Exhibit D

Confidentiality Agreement – Exhibit G

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ITEM 23

RECEIPTS

Attached as Exhibit L of this Franchise Disclosure Document is a list of the State Effective Dates for each registration state. Attached as Exhibit M of this Disclosure Document are duplicate receipts to be signed by you, acknowledging receipt of this Franchise Disclosure Document by you. Please note that the issuance date is not the effective date for any registration state. You should retain one signed copy for your records and return the other signed copy to: Rosati's Franchise & Development, LLC, 28381 Davis Pkwy #701, Warrenville, IL 60555.

EXHIBIT A

STATE SPECIFIC ADDENDA AND STATE SPECIFIC EFFECTIVE DATE

ILLINOIS

Illinois law shall apply to and govern the Franchise Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside the State of Illinois is void. However, a franchise agreement may provide arbitration to take place outside of Illinois.

Franchisee’s rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Rosati’s Franchise & Development, LLC
Franchisee

By:_____

By:_____

Title:_____

Title:_____

Date:_____

Date:_____

EXHIBIT B

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

<u>STATE</u>	<u>STATE ADMINISTRATOR</u>	<u>AGENT FOR SERVICE OF PROCESS</u>
CALIFORNIA	Department of Business Oversight 71 Stevenson Street Suite 2100 San Francisco, CA 94105 Tel: (415) 972-8559/(866) 275-2677	Commissioner of Business Oversight 1515 K Street Suite 200 Sacramento, CA 95814 Tel: (866) 275-2677
CONNECTICUT	Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103 (860) 240-8233	Connecticut Banking Commissioner Same Address
FLORIDA	Department of Agriculture & Consumer Services Division of Consumer Services 227 N. Bronough Street City Central Building Suite 7200 Tallahassee, FL 32301 (850) 922-2770	Same
GEORGIA	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 (404) 656-3790	Same
HAWAII	Business Registration Division Securities Compliance Department of Commerce and Consumer Affairs 1010 Richards Street Honolulu, HI 96813 (808) 586-2727	Director Department of Commerce and Consumer Affairs Same Address
ILLINOIS	Franchise Bureau Office of the Attorney General 500 S. Second Street Springfield, IL 52706 ATTN: Chief (217) 782-4465	Illinois Attorney General Same Address And Michael J. Boxerman, Attorney at Law 20 North Clark Street, Suite 2500 Chicago, Illinois 60602 (312)216-2732
INDIANA	Indiana Securities Division Secretary of State Room E-111 302 West Washington Street Indianapolis, IN 46204 Attn: Commissioner (317) 232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204 (317) 232-6531

IOWA	Iowa Securities Bureau 340 East Maple Des Moines, IA 50319 ATTN: Director of Regulated Industries Unit (515) 281-4441	Same
KENTUCKY	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 (502) 573-2200	Same
LOUISIANA	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 ATTN: Ms. Ida Washington (504) 342-7013 (gen. info.) (504) 342-7900	Same
MAINE	Department of Business Regulations State House - Station 35 Augusta, ME 04333 ATTN: Ms. Karen L. Bossie (207) 298-3671	Same
MARYLAND	Office of the Attorney General Maryland Division of Securities 200 St. Paul Place Baltimore, MD 21202 (410) 576-7042	Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020
MICHIGAN	Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General G. Mennen Williams Building, 1 st Floor Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
MINNESOTA	Minnesota Department of Commerce 85 7th Place East Suite 280 St. Paul, MN 55101 (651) 539-1600	Minnesota Commissioner of Commerce Same Address
NEBRASKA	Department of Banking and Finance 1200 N Street, Suite 311 P.O. Box 95006 Lincoln, NE 68509 (402) 471-3445	Same
NEW HAMPSHIRE	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 (603) 271-3641	Same

NEW YORK	Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, NY 10271 (212) 416-8211	Secretary of State of New York 41 State Street Albany, New York 11231
NORTH CAROLINA	Secretary of State's Office Securities Division Legislative Annex Building 300 Salisbury Street Raleigh, NC 27602 (919) 733-3924	Secretary of State Secretary of State's Office 300 Salisbury Street Raleigh, NC 27602
NORTH DAKOTA	Office of Securities Commissioner Fifth Floor 600 East Boulevard Bismarck, ND 58505 (701) 328-4712	North Dakota Securities Commissioner Same Address
OHIO	Attorney General Consumer Fraud & Crime Section State Office Tower 15th Floor 30 East Broad Street Columbus, OH 43215 (614) 466-8831 or (800) 282-0515	Same
OKLAHOMA	Oklahoma Securities Commission 2915 Lincoln Blvd. Oklahoma City, OK 73105 (405) 521-2451	Same
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, OR 97310 (503) 378-4140	Director Department of Insurance and Finance Same Address
RHODE ISLAND	Division of Securities 233 Richmond Street, Suite 232 Providence, RI 02903 (401) 222-3048	Rhode Island Attorney General 233 Richmond Street Providence, RI 02903-4232
SOUTH CAROLINA	Secretary of State P.O. Box 11350 Columbia, SC 29211 (803) 734-2166	Same
SOUTH DAKOTA	Division of Securities c/o 118 West Capitol Pierre, SD 57501 ATTN: Leonore Friez, Examiner (605) 773-4013	Director of South Dakota Division of Securities Same Address

TEXAS	Attorney General's Office Consumer Protection Division P.O. Box 12548 Austin, TX 78711 (512) 463-2070	Same
UTAH	Division of Consumer Protection Utah Department of Commerce 160 East Three Hundred South P.O. Box 45804 Salt Lake City, UT 84145 (801) 530-6601	Same
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, Ninth Floor Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission State Corporation Commission 1300 E. Main Street, First Floor Richmond, VA 23219
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501 (360) 902-8760	Same
WISCONSIN	Department of Financial Institutions Division of Securities 345 West Washington Avenue Fourth Floor Madison, WI 53703 (608) 266-8557	Wisconsin Commissioner of Securities Same Address

EXHIBIT C
FRANCHISE AGREEMENT

ROSATI'S FRANCHISE & DEVELOPMENT, LLC

FRANCHISE AGREEMENT

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EXHIBIT 4	GUARANTEE
EXHIBIT 5	DIRECT DEBIT AUTHORIZATION
EXHIBIT 6	STATEMENT OF OWNERSHIP

ROSATI'S FRANCHISE & DEVELOPMENT, LLC

FRANCHISE AGREEMENT

THIS AGREEMENT is made and entered into effective as of _____, by and between **ROSATI'S FRANCHISE & DEVELOPMENT, LLC**, an Illinois limited liability company, whose principal place of business is 28381 Davis Parkway, Suite 701, Warrenville, IL 60555 ("**Franchisor**") and _____, a(n) _____, whose address is _____ ("**Franchisee**").

WITNESSETH:

WHEREAS, Franchisor holds the right to franchise a proprietary system owned by its affiliate, Rosati's Franchise Systems, Inc. ("**RFSI**"), which has been developed through significant expenditures of time, skill, effort and money (the "**System**") relating to the establishment, development and operation of a **Rosati's Pizza Restaurant** (hereinafter the "**Franchised Business**" and signifying both franchised and affiliate-managed outlets) which offers quality Rosati's pizza and other menu items for carry out and delivery;

WHEREAS, the System features a distinctive exterior and interior design, decor, color scheme, fixtures and furnishings for the Franchised Business, as well as uniform standards, specifications, methods, policies and procedures for the restaurant operations, inventory and management control, training and assistance, and advertising and promotional programs, all of which may be changed, improved upon, and further developed from time to time;

WHEREAS, Franchisor and RFSI, through their dedicated operations, marketing methods, and merchandising policies, have developed the reputation, public image and good will of the System and established a firm foundation for the franchised restaurant operations consisting of the highest standards of training, management, supervision, appearance, services and quality of products;

WHEREAS, the System is identified by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including the mark **Rosati's Pizza** and logo, and such other trade names, service marks, and trademarks as are now, and may hereafter be designated for use in connection with the System (the "**Proprietary Marks**") which Proprietary Marks are owned by RFSI;

WHEREAS, RFSI has licensed and granted Franchisor the right and license to sub-license and monitor the use of the System and the Proprietary Marks in the United States;

WHEREAS, RFSI and Franchisor continue to develop, expand, use, control and add to the Proprietary Marks and the System for the benefit of and exclusive use by RFSI, and RFSI's licensees, including, Franchisor and its franchisees, in order to identify for the public, the source of the products and services marketed thereunder and to represent the System's high standards of quality and service;

WHEREAS, Franchisee desires to operate a Franchised Business under the System and the Proprietary Marks and to obtain a license from Franchisor for that purpose, as well as to receive the training and other assistance provided by Franchisor in connection therewith;

WHEREAS, Franchisee hereby acknowledges that it has read this Agreement and Franchisor's Franchise Disclosure Document, and that it has no knowledge of any representations about the Franchised Business or about Franchisor or its franchising program or policies made by Franchisor or by its officers, directors, shareholders, employees or agents which are contrary to the statements in Franchisor's Franchise Disclosure Document or to the terms of this Agreement, and that it understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's high standards of quality and service and the uniformity of those standards at all facilities which operate pursuant to the System and thereby to protect and preserve the goodwill of the Proprietary Marks; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's uniformly high

standards of quality and service and the necessity of operating the Franchised Business granted hereunder in strict conformity with Franchisor's quality control standards and specifications.

NOW, THEREFORE, the parties, in consideration of the promises, undertakings and commitments of each party to the other set forth herein, hereby mutually agree as follows:

I. GRANT OF FRANCHISE

A. Grant. Franchisor hereby grants to Franchisee and Franchisee accepts, upon the terms and conditions herein, the nonexclusive and personal license, right and authority to operate a Franchised Business in strict conformity with Franchisor's quality control standards and specifications which are a material part of the System, which may be changed, improved and further developed from time to time, only at the Approved Location (defined below), which will be selected by Franchisee and will be more particularly described in the Site Selection and Territory Addendum attached hereto as **Exhibit 1**. Franchisee hereby accepts such license and agrees to perform all of its obligations in connection therewith as set forth herein.

B. Site Selection Area. Subject to the terms of this Agreement, Franchisor hereby grants to Franchisee the nonexclusive right to select a site to locate and operate the Franchised Business within the territory identified on the Site Selection and Territory Addendum (the "**Site Selection Area**"). Franchisee must locate a site for the Franchised Business, obtain Franchisor's approval of the site and sign a lease for the site or acquire the real estate within (90) days of the execution of this Agreement. The location for the Franchised Business has been approved by Franchisor shall be referred to as the "**Approved Location.**"

C. Territory. Provided Franchisee is in full compliance with its obligations under this Agreement, Franchisor agrees not to grant or establish another Franchised Business within the geographical area set forth in **Exhibit 1** (the "**Territory**"). Franchisee's right to maintain the Territory is contingent upon Franchisee maintaining average gross sales from the Franchised Business of \$30,000 per month for any period of six (6) consecutive months ("**Minimum Monthly Gross Sales**"). If Franchisee does not achieve and maintain Minimum Monthly Gross Sales, Franchisee will have three (3) months after notice from Franchisor within which to increase Gross Sales to meet the Minimum Monthly Gross Sales. If Franchisee fails to achieve Minimum Monthly Gross Sales for the three-month period from the date of notice, Franchisor may terminate this Agreement and/or Franchisee's rights in the Territory. Notwithstanding anything in this Agreement to the contrary, Franchisor reserves the right to:

1. Establish, or grant to others the right to establish, restaurants offering similar products or services under marks other than the Proprietary Marks within or outside of the Territory;
2. Offer or grant to others the right to offer similar products or services under marks other than the Proprietary Marks within or outside of the Territory through any channel of distribution;
3. Offer and sell food products, under the Proprietary Marks or any other marks, at enclosed malls, institutions (such as hospitals), highway toll plazas, airports, parks (including theme parks), sports arenas, convention centers, other facilities or venues where events are scheduled, or through mail order, online or catalogues within or without the Territory; and
4. Offer or sell any products or services, under the Proprietary Marks or any other marks, through any other channel of distribution within or outside of the Territory.

Franchisor may establish company- or affiliate-owned Rosati's Pizza Restaurants or license other franchisees or licensees to establish Franchised Businesses at any site Franchisor deems appropriate outside of the Territory, regardless of the proximity to the boundaries of the Territory.

D. Relocation. Franchisee may relocate the Franchised Business to a new location within the Territory upon the following conditions:

1. Franchisee shall not be in default of any provision of this Agreement or the lease for the former location of the Franchised Business.

2. Franchisee shall deliver to Franchisor a current financial statement, including a profit and loss statement for the Franchised Business for the last twelve (12) months of operation at the former location, and a copy of the lease for the new location;

3. The new restaurant must be constructed, located and equipped in accordance with Franchisor's then current design and other standards; and

4. Franchisee must be current on all of Franchisee's obligations to Franchisor, Franchisor's affiliates, and Franchisees vendors.

Franchisee must give Franchisor written notice of the proposed relocation not less than ninety (90) days before the relocation date. Franchisee's failure to timely deliver such notice shall be a default as set forth in Section XIII.B. Relocation without notice to Franchisor shall be grounds for default as set forth in Section XIII.A. Franchisee's relocated Franchised Business must open for business within thirty (30) days (which may be extended for another thirty (30) days for good cause in Franchisor's sole discretion) of the date the former location shall have closed. Franchisee shall also enter into an amendment of this Agreement to conform this Agreement to Franchisor's then current form of Franchise Agreement, including the then current royalty rate, except that (i) the term of such amended Franchise Agreement shall expire on the same day that this Agreement would have expired; and (ii) there shall be no requirement for a new initial franchise fee.

E. Reservation of Certain Rights. Subject to Section I.C. above, Franchisor reserves the right to establish Rosati's Pizza Restaurants at any site Franchisor deems appropriate. Franchisor also reserves the right to sell related products and services through other channels of distribution. Franchisor reserves the right to offer, grant and support franchises in similar and other lines of business. Franchisor makes no representation or warranty to Franchisee that Franchisee shall have any right to participate in any such franchises or other lines of business.

II. TERM AND RENEWAL

A. Initial Term. The term of this Agreement shall be for fifteen (15) years commencing on the date of execution of this Agreement. However, if Franchisee leases its business premises and the lease agreement for Franchisee's business premises expires or is terminated prior to the expiration of the term of this Agreement, then Franchisor may, at its option, terminate this Agreement.

B. Renewal Term. Franchisee may, at its option, continue operating the Franchised Business for an additional fifteen (15) year term, or for such period as remains on Franchisee's lease, if such period shall be shorter than fifteen (15) years, subject to the following conditions, which must be met prior to the effectiveness of the renewal term:

1. Franchisee shall give Franchisor written notice of its election to renew this Agreement not less than six (6) months prior to the end of the current term of this Agreement;

2. At least six (6) months prior to the expiration of the current term of this Agreement, Franchisor shall inspect the Franchised Business and give notice of all required modifications to the nature and quality of the products and services offered at the Franchised Business, Franchisee's advertising, marketing and promotional programs, its financial and inventory control systems, and the maintenance, refurbishing, equipment upgrade and replacement, renovating and remodeling necessary to comply with Franchisor's then current standards and specifications and with the requirements of the lease for the Franchised Business. If Franchisee elects to renew this Agreement, then Franchisee shall complete, to Franchisor's satisfaction, all such required modifications, as well as adopt and implement any new methods, programs, modifications, techniques or operational systems required by Franchisor's notice no later than two (2) months prior to expiration of the current term of this Agreement;

3. Franchisee shall not be in default of any provision of this Agreement, any amendment

hereof or successor hereto, or any other agreement between Franchisee and Franchisor or its subsidiaries, affiliates and suppliers and Franchisee shall have substantially complied with all of the terms and conditions of such agreements during the terms thereof;

4. Franchisee shall have satisfied all monetary obligations owed to Franchisor and its subsidiaries, affiliates, vendors and suppliers and shall have timely met those obligations throughout the term of this Agreement;

5. Franchisee must execute upon renewal Franchisor's then current form of Franchise Agreement. The new Franchise Agreement shall supersede in all respects this Agreement, and the terms of the new Franchise Agreement may substantially differ from the terms of this Agreement, including, without limitation, the requirement of a higher royalty fee and advertising contribution. In lieu of the then current initial franchise fee or its equivalent for such renewal period, however, Franchisee shall be required to pay a renewal fee equal to 50% of Franchisor's then-current initial franchisee fee;

6. Franchisee's approved managers shall attend Franchisor's then current qualification and training programs at Franchisee's expense;

7. Franchisee, and if franchisee is a corporation, limited liability company, partnership or other entity ("**Entity**"), its shareholders, officers, directors, members, managers, and partners, as applicable ("**Owners**"), shall execute a general release, in the form prescribed by Franchisor, of any and all claims they may have against Franchisor and its subsidiaries and affiliates, and their respective officers, directors, members, managers, employees and agents;

8. Franchisee shall present evidence satisfactory to Franchisor that it has the right to remain in possession of the premises for the Franchised Business for the duration of the renewal term;

9. Franchisee's operation and management of the Franchised Business shall be in full compliance with the System; and

10. Franchisee shall maintain and be in good standing with all of its necessary and applicable licenses and permits.

In the event that any of the foregoing conditions to renewal have not been met at least two (2) months prior to the expiration of the then current term of this Agreement, Franchisor shall have no obligation to renew this Agreement.

III. DUTIES OF FRANCHISOR

A. Pre-Opening Obligations. The duties of Franchisor prior to the opening of the Franchised Business are as follows:

1. Provide an initial training program in the operation of the Franchised Business, featuring hands-on training, for Franchisee and up to two (2) of Franchisee's approved managers.

2. Provide Franchisee with written specifications for the operation and management of the Franchised Business.

3. Loan to Franchisee a copy of Franchisor's confidential manual (the "**Manual**") which will include specifications for management and operations, equipment, supplies, and inventory. The Manual is confidential and remain the property of Franchisor. Franchisor may modify the Manual from time to time.

4. Provide a set of prototype plans for the construction of a typical Franchised Business. These plans are for informational purposes only and shall not be relied upon by Franchisee in the construction of its Franchised Business. Franchisee shall develop its own working drawings for the construction of its Franchised

Business, and Franchisor must review and approve these plans prior to the commencement of construction.

5. Provide Franchisee with such site selection assistance as Franchisor deems advisable, subject to the availability of personnel. Franchisor's approval of the site for the Franchised Business is required. However, because of the many variables involved, Franchisor's approval of a site is not a representation or warranty as to the likelihood of success by Franchisee at that particular site. FRANCHISOR WILL PROVIDE NO DATA AND MAKE NO STATEMENT WHICH WOULD EXPRESSLY OR IMPLIEDLY SUGGEST THAT APPROVAL OF A SITE IS A GUARANTEE OF THE SITE'S EVENTUAL PERFORMANCE. Franchisee acknowledges and agrees that given the many variables involved in site selection, its success will be due, in part, to factors beyond the control of Franchisor, and Franchisee assumes all risk of the success or failure of the site.

6. Provide Franchisee at least one of Franchisor's trainers for on-site pre-opening and opening supervision and assistance for two (2) weeks. Franchisor reserves the right to require Franchisee to pay the expenses of these employees.

7. Provide Franchisee with lists of suppliers from which Franchisee shall obtain the required computer software. Franchisor will assist Franchisee to obtain the proper and compatible computer products that Franchisor requires.

B. Post-Opening Obligations. The obligations of Franchisor following the opening of the Franchised Business are as follows:

1. Provide such general advisory assistance and field support deemed by Franchisor in its sole discretion to be helpful to Franchisee in the ongoing operation, advertising and promotion of the Franchised Business;

2. Provide any updates, revisions and amendments to its Manual Franchisor deems necessary in its sole discretion;

3. Subject to the availability of Franchisor's staff, provide management consulting services for special projects or assistance upon a mutually acceptable arrangement pertaining to fees and expenses;

4. Provide training for Franchisee's new managers for a fee;

5. Coordinate and conduct periodic mandatory training programs for its network of franchisees as Franchisor deems advisable in its sole discretion;

6. On a periodic basis, to conduct, as Franchisor deems advisable, quality control audits of the Franchised Business and its operations and evaluations of the methods and the staff employed therein; and

7. Administer the Advertising Fund with the contributions remitted by Franchisees.

All of the obligations of Franchisor hereunder are to Franchisee, and no other party is entitled to rely on, enforce or obtain relief for breach of such obligations either directly or by subrogation.

IV. FEES

A. Payments to Franchisor. In consideration of the licensee and right to operate the Franchised Business, Franchisee shall pay to Franchisor the following fees:

1. Initial Franchise Fee. Franchisee shall pay to Franchisor an initial franchise fee of Thirty-Five Thousand Dollars (\$35,000), which is payable upon execution of the Franchise Agreement. The initial franchise fee is deemed fully earned upon receipt by Franchisor and is nonrefundable.

2. Royalty Fees. Franchisee shall pay to Franchisor a continuing nonrefundable weekly

royalty fee of 5% of Gross Sales, as that term is defined herein. Subject to applicable banking laws and regulation, Franchisor may establish a direct debit program with Franchisee's bank to allow for the electronic transfer of the weekly royalty payment on each Wednesday following the week for which payment is due. In the event the direct debit program is not available, Franchisee shall pay Franchisor directly and the payment must be received by Franchisor on the Wednesday of the week following the week for which the payment is due.

3. Advertising and Promotion Fund. Franchisor reserves the right, pursuant to Section X, to require Franchisee to pay to Franchisor a continuing nonrefundable monthly advertising contribution of between 1% and 4% of Gross Sales, at Franchisor's discretion, throughout the term of this Agreement. Franchisor will collect the contribution in the same manner as the Royalty Fees.

4. Interest Charges on Late Payments. If any sums required to be paid by Franchisee to Franchisor under this Agreement are not received in full when due, all overdue amounts will bear interest, until paid, at the rate of no more than 1.5% per month, or the highest rate permitted by applicable state law, whichever is less (the "**Default Rate**"). Interest shall be calculated on a daily basis. Interest charges are nonrefundable. Interest is in addition to any other remedies Franchisor may have.

5. Failure to Report Gross Sales. If Franchisee fails to report the Gross Sales for any period, Franchisor may debit Franchisee's account for 150% of the last royalty fee and advertising contributions Franchisor debited. If, once actual Gross Revenues have been determined, the amounts debited by Franchisor are less than the amounts Franchisee actually owes, Franchisor will debit Franchisee's account for the balance, plus interest at the Default Rate. If the amounts debited by Franchisor are greater than the amounts Franchisee actually owes, Franchisor will credit the excess (without interest) against amounts next coming due.

B. Audit & Reporting Procedures. Franchisor has the right, at any time, to audit the books and records of Franchisee. Any audit will be conducted at Franchisor's expense, unless such audit discloses an understatement in any report of 2% or more, in which case Franchisee shall pay for any and all costs and expenses incurred by Franchisor in connection with the audit (including, without limitation, reasonable accountants' and attorneys' fees, employee travel expenses and a daily fee), together with interest on undisclosed or under-reported amounts at the Default Rate, which will be payable immediately upon receipt of written notice from Franchisor. All such audit fees, costs and expenses, as well as the interest thereon, are nonrefundable.

Franchisee must maintain and preserve during the term of this Agreement and must preserve for the time period specified in the Manual, full, complete and accurate books, records and accounts and all supporting materials in accordance with Franchisor's procedures and guidelines. Franchisee shall submit periodically to Franchisor, at Franchisee's expense, certain reports, records, information and data as Franchisor may designate upon request or as specified in writing.

During the term of this Agreement, Franchisee must submit to Franchisor, a monthly report accurately reflecting all Gross Sales during the preceding month and such other data and information regarding the operation of the Franchised Business as Franchisor may require. All reports must be received by Franchisor on or before the tenth (10th) day of each month. Franchisee must also submit to Franchisor, upon request, a copy of any of its federal and state sales or income tax returns applicable to the Franchised Business. In addition, Franchisee must submit financials (including a profit and loss statement) for each month, to be submitted no later than fifteen (15) days following the end of each month.

At its expense, Franchisee must submit to Franchisor an annual financial statement that includes an income statement prepared in accordance with generally accepted accounting principles and copies of its federal and state tax returns within ninety (90) days of Franchisee's fiscal year end. The financial statement must be reviewed by an independent certified public accounting firm and signed and certified by Franchisee's president or treasurer attesting that the statement is true and correct.

Franchisee must also submit exact copies of Franchisee's invoices for goods purchased from suppliers and copies of Franchisee's operating reports to its landlord and/or shopping mall operator immediately following Franchisor's request for the same.

C. **Definition of Gross Sales.** “Gross Sales” means all sales or revenues generated directly or indirectly through the Franchised Business, including all receipts from sales at special events (“Off-Premises Sales”) and monies derived at or away from the premises of the Franchised Business, whether for cash, check, credit or debit cards, trade credit or credit transactions (regardless of collectability). Gross Sales shall also include business interruption insurance proceeds and services charges in lieu of gratuity but shall not include any (a) sales tax or other taxes collected from customers by Franchisee for transmittal to the appropriate taxing authority, (b) customer refunds, adjustments, credits including those for coupons and allowances made by the Franchised Business or (c) charges for in-house delivery service.

V. **DUTIES OF FRANCHISEE**

A. **Compliance with System.** Franchisee understands and acknowledges that every detail of the appearance and operation of the Franchised Business in compliance with the System is critical to Franchisor, Franchisee, and other franchisees in order to develop and maintain high and uniform operating standards; increase the demand for the products and services sold by franchisees; and protect the Proprietary Marks and the System, and Franchisor’s trade secrets, reputation and goodwill.

B. **Site Requirements.** Franchisee must locate a site for the Franchised Business, obtain Franchisor’s approval of the site and sign a lease for the site or acquire the real estate within (90) days of the execution of this Agreement. Franchisor’s must approve of Franchisee’s site and the form of lease prior to Franchisee’s execution of the lease. Franchisee must commence the operation of the Franchised Business within three hundred sixty (360) days after signing the Franchise Agreement. Failure to comply with the time periods set forth in this section shall entitle Franchisor to terminate this Agreement.

C. **Pre-Opening Requirements.** Before commencing construction or leasehold improvements of the Franchised Business, Franchisee, at its expense, shall comply with the following requirements:

1. Franchisee shall have received Franchisor’s prior written approval of the site selected by Franchisee for the operation of the Franchised Business and the lease for such site, in accordance with the terms of this Agreement. Approval shall be evidenced by Franchisor’s and Franchisee’s execution of the Site Selection and Territory Addendum, attached hereto as **Exhibit 1**;

2. The proposed site must comply with all applicable local and state laws, regulations and ordinances including all zoning, signage and parking requirements;

3. Franchisee shall obtain all licenses, permits and certifications required for lawful construction and ongoing operation of the Franchised Business (including, without limitation, zoning, access, variances, health and safety, sign and fire requirements) and shall certify in writing to Franchisor that all such licenses, permits and certifications have been obtained; and

4. Franchisee shall provide Franchisor with working drawings for the construction of the Franchised Business for Franchisor review and approval prior to the commencement of construction.

D. **Construction and Opening Requirements.** Franchisee shall completely construct and equip, at Franchisee’s expense, the Approved Location in accordance with Franchisor’s standards and specifications. During the period of construction, Franchisee shall provide to Franchisor such periodic progress reports as Franchisor may, in its discretion require, signed by Franchisee and its general contractor, warranting that construction is proceeding on schedule and in accordance with the approved final plans and with all applicable laws, ordinances and regulations. Franchisor and its agents shall have the right to inspect the construction at all reasonable times. Franchisee shall complete construction (including all exterior and interior carpentry, electrical, painting, and finishing work, and installation of all furnishings, fixtures, equipment, and signs) in accordance with the approved final plans, at Franchisee’s expense. Franchisee shall promptly notify Franchisor of the date of completion of construction and thereafter Franchisor shall conduct a final inspection of the restaurant and its premises. Franchisee shall not open the Franchised Business without the express written authorization of Franchisor, and Franchisor’s authorization to open may be conditioned upon Franchisee’s strict compliance with all initial inventory, fixtures, furnishings, and

equipment requirements. Franchisee shall open the Franchised Business for operation within five (5) days after receipt of Franchisor's written authorization to open, provided that the Franchised Business has been fully staffed. Franchisor and Franchisee agree that time is of the essence in the construction and opening of the Franchised Business.

E. Initial Training. In accordance with the terms and conditions set forth in Section III hereinabove, Franchisee and Franchisee's approved managers (up to two (2)) shall attend and complete to Franchisor's satisfaction Franchisor's initial training program within sixty (60) days prior to the opening of the Franchised Business. The training program shall consist of at least four (4) weeks at, in Franchisor's sole discretion, a company/affiliate-operated location, a franchised site selected by Franchisor, or at the Approved Location. Franchisor will provide the initial training program at no cost to Franchisee for up to two (2) approved managers. However, if any additional training is deemed necessary by Franchisor (including, but not limited to, if the initial trainees do not pass the initial training to our satisfaction or if a new manager is hired during the term of the agreement), Franchisee will be required to pay for the salary and expenses of the trainers until Franchisor is satisfied that Franchisee is trained. Franchisee shall be responsible for all expenses associated with training, including meals, lodging, travel and wages for the training staff as well as its own employees. In addition, Franchisor will provide to Franchisee at least one training team member for two (2) weeks of on-site opening supervision and assistance. Franchisor reserves the right to require Franchisee to pay the expenses of this employee.

F. Supervision Requirements. The Franchised Business shall at all times be under the direct, on-premises supervision of at least one of the two (2) managers who have been designated by Franchisee and approved by Franchisor, who have attended and successfully completed Franchisor's training program and shall devote their full time and energy during business hours to the supervision and management of the Franchised Business, unless otherwise exempted by permission of Franchisor.

G. Ongoing Training and Meetings. Franchisee shall cause its employees (including any person subsequently acting as the manager of the Franchised Business) to attend and complete, to Franchisor's satisfaction, such special programs or periodic additional training as Franchisor may require from time to time. Franchisor shall only provide and pay for instruction and training materials in connection ongoing training and meetings. Franchisee and its employees shall be responsible for any other expenses incurred, including meals, lodging, travel and wages.

H. Operation of the Franchised Business. Franchisee shall use the Franchised Business solely for the operation of the Franchised Business in strict accordance with the Manual, shall keep the Franchised Business open and in normal operation for such minimum hours and days as Franchisor may from time to time prescribe, and shall refrain at all times from using or permitting the use of the Approved Location for any other purpose or activity.

I. Maintenance. Franchisee shall continuously maintain the Franchised Business in the highest degree of sanitation, repair and condition as Franchisor may require, and in connection therewith shall make such additions, alterations, repairs and replacements thereto (but not without Franchisor's prior written consent) as may be required for that purpose, including without limitation, such periodic redecorating, replacement of inventory and replacement of obsolete signs, fixtures or materials as Franchisor may direct, or as otherwise required under the lease for the Franchised Business.

J. Health and Safety Standards. Franchisee shall meet and maintain the highest safety standards and ratings applicable to the operation and management of the Franchised Business and its personnel as required by law and as Franchisor may require.

K. Working Capital. Franchisee shall meet and maintain sufficient levels of working capital for use in connection with the management and operation of the Franchised Business as Franchisor may require.

L. Refurbishment. At Franchisor's request, Franchisee, at its expense, shall refurbish the Franchised Business to conform to the then current design and decor, trade dress, color scheme and presentation of trademarks and service marks consistent with the design concepts then in effect for new Franchised Businesses and in accordance with the Manual, including, without limitation, such structural changes, remodeling, redecoration and other modifications to existing improvements as deemed necessary by Franchisor.

M. Compliance with Uniform Standards. Franchisee shall operate the Franchised Business in conformity with such uniform methods, standards and specifications as Franchisor may from time to time prescribe to ensure that the highest degree of product quality and service is uniformly maintained. Franchisee shall conduct its business in a manner which reflects favorably at all times on the System and the Proprietary Marks. Franchisee shall at no time engage in deceptive, misleading or unethical practices or conduct any other act which in Franchisor's discretion may have a negative impact on the reputation and goodwill of Franchisor or any other franchisee operating under the System. Pursuant to this ongoing responsibility, Franchisee agrees:

1. To maintain in sufficient supply as Franchisor may prescribe in the Manual or otherwise in writing and use at all times only such products and supplies as conform to Franchisor's standards and specifications as contained in the Manual and elsewhere, and to refrain from deviating therefrom without Franchisor's prior written consent;

2. To sell or offer for sale only such products and services as meet Franchisor's uniform standards of quality and quantity which have been expressly approved for sale in writing by Franchisor in accordance with Franchisor's methods and techniques; to sell or offer for sale all approved items; to refrain from any deviation from Franchisor's standards and specifications for serving or selling such products or services; and to discontinue selling and offering for sale any such products or services as Franchisor may, in its sole discretion, disapprove in writing at any time;

3. To lease or purchase and install at Franchisee's expense all fixtures, furnishings, signs and equipment as Franchisor may specify from time to time in the Manual or otherwise in writing, and to refrain from installing or permitting to be installed on or about the Franchised Business without Franchisor's prior written consent any fixtures, furnishings, signs, cards, promotional literature, equipment or other items not previously specifically approved as meeting Franchisor's standards and conforming to Franchisor's specifications;

4. To purchase and maintain all signs for use at the Franchised Business, whether for interior or exterior use, in conformity with Franchisor's quality control standards and specifications;

5. To adequately staff the Franchised Business so as to provide first class service and to comply with all applicable federal, state and local laws, rules and regulations with respect to such employees;

6. To maintain a competent, conscientious staff; and

7. To maintain all licenses and permits in good standing.

N. Purchase and Lease of Products, Equipment and Supplies. Franchisee shall lease or purchase all products, initial inventory, equipment, supplies and other materials required for the operation of the Franchised Business solely from approved suppliers who shall have proved, to the continuing satisfaction of Franchisor, the ability to meet Franchisor's standards and specifications for such products and related items. For certain proprietary products, the sole approved supplier may be Franchisor. Approved suppliers must meet all of Franchisor's specifications and standards as to content, quality, appearance, warranty, performance and serviceability and must adequately demonstrate their capacity and facilities to supply Franchisee's needs for an effective and efficient operation of the Franchised Business as well as all Franchised Businesses operating under Franchisor's System.

O. Inspection of Premises. At any time and without prior notice, Franchisee shall permit Franchisor or its agents or representatives to enter upon the Franchised Business for purposes of conducting inspections, taking videos and photographs and interviewing employees and customers. Franchisee shall cooperate fully with Franchisor's agents or representatives in such inspections by rendering such assistance as they may request. Upon notice from Franchisor or its agents or representatives, and without limiting Franchisor's other rights under this Agreement, Franchisee shall take such steps as may be necessary to immediately and diligently correct any deficiencies detected during any such inspection, including, without limitation, immediately ceasing and preventing the further use of any products, equipment, inventory, advertising materials, supplies or other items that do not conform to Franchisor's specifications, standards or requirements. In the event Franchisee fails or refuses to correct such deficiencies, Franchisor shall have the right to enter upon the premises of the Franchised Business, without

being guilty of trespass or any other tort, for the purpose of making or causing to be made such corrections as may be required, at the sole expense of Franchisee, which Franchisee agrees to pay upon demand.

P. Proprietary Methods. Franchisee acknowledges that Franchisor has developed certain products, services, operational systems and management techniques and may continue to develop additional products and proprietary methods and techniques for use in the operation of the Franchised Business which are confidential, and which are trade secrets of Franchisor. Because of the importance of quality control, uniformity of product and the significance of such proprietary products in the System, it is to the mutual benefit of the parties that Franchisor closely control the dissemination of this proprietary information. Accordingly, Franchisee agrees that in the event such information and techniques become a part of the System, Franchisee shall comply and strictly follow these techniques in the operation of its business and shall purchase from Franchisor or from an approved source designated by Franchisor any supplies or materials necessary to protect and implement such techniques.

Q. Development of the Market. Franchisee shall at all times use its best efforts to promote and increase the sales and consumer recognition of the products and services offered at the Franchised Business pursuant to the System and the Manual, to effect the widest and best possible distribution of Franchisor's products and services from the Franchised Business and to devote its best efforts in operating and managing the Franchised Business, its managers, assistants and employees.

R. Display of Proprietary Marks and Logos. Franchisee shall display Franchisor's Proprietary Marks and logos at the Franchised Business, on uniforms and otherwise in the manner prescribed by Franchisor. The color, design and location of said displays shall be specified by Franchisor and may be changed from time to time in the sole discretion of Franchisor. Franchisee shall conspicuously display to customers any sign or notice designated by Franchisor serving to notify and inform third parties that Franchisor is engaged in the business of franchising and providing sufficient information to enable third parties to contact Franchisor to inquire about prospective franchises. Franchisee shall not display any signs or posters at the premises or elsewhere without the prior written consent of Franchisor.

S. Computerized Point-of-Sale System. Franchisee shall purchase from Franchisor's required source a complete hardware and software restaurant system, as specified in the Manual. Franchisor shall have unlimited access to the data generated by Franchisee's computerized point of sale system and may pull via modem or internet all of Franchisee's computer systems in order to compile sales data, consumer trends, food and labor costs, and other such financial and marketing information as Franchisor deems appropriate. Franchisor may distribute this data on a confidential basis to its franchisees.

T. Other Requirements. Franchisee shall comply in all respects with all other requirements set forth in this Agreement, the Manual or as Franchisor may designate from time to time.

VI. PROPRIETARY MARKS

A. Grant of License. RFSI has granted to Franchisor a license to use and license others to use the Proprietary Marks in the United States, including the federally registered marks identified in Item 13 of its Franchise Disclosure Document. Franchisor hereby grants Franchisee the right and license to use the Proprietary Marks only in connection with the operation of its Franchised Business and the provision of services and products to its customers. Franchisor represents with respect to the Proprietary Marks that Franchisor will use and license Franchisee and other franchisees to use the Proprietary Marks only as set forth in this Agreement. **Franchisor makes no representation, or warranty with respect to the use of the Proprietary Marks or System by other licensees of RFSI or their sublicensees or franchisees.**

B. Conditions for Use. With respect to Franchisee's use of the Proprietary Marks pursuant to the license granted under this Agreement, Franchisee agrees that:

1. Franchisee shall use only the Proprietary Marks designated by Franchisor and shall use them only in the manner required or authorized and permitted by Franchisor.

2. Franchisee shall use the Proprietary Marks only in connection with the right and license to operate the Franchised Business granted hereunder.

3. During the term of this Agreement and any renewal hereof, Franchisee shall identify itself as a licensee and not the owner of the Proprietary Marks and shall make any necessary filings under state law to reflect such status. In addition, Franchisee shall identify itself as a licensee of the Proprietary Marks on all invoices, order forms, receipts, business stationery and contracts, as well as at the Franchised Business on any sign provided by Franchisor which shall be conspicuously displayed to customers.

4. Franchisee's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement or in the Manual, and any unauthorized use thereof shall constitute an infringement of Franchisor's rights and grounds for termination of this Agreement.

5. Franchisee shall not use the Proprietary Marks to incur or secure any obligation or indebtedness.

6. Franchisee shall not use the Proprietary Mark or other legal name.

7. Franchisee shall comply with Franchisor's instructions in filing and maintaining the requisite trade name or fictitious name registrations and shall execute any documents deemed necessary by Franchisor or its counsel to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.

8. In the event Franchisee becomes aware of any infringement of the Proprietary Marks or if Franchisee's use of the Proprietary Marks is challenged by a third party, Franchisee shall immediately notify Franchisor, and Franchisor will have sole discretion to take such action as it deems appropriate. If Franchisor determines that no action to protect the Proprietary Marks is necessary, then Franchisee may take any action it deems necessary to protect its own interest, at its own expense. If it becomes advisable at any time in the sole discretion of Franchisor to modify or discontinue the use of any name or mark and/or use one or more additional or substitute names or marks, Franchisee shall modify or discontinue the use of any such name or mark, and use such additional or substitute name or mark, and shall be responsible for the tangible costs (such as replacing signs and materials) of complying with this obligation. In the event litigation alleging that the Proprietary Marks infringe a third party's rights is instituted or threatened against Franchisee, Franchisee shall promptly notify Franchisor and shall cooperate fully in defending or settling such litigation.

C. Acknowledgments. Franchisee expressly understands and acknowledges that:

1. RFSI is the exclusive owner of all right, title and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them;

2. Franchisor has a license to use and a right to sublicense the Proprietary Marks in connection with the System;

3. The Proprietary Marks are valid and serve to identify the System and those who are licensed to operate a Franchised Business in accordance with the System;

4. Franchisee's use of the Proprietary Marks pursuant to this Agreement does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks, except the nonexclusive, limited license granted herein;

5. All goodwill arising from Franchisee's use of the Proprietary Marks and/or the System shall inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Proprietary Marks;

6. The license and right to use the Proprietary Marks granted hereunder to Franchisee are nonexclusive, and Franchisor may: (a) itself use, and grant franchises and licenses to others to use, the Proprietary Marks and the System; (b) establish, develop and franchise other systems, different from the System licensed to Franchisee herein, without offering or providing Franchisee any rights in, to or under such other systems; and (c) modify or change, in whole or in part, any aspect of the Proprietary Marks or the System;

7. Franchisor reserves the right to substitute different trade names, trademarks and service marks for use in identifying the System, the Franchised Business and other Franchised Businesses operating thereunder, all of which shall become Proprietary Marks;

8. Franchisor shall have no liability to Franchisee for any senior users that may claim rights to the Proprietary Marks; and

9. Franchisee shall not register or attempt to register the Proprietary Marks in Franchisee's name or that of any other person, firm, entity or corporation.

VII. CONFIDENTIAL MANUAL

A. Compliance. To protect the reputation and goodwill of Franchisor and to maintain uniform standards of operation in connection with the Proprietary Marks, Franchisee shall conduct its business in strict compliance with the operational systems, procedures, policies, methods and requirements prescribed in the Manual and any supplemental bulletins, notices, revisions, modifications or amendments thereto, all of which shall be deemed a part thereof. One copy of the Manual shall be provided to Franchisee on loan from Franchisor during the training program, and Franchisee shall sign a corresponding receipt therefor. The Manual may be modified from time to time to reflect changes in the System, and Franchisor shall notify Franchisee of any such changes.

B. Non-Compliance Fee. Franchisee acknowledges that any deviation from a requirement under this Agreement, any deviation from a requirement set forth in the Manual, or any deviation from any other system standard or requirement (each a "**Non-Compliance**"), shall constitute a material violation of this Agreement and will require Franchisor to incur incalculable administrative and management costs to address the violation. Therefore, in addition to all of Franchisor's remedies under this Agreement, Franchisee agrees that to compensate Franchisor for its administrative and management costs due to any Non-Compliance, Franchisee shall pay to Franchisor a non-compliance fee of \$500.00 ("**Non-Compliance Fee**") for each day an instance of Non-Compliance exists and is ongoing. Non-Compliance Fees are due immediately upon Franchisee's receipt of the imposition and may be collected by Franchisor by direct debit in the same manner as Royalty Fees. Franchisor need not give Franchisee an opportunity to cure a Non-Compliance before imposing a Non-Compliance Fee. The imposition of a Non-Compliance Fee does not preclude Franchisor from seeking injunctive relief to restrain any subsequent or continuing violation or exercising any of its remedies under this Agreement.

C. Use. Franchisee agrees to immediately adopt and use all programs, services, methods, standards, materials, policies and procedures set forth in the Manual, as they may be modified by Franchisor from time to time. Franchisee acknowledges that Franchisor is the owner or licensee of all proprietary rights in and to the System, and the Manual, and any changes or supplements thereto.

D. Confidentiality. Franchisee shall at all times treat the Manual, and any supplemental bulletins, notices, revisions, modifications or amendments thereto created for or approved for use in the operation of the Franchised Business and all of the information contained therein, as proprietary and confidential and shall use it best efforts to maintain such information as confidential. The Manual must remain at the Approved Location at all times.

E. Trade Secrets. Franchisee acknowledges and agrees that designated portions of the Manual are trade secrets owned and treated as such by Franchisor.

F. Access. The trade secrets must be accorded maximum security consistent with Franchisee's need to make frequent reference thereto. Franchisee shall strictly limit access to the Manual to employees who have a demonstrable and valid need to know the information contained therein in order to perform their duties. Franchisee

shall strictly follow any provisions in the Manual regarding the care, storage and use of the Manual and all related proprietary information.

G. Duplication. Franchisee shall not copy, duplicate, record or otherwise reproduce in any manner any part of the Manual, updates, supplements or related materials, in whole or in part, or otherwise make the same available to any unauthorized person.

H. Franchisor's Property. The Manual shall remain the sole property of Franchisor. Upon the expiration or termination of this Agreement, Franchisee shall return to Franchisor the Manual and all supplements thereto.

I. Updates or Revisions. Franchisor retains the right to prescribe additions to, deletions from or revisions to the Manual, which shall become binding upon Franchisee upon being mailed or otherwise delivered to Franchisee, as if originally set forth therein. The Manual, and any such additions, deletions or revisions thereto, shall not alter Franchisee's rights and obligations hereunder.

J. Master Set. Franchisee shall at all times ensure that all volumes of the Manual are kept current and up-to-date, and in the event of any dispute as to the contents of the Manual, the terms contained in the master set of the Manual maintained by Franchisor at Franchisor's headquarters shall be controlling.

K. Replacement Fee. If the Manual is lost, stolen or destroyed, Franchisee shall pay Franchisor a nonrefundable replacement fee of \$250.00 for the replacement Manual.

VIII. CONFIDENTIAL INFORMATION

A. Confidential Relationship. Franchisee understands and agrees that the relationship established between Franchisor and Franchisee by this Agreement is one of confidence and trust, and that as a result, Franchisor will be disclosing and transmitting to Franchisee certain trade secrets and other confidential and proprietary information concerning various aspects of Franchisee's operation of the Franchised Business, its methods of operation, techniques and all proprietary systems, procedures and materials relevant thereto pursuant to the System and this Agreement.

B. Obligations of Franchisee. To preserve and protect the trade secrets and the confidential and proprietary information (the "**Confidential Information**") which are disclosed to Franchisee during the term of this Agreement, Franchisee agrees that:

1. Franchisee shall treat and maintain the Confidential Information as confidential both during the term of this Agreement and thereafter;

2. Franchisee shall use the Confidential Information only for its operation of the Franchised Business under this Agreement;

3. Franchisee shall disclose the Confidential Information only as necessary to its employees or agents who have a demonstrable and valid need to know the Confidential Information and not to anyone else;

4. Franchisee shall restrict disclosure of the Confidential Information to only those of its employees or agents who are directly connected with the performance of work requiring knowledge thereof and shall disclose only so much of the Confidential Information as is required to enable those employees or agents to carry out their assigned duties;

5. Franchisee shall advise its employees or agents of the confidential nature of such information and the requirements of nondisclosure thereof; and

6. Franchisor and Franchisee may conduct a review to determine which employees will have access to the Confidential Information and to the Manual. Franchisee shall not disclose any Confidential Information or provide access to the Manual to such employee or agent until that person executes a nondisclosure agreement in

a form prescribed by Franchisor, acknowledging the confidential and proprietary nature of the Confidential Information and agreeing not to disclose such information during the course of employment or thereafter. Franchisor shall be designated a third-party beneficiary of such nondisclosure agreements with the right to enforce its provisions independently of Franchisee.

C. Confidential Information Defined. Any and all information, knowledge, know-how, systems, programs and other methods and techniques which Franchisor designates as confidential shall be deemed Confidential Information for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to its disclosure by Franchisor or which, at the time of its disclosure by Franchisor to Franchisee, had become a part of the public domain through publication or communication by others or which, after disclosure to Franchisee by Franchisor, becomes a part of the public domain through publication or communication by others. It is understood and agreed that information, improvements to the System or techniques prepared, compiled or developed by Franchisee, its employees or agents during the term of this Agreement and relating to the Franchised Business, whether developed separately or in conjunction with Franchisor, shall be considered as part of the Confidential Information. Franchisee hereby grants to Franchisor an irrevocable, worldwide, exclusive, royalty-free license, with the right to sublicense such information, improvement or technique.

D. Protection of Information. Franchisee acknowledges that it has knowledge of confidential matters, trade secrets, management and training techniques, operational, accounting, quality control procedures, programs and other methods developed by Franchisor through and in its System which, for purposes of this Agreement, are owned by Franchisor and which are necessary and essential to the operation of the Franchised Business, without which information Franchisee could not efficiently, effectively and profitably operate the same. Franchisee further acknowledges that such Confidential Information was unknown to it prior to negotiation for and execution of this Agreement and that the unique and novel combination of “know how” and methods developed by Franchisor and licensed to Franchisee by Franchisor for the operation of the Franchised Business are peculiar to Franchisor. Franchisee shall take all steps necessary, at its own expense, to protect the Confidential Information and shall not divulge the same either during or upon the termination of this Agreement without the prior written consent of Franchisor.

E. Remedies. Franchisee acknowledges that in addition to any remedies available to Franchisor under Section XIII hereunder, Franchisee agrees to pay all court costs, reasonable attorneys’ fees (including appellate fees), and costs of expert witnesses, incurred by Franchisor in obtaining specific performance of, a temporary restraining order and/or an injunction against violation of the requirements of this Section VIII.

F. Communication with Customers. To maintain the high standards of quality control throughout the System, Franchisor reserves the right to use test customers from time to time, without prior notification to Franchisee, in order to determine whether the Franchised Business is maintaining high standards of quality, integrity, safety, appearance and customer service.

IX. ACCOUNTING, INSPECTIONS AND RECORDS

A. Maintenance of Books and Records. Franchisee shall maintain during the term of this Agreement and shall preserve for not less than seven (7) years from the date of preparation full, complete and accurate books, records and accounts in accordance with the System and in the form and manner prescribed by Franchisor in the Manual or otherwise in writing from time to time.

B. Reporting. Franchisee shall provide Franchisor, or Franchisor may access from Franchisee’s computerized point of sale system, any and all information Franchisor deems necessary to its monitoring of the Franchised Business including Gross Sales. Franchisee shall provide Franchisor with monthly reports on Gross Sales. Each report shall cover a period from the first day to the last day of the preceding week (Monday through Sunday) and must be received by Franchisor on or before the Wednesday following the end of the reporting period. Each report shall disclose the Gross Sales and other such information from which the royalty fee and advertising contributions are calculated for the preceding month. Each report will be in the form and format prescribed by Franchisor.

C. **Financial and Related Reporting.** In addition to Franchisee's obligations to provide financial reporting to Franchisor elsewhere in this Agreement, during the term of this Agreement, Franchisee shall, at Franchisee's expense, submit to Franchisor an annual audited financial statement which shall include an income statement and balance sheet prepared in accordance with generally accepted accounting principles on a consolidated basis and a complete copy with all schedules of Franchisee's federal and state tax returns for Franchisee within ninety (90) days of the completion of the fiscal year of Franchisee. Franchisor also reserves the right to require Franchisee to submit to Franchisor certified financial statements for any period or periods of any fiscal year, which shall be reviewed by Franchisee's accounting firm and attested to by Franchisee's treasurer or chief financial officer. In addition, Franchisee shall submit exact copies of Franchisee's invoices for goods purchased from suppliers and copies of Franchisee's operating reports to its landlord and/or shopping mall operator, immediately following Franchisor's request for such information.

D. **Other Submissions.** Franchisee shall also submit to Franchisor, for review and auditing, such other financial and other records, forms, other reports, and an annual accounting of local advertising expenditures and any and all other information and data as Franchisor may require, in the form and at the times and places required by Franchisor, upon request and as specified from time to time in the Manual or otherwise in writing, at any time during the term of this Agreement.

E. **Inspection.** Franchisor or its designated agents shall have the right at all times to examine and copy, at its expense, the books, records, receipts, and tax returns of Franchisee. Franchisor shall also have the right, at any time, to have an independent audit made of the books and records of Franchisee. If an inspection should reveal that any payments to Franchisor have been understated in any report to Franchisor, then Franchisee shall immediately pay to Franchisor, upon demand, the amount understated plus interest calculated at the Default Rate on a daily basis. If any inspection discloses an understatement in any report of 2% or more, Franchisee shall, in addition to the payment of interest thereon, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, reasonable accountants' and attorneys' fees, employee travel expenses and daily fees). The foregoing remedies shall be in addition to any other remedies available to Franchisor.

X. **ADVERTISING**

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

A. **Submission and Approval of Promotional and Marketing Materials.** All promotional and marketing materials to be used by Franchisee in any medium shall be presented in a dignified manner and shall conform to such standards and requirements as Franchisor may specify from time to time in the Manual or otherwise. Franchisee shall submit to Franchisor for its prior written approval, samples of all promotional and marketing materials in whatever form that Franchisee desires to use at least fifteen (15) days before their insertion. Franchisor shall approve, disapprove, or revise such materials. If Franchisor does not send written disapproval within fifteen (15) days of receipt of the materials, Franchisor shall be deemed to have approved of such materials. Franchisee shall comply with all revisions to said promotional and marketing materials which Franchisor may require prior to approving said promotional and marketing materials. Franchisee shall not use any advertising or promotional plans or materials which have not been approved in writing by Franchisor, and Franchisee shall cease to use any plans or materials promptly upon notice by Franchisor. Failure by Franchisee to obtain the prior written approval of Franchisor for all proposed advertising shall be deemed a default of this Agreement in accordance with Section XIII.A hereof.

B. **Advertising Fund.** Franchisor has the right to at any time to establish and maintain the Advertising Fund (the "**Fund**"). Franchisee shall pay to Franchisor a continuing nonrefundable advertising contribution of between 1% and 4% of Gross Sales, at Franchisor's discretion, throughout the term of this Agreement and any renewals thereof. Franchisor will collect Franchisee's contribution monthly in the same manner as the Royalty Fees. If the Fund is established, the advertising sums paid by Franchisee and the other franchisees shall be maintained in an account separate from other monies of Franchisor. Upon request by Franchisee, Franchisor shall annually account for advertising funds expended, including an allocation for Franchisor's overhead expenses incurred in connection

with administration and management of the Fund. It is understood and agreed that Franchisor shall allocate advertising funds as it deems appropriate. Franchisor's determination as to allocation of the advertising funds may not be challenged or contested.

C. Local Advertising. In addition to the advertising contribution payable to Franchisor under Section X.B. of this Agreement, Franchisee shall aggressively advertise and promote the Franchised Business and the Marks. Franchisee must spend a minimum of 4% of Gross Sales for local advertising and promotions to be conducted within the Territory in accordance with the provisions in the Manual. Franchisee shall adhere to such advertising regulations as Franchisor may impose, and use only materials and promotional discounts provided or approved by Franchisor for local advertising use, and make all signs and other advertising in all instances with an appropriate indication to protect Franchisor's rights in the Marks, and cause all local signs and other advertising made by or for Franchisee to display and reproduce the Marks exactly and accurately, and in the form and manner uniformly required by Franchisor. Upon request Franchisee shall provide Franchisor with actual paid receipts substantiating Franchisee's compliance with this section.

D. Local or Regional Advertising Cooperative. Franchisor reserves the right to require Franchisee to participate in a local or regional advertising cooperative or advertising council (an "**Advertising Cooperative**"). If an Advertising Cooperative is established, Franchisee shall pay to the Advertising Cooperative a continuing non-refundable contribution of between 1% and 4% of Gross Sales. Any amounts that Franchisee pays to an Advertising Cooperative, as well as reimbursements Franchisee may make to Franchisor for placing classified telephone directory advertising, will count toward Franchisee's local advertising expenditure under Section X.C. of this Agreement.

E. Grand Opening. Franchisee must spend at least \$7,000 on a grand opening promotion and advertising for the Franchised Business, which must be conducted within 90 days of the opening of the Franchised Business. In Franchisor's sole discretion, Franchisor may require Franchisee to deposit \$7,000 with Franchisor, and Franchisor shall spend such sums on the grand opening and promotion of the Franchised Business. Any unspent amounts will be refunded to Franchisee. Franchisor's making of expenditures to promote the opening of the Franchised Business is not a representation or warranty that the opening will be successful and is not intended to be the sole means of promotion of the Franchised Businesses' opening, which is Franchisee's responsibility.

XI. INSURANCE

A. Procurement. Franchisee shall procure, prior to the commencement of any operations under this Agreement, and thereafter maintain in full force and effect during the term of this Agreement, at Franchisee's expense, an insurance policy or policies protecting Franchisee and Franchisor, and their officers, directors, partners and employees, against any loss, liability, personal injury, death, property damage or expense whatsoever from fire, lightning, theft, vandalism, malicious mischief and the perils included in the extended coverage endorsement, arising or occurring upon or in connection with the Franchised Business or the construction of or leasehold improvements to the Franchised Business, or by reason of the operation or occupancy of the Franchised Business, as well as such other insurance applicable to such other special risks, if any, as Franchisor may require for its own and Franchisee's protection. Franchisee shall name Franchisor as an additional insured on all policies. Franchisee shall be obligated to procure such insurance and to submit copies of such policies to Franchisor thirty (30) days prior to the opening to the public of the Franchised Business.

B. Minimum Coverage. Such policy or policies shall be written by an insurance company satisfactory to Franchisor in accordance with the standards and specifications set forth in the Manual or otherwise in writing, and shall include, at a minimum (except as additional coverage and higher policy limits may be specified from time to time by Franchisor in the Manual or otherwise in writing) the following:

1. Comprehensive general liability insurance, including contractual liability, broad form property damage, personal injury, advertising injury, product liability, completed operations and independent contractors coverage, and fire damage coverage in the amount of at least Two Million Dollars (\$2,000,000) (or as set forth in the Manual), or such higher amount as required by the lease, combined single limit, and naming Franchisor as an additional insured in each such policy or policies;

2. Worker's compensation and employer's liability insurance as well as such other insurance as may be required by statute or rule of the state in which the Franchised Business is located and operated;

3. Fire, vandalism and extended coverage insurance with primary and excess limits of not less than the full replacement value of the Franchised Business and its furniture, fixtures and equipment; and

4. Business interruption insurance in amounts equal to at least the average monthly Royalty Fees and Fund contributions payable to Franchisor, but in no event less than One Hundred Thousand Dollars (\$100,000) annual coverage (or such other amount as may be set forth in the Manual).

C. Construction Coverage. In connection with any construction, leasehold improvements, renovation, refurbishment or remodeling of the premises of the Franchised Business, Franchisee shall cause the general contractor to maintain with a reputable insurer comprehensive general liability insurance (with comprehensive automobile liability coverage for both owned and non-owned vehicles, builder's risk, product liability and independent contractors coverage) in a commercially reasonable amount with Franchisor named as an additional insured, and worker's compensation and employer's liability insurance as required by state law. A copy of the Certificate of Insurance for worker's compensation coverage shall be provided to Franchisor.

D. Certificates. At least thirty (30) days prior to the grand opening of the Franchised Business and on each policy renewal date thereafter, Franchisee shall submit to Franchisor, original or duplicate copies of all policies and policy amendments. The evidence of insurance shall include a statement by the insurer that the policy or policies will not be canceled or materially altered without at least thirty (30) days prior written notice to Franchisor.

E. Independence of Coverage Requirements. Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, and Franchisee's performance of that obligation shall not relieve it of liability under the indemnity provision set forth in Section XVIII of this Agreement.

F. Failure to Procure. Should Franchisee for any reason fail to procure or maintain the insurance required by this Agreement, as revised from time to time for all franchisees by the Manual or otherwise in writing, Franchisor shall have the right and authority (without, however, any obligation) to immediately procure such insurance and to charge the same to Franchisee, which charges, together with a reasonable fee for Franchisor's expenses in so acting, including all attorneys' fees, shall be payable by Franchisee immediately upon notice.

G. Third Parties. Franchisee shall ensure that all third parties with which Franchisee conducts business, are properly insured.

XII. TRANSFER OF INTEREST; OPERATION BY FRANCHISOR

A. Transfer by Franchisor. Franchisor shall have the right to assign this Agreement, and all of its rights and privileges hereunder, to any person or entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor provided that the assignee shall assume and agree to perform Franchisor's obligations under this Agreement. Specifically, and without limitation of the foregoing, Franchisee expressly affirms and agrees that Franchisor may sell its assets, its rights to the Proprietary Marks and the System outright to a third party; may go public; may engage in a private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of said Proprietary Marks (or any variation thereof) and/or the loss of association with or identification of "Rosati's Franchise & Development, LLC" as Franchisor hereunder. Nothing contained in this Agreement shall require Franchisor to remain in the restaurant business or to offer the same products and services, whether or not bearing the Proprietary Marks, in the event that Franchisor exercises its rights hereunder to assign its rights in this Agreement.

B. Transfer by Franchisee.

1. The rights granted to Franchisee under this Agreement are personal to Franchisee. Accordingly, neither this Agreement, nor any interest in the Franchised Business, and if Franchisee is any entity any ownership interest in the Entity, may be voluntarily or involuntarily, directly or indirectly, sold, assigned, transferred, conveyed, given away, pledged, mortgaged, or otherwise be encumbered or transferred (collectively a “**Transfer**”) without Franchisor’s prior written consent of Franchisor. Notwithstanding the foregoing, Franchisor’s prior written consent shall not be required for a transfer of less than a 5% interest in a publicly held corporation or for transfer to a wholly owned corporation of Franchisee formed expressly for that purpose. For such purposes, and under this Agreement in general, a publicly held corporation is a “Reporting Company” as that term is defined by the Securities Exchange Act of 1934. Franchisee must notify Franchisor in writing at least sixty (60) days prior to the date of the intended assignment. Any purported Transfer not having the written consent of Franchisor shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may immediately terminate this Agreement pursuant to Section XIII.A.

2. Franchisor shall not unreasonably withhold its consent to a Transfer. If, however, a Transfer, alone or together with other previous, simultaneous or proposed Transfers, would have the effect of transferring a controlling interest in the Franchised Business, Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval:

a. All of Franchisee’s accrued monetary obligations and all other outstanding obligations to Franchisor, its subsidiaries, affiliates and suppliers shall be up to date, fully paid and satisfied;

b. Franchisee shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, any other franchise agreement or other agreement between Franchisee and Franchisor, or its subsidiaries, affiliates or suppliers;

c. Franchisee and if Franchisee is an Entity, each of its Owners, shall execute a general release in a form satisfactory to Franchisor, of any and all claims against Franchisor and its officers, directors, shareholders, members, managers, employees and agents in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances;

d. The transferee shall demonstrate to Franchisor’s satisfaction that the transferee meets Franchisor’s educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to operate the Franchised Business (as may be evidenced by prior related experience, Franchisor’s testing criteria or otherwise); has at least the same managerial and financial criteria required of new franchisees; and shall have sufficient equity capital to operate the Franchised Business;

e. The transferee shall enter into a written assignment and in a form satisfactory to Franchisor, assuming and agreeing to discharge all of Franchisee’s obligations under this Agreement. If transferee is an Entity, then the Owners shall jointly and severally guarantee the obligations of Franchisee under this Agreement in writing in a form satisfactory to Franchisor;

f. At Franchisor’s option, the transferee shall execute (and/or, upon Franchisor’s request, shall cause all interested parties to execute) for a term ending on the expiration date of this Agreement and with such renewal term as may be provided by this Agreement, the standard form of Franchise Agreement then being offered to new franchisees and such other ancillary agreements as Franchisor may require for the Franchised Business, which agreements shall supersede this Agreement in all respects and the terms of which agreements may substantially and materially differ from the terms of this Agreement, including, without limitation, a higher royalty fee and advertising contributions and the implementation of other fees;

g. The transferee shall upgrade, remodel and refurbish the Franchised Business to conform to the then current specifications then being required of new Franchised Businesses, and shall complete the upgrading and other requirements within the time specified by Franchisor;

h. Franchisee shall remain liable for all direct and indirect obligations to Franchisor in connection with the Franchised Business prior to the effective date of the transfer, shall continue to remain responsible for its obligations of nondisclosure, noncompetition and indemnification as provided elsewhere in this Agreement and shall execute any and all instruments reasonably requested by Franchisor to further evidence such liability;

i. At the transferee's expense, the transferee and its manager and employees shall complete any training programs then in effect for current franchisees upon such terms and conditions as Franchisor may reasonably require unless such employees have been trained previously by Franchisor;

j. The transferee shall have signed an Acknowledgement of Receipt of all required legal documents, such as the Franchise Disclosure Document and the then current Franchise Agreement and ancillary agreements;

k. Franchisee shall pay to Franchisor a transfer fee of 50% of the then current initial franchise fee; and

l. The transferor must provide Franchisor with a copy of the agreements of purchase and sale between the transferor and the transferee. The terms and price of the proposed transaction between the transferor and a transferee shall be fair and reasonable in the sole discretion and based upon the good faith judgment of Franchisor. **NOTE: THIS RIGHT OF APPROVAL SHALL NOT CREATE ANY SPECIAL LIABILITY OR DUTY ON THE PART OF THE FRANCHISOR TO THE PROPOSED TRANSFEEE.**

3. Franchisee shall grant no security interest in the Franchised Business or in any of its assets unless the secured party agrees that in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option to be substituted as obligor to the secured party and to cure any default of Franchisee. Notwithstanding the foregoing, Franchisor shall not be construed as a guarantor or surety for Franchisee.

4. Franchisee acknowledges and agrees that each of the foregoing conditions of transfer which must be met by Franchisee and the transferee are necessary and reasonable to assure such transferee's full performance of the obligations hereunder.

C. Additional Requirements - Entity Franchisees. The following requirements shall apply to Franchisee if Franchisee is an Entity, in addition to those requirements set forth elsewhere in this Agreement, the Manual or otherwise:

1. Franchisee shall be a newly organized entity and its Articles of Incorporation or Organization shall at all times provide that its activities are confined exclusively to operating the Franchised Business herein.

2. The articles, bylaws, operating agreement and other governing documents, and any amendments thereto, including the resolutions of the board of directors or managers authorizing entry into this Agreement, shall be promptly furnished to Franchisor.

3. Each stock certificate, membership certificate, or other evidence of ownership issued to an Owner shall have conspicuously endorsed upon its face a statement in a form satisfactory to Franchisor, such as:

“THE TRANSFER, PLEDGE OR ALIENATION OF THIS SECURITY IS SUBJECT TO THE TERMS AND RESTRICTIONS CONTAINED WITHIN THE FRANCHISE AGREEMENT BETWEEN ROSATI'S FRANCHISE & DEVELOPMENT, LLC AND _____.

4. Franchisee shall maintain a current list of all Owners and shall furnish the list to Franchisor upon request, together with the addresses and phone numbers of each Owner.

5. All Owners shall jointly and severally guarantee Franchisee's performance hereunder and shall bind themselves to the terms of this Agreement; provided, however, that the requirements of this Section XII.C.5. shall not apply to a publicly-held corporation.

D. Offerings by Franchisee. Securities or partnership interests in Franchisee may be offered to the public, by private offering or otherwise, but only with the prior written consent of Franchisor, whether or not Franchisor's consent is required under Section XII.B. hereof, which consent shall not be unreasonably withheld. All materials required for such offering by federal or state law as well as any materials to be used in any exempt offering shall be submitted to Franchisor for review at least sixty (60) days prior to such documents being filed with any government agency or distributed to investors. No offering by Franchisee shall imply (by use of the Proprietary Marks or otherwise) that Franchisor is participating in an underwriting, issuance or offering of Franchisee's securities, and Franchisor's review of any offering shall be limited solely to the subject of the relationship between Franchisee and Franchisor. Franchisee and any other participants in the offering must fully indemnify Franchisor in connection with the offering pursuant to an indemnity agreement in form and substance satisfactory to Franchisor and its counsel. For each proposed offering, Franchisee shall pay to Franchisor a nonrefundable amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. After approval of such offering documents, Franchisee shall give Franchisor at least sixty (60) days written notice prior to the proposed effective date of any offering or other transaction covered by this Section XII.D.

E. Franchisor's Right of First Refusal.

1. Any party who holds an interest in any right granted by, or interest in, this Agreement, or any ownership interest in an Entity, or any ownership interest in the Franchised Business and who desires to accept a bona fide offer from a third party to purchase such interest shall notify Franchisor in writing of such offer and, except as otherwise provided herein, Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such written notification, to elect to purchase the seller's interest on the same terms and conditions offered by the third party, less any amount of the purchase price attributable to the goodwill associated with the Franchised Business, the Proprietary Marks, the System or any other property of Franchisor. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by Franchisor as in the case of an initial offer. In the event Franchisor elects to purchase the seller's interest, closing on such purchase must occur by the later of: (i) the closing date specified in the third-party offer; or (ii) within sixty (60) days from the date of notice to the seller of Franchisor's election to purchase. Failure of Franchisor to exercise the option afforded by this Section XII.E. shall not constitute a waiver of any other provision of this Agreement, including the requirements of this Section XII, with respect to a proposed transfer.

2. In the event the consideration, terms and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms and/or conditions, then Franchisor may purchase the Franchised Business proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree, within fourteen (14) days on the reasonable equivalent in cash of the consideration, terms and/or conditions offered by a third party, an independent appraiser shall be designated by Franchisor, which determination shall be final and binding.

F. Transfer Upon Death or Mental Incapacity. Upon the death, mental incapacity or disability of Franchisee or an Owner, Franchisor shall consent to the transfer of said interest in Franchisee, the Franchised Business and this Agreement to the spouse, heirs or relative by blood or by marriage, of said Franchisee or Owner, whether such transfer is made by will or by operation of law, if, in Franchisor's sole discretion, such person meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the Franchised Business herein; has at least the same managerial and financial criteria required by new franchisees; and has sufficient equity capital to operate the Franchised Business. If said transfer is not approved by Franchisor, the executor, administrator or personal representative of such person shall transfer his interest to a third party approved by Franchisor within six (6) months after such death, mental incapacity or disability pursuant to Section XII.B. Such transfer shall be subject to Franchisor's right of first refusal and to the same conditions as any *inter vivos* transfer.

G. Non-Waiver of Claims. Franchisor's consent to a transfer of any interest in the Franchised Business

shall not constitute a waiver of any claims it may have against the transferring party, nor will it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement, or any other agreement to which Franchisor and the transferee are parties, by the transferee.

H. Operation of the Franchised Business by Franchisor. To prevent any interruption of the business of the Franchised Business and any injury to the goodwill and reputation thereof which would cause harm to the Franchised Business and thereby depreciate the value thereof, Franchisee hereby authorizes Franchisor, and Franchisor shall have the right, but not the obligation, to operate said Franchised Business for so long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies Franchisor, members may have under this Agreement, in the event that (i) any of Franchisee's principals, shareholders, members, or partners is absent or incapacitated by reason of illness or death and that Franchisee is not, therefore, in the sole judgment of Franchisor, able to do the business licensed hereunder or (ii) any allegation or claim is made against the Franchised Business, Franchisee or any principals, directors, shareholders, members, partners or employees of Franchisee, involving or relating to misrepresentations or any fraudulent or deceptive practice. In the event Franchisor operates the Franchised Business, Franchisor shall not be obligated to operate it for a period more than ninety (90) days. All revenues from the operation of the Franchised Business during such period of operation by Franchisor shall be kept in a separate account and the expenses of the Franchised Business, including reasonable royalty fees, advertising contributions, compensation and expenses for Franchisor's representative, shall be charged to said account. If, as herein provided, Franchisor elects to temporarily operate the Franchised Business on behalf of Franchisee, Franchisee hereby agrees to indemnify and hold Franchisor harmless from any and all claims arising from the acts and omissions of Franchisor and its representatives.

XIII. DEFAULT AND TERMINATION

A. Default With No Opportunity To Cure. Franchisee shall be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon receipt of notice from Franchisor to Franchisee, upon the occurrence of any of the following events:

1. If Franchisee becomes insolvent or makes a general assignment for the benefit of creditors, or if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and consented to by Franchisee, or if Franchisee is adjudicated bankrupt, or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee, or if a receiver or other custodian (permanent or temporary) of Franchisee's business or assets is appointed by any court of competent jurisdiction, or if proceedings for a conference with a committee of creditors under any state, federal or foreign law should be instituted by or against Franchisee, or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless *supersedeas* bond is filed), or if execution is levied against Franchisee's operating location or property, or suit to foreclose any lien or mortgage against the premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days, or if any substantial real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal or constable;

2. If Franchisee ceases to do business at the Franchised Business for two (2) or more consecutive days, excluding holidays, or loses the right to possession of the premises at which the Franchised Business is located or otherwise forfeits the right to do or transact business in the jurisdiction where the Franchised Business is located; provided, however, that if any such loss of possession results from the governmental exercise of the power of eminent domain, or if, through no fault of Franchisee, the premises are damaged or destroyed by a disaster such that they cannot, in Franchisor's judgment, reasonably be restored within one hundred twenty (120) days, then, in either such event, Franchisee shall have sixty (60) days to identify an alternative location within the Site Selection Area for the operation of the Franchised Business (the "**Substitute Site**") and submit all information reasonably requested by Franchisor in connection with the Substitute Site for its review and approval. Franchisor shall not unreasonably withhold its approval of the Substitute Site, and its approval may be conditioned upon Franchisee's payment of an agreed minimum royalty fee to Franchisor during the period in which the Franchised Business is not in operation. Notwithstanding the foregoing, Franchisor shall have the right to terminate this Agreement if Franchisee is not in possession of the Substitute Site and open for business to the general public within five (5) months of its receipt of Franchisor's approval;

3. If Franchisee fails to operate and maintain the point-of-sale system in accordance with Franchisor's requirements and guidelines as outlined in the Manual, or if Franchisee attempts to modify such system without the prior written approval of Franchisor;
4. If Franchisee understates its Gross Sales by 3% or more in connection with any report required to be submitted to Franchisor;
5. If Franchisee has made any material misrepresentation or omission in this Agreement or any other agreement to which Franchisee and Franchisor are parties;
6. If Franchisee (or a principal stockholder, member or general partner of a corporation or partnership franchisee) repeatedly engages in the excessive use of alcohol and/or abuse of drugs;
7. If Franchisee, by act or omission, permits a continued violation in connection with the operation of the Franchised Business of any law, ordinance, rule or regulation of a governmental agency, in the absence of a good faith dispute over its application or legality and without promptly resorting to an appropriate administrative or judicial forum for relief therefrom;
8. If Franchisee fails to obtain and maintain all required licenses under state and local law;
9. If Franchisee misuses or makes any unauthorized use of the Proprietary Marks, engages in any business or markets any service or products under a name or mark which is confusingly similar to the Proprietary Marks, or otherwise materially impairs the goodwill associated therewith or Franchisor's rights therein;
10. If a threat or danger to public safety results from the construction, maintenance or operation of the Franchised Business;
11. If Franchisee is convicted of a crime of moral turpitude or similar felony or is convicted of any other crime or offense that Franchisor in its sole discretion believes is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith or Franchisor's interest therein;
12. If a judgment or consent decree against Franchisee, or any of its officers, directors, shareholders or partners is entered in any case or proceeding involving allegations of fraud, racketeering, unfair or improper trade practices or similar claim which is likely to have an adverse effect on the System, or the Proprietary Marks, the goodwill associated therewith or Franchisor's interest therein;
13. If Franchisee purports to transfer any rights or obligations under this Agreement to any third party without Franchisor's prior written consent, contrary to any of the terms of Section XII of this Agreement.
14. If Franchisee fails to comply with any of the covenants contained in Section XV hereof
15. If, contrary to Sections VII and VIII hereof, Franchisee discloses or divulges the contents of the Manual or any other trade secrets, or Confidential Information provided to Franchisee by Franchisor;
16. If Franchisee knowingly maintains false books or records or submits any false statements, applications or reports to Franchisor or any assignee of Franchisor;
17. If Franchisee fails to locate a site for the Franchised Business and obtain Franchisor's approval of the site and sign the lease within ninety (90) days after execution of this Agreement or fails to open for business to the general public within three hundred sixty (360) days of signing this Agreement;
18. If Franchisee willfully and repeatedly engages in a course of conduct which constitutes a misrepresentation or a deceptive or unlawful act or practice in connection with its sale of the services and products offered at the Franchised Business;
19. If Franchisee fails to strictly comply with the product and quality control standards and

specifications, fails to have suppliers approved by Franchisor or otherwise fails to meet any other significant specifications or guidelines set forth in the Manual;

20. If any other franchise agreement issued to Franchisee by Franchisor or any other agreement between Franchisee and Franchisor is terminated for any reason;

21. If Franchisee receives three (3) or more notices of default under Section XIII.B. hereof during the term of this Agreement whether or not such defaults are cured after notice;

22. If Franchisee willfully engages in any illegal, immoral or unethical acts or any act in violation of the mission and values of Franchisor or Franchisor's goodwill;

23. If Franchisee defaults under its lease agreement for the premises on which the Franchised Business is located or under any other agreement to which Franchisee and Franchisor, or any parent or subsidiary corporation or any other affiliated entity of Franchisor, are parties and fails to cure said default within the grace period (if any) provided for in such agreement; or

24. If Franchisee relocates the Franchised Business without obtaining the prior written approval of Franchisor.

B. Default With Opportunity To Cure. Except as provided in Section XIII.A. of this Agreement, Franchisee shall have an opportunity to cure after receiving from Franchisor a written notice of default within which to remedy any default described in this Section XIII.B. and provide evidence thereof to Franchisor. If any such default is not cured within that time, or such longer period as applicable law may require, this Agreement, at Franchisor's option, shall terminate without further notice to Franchisee effective immediately upon the expiration of that period or such longer period as applicable law may require. Franchisee shall be in default hereunder for any failure to comply substantially with any of the requirements imposed by this Agreement, as it may from time to time reasonably be supplemented by updates to the Manual, or for any failure to carry out the terms of this Agreement in good faith. Such defaults shall include, without limitation, the occurrence of any of the following events:

1. If Franchisee fails, refuses or neglects to pay promptly any monies owing to Franchisor or its subsidiaries or affiliates or suppliers when due, or to submit the financial information or other reports required by Franchisor under this Agreement and does not cure such default within seven (7) days following notice from Franchisor;

2. If Franchisee fails to maintain any of the standards or procedures prescribed by Franchisor in this Agreement, the Manual, any other franchise agreement between Franchisor and Franchisee, or any other written agreements between the parties or otherwise and does not cure such default within ten (10) days following notice from Franchisor;

3. If Franchisee fails to comply with its duties set forth in Section V of this Agreement or fails to perform any obligation owing to Franchisor or to observe any covenant or agreement made by Franchisee, whether such obligation, covenant or agreement is set forth in this Agreement or in any other agreement with Franchisor including any other franchise agreement by and between Franchisor and Franchisee or any entity related to Franchisor and does not cure such default within ten (10) days following notice from Franchisor;

4. If Franchisee fails to adequately promote the Franchised Business as provided in the Manual or otherwise in writing and does not cure such default within ten (10) days following notice from Franchisor;

5. If Franchisee fails to maintain and submit to Franchisor all reports required pursuant to Section IX hereof, including financial statements, weekly, monthly and other reports of Gross Sales and copies of tax returns and does not cure such default within ten (10) days following notice from Franchisor;

6. If Franchisee fails to maintain Franchisor's quality control standards with respect to its use of signage and other uses of the Proprietary Marks and does not cure such default within ten (10) days following notice from Franchisor;

7. If Franchisee fails to notify Franchisor, at least ninety (90) days prior of the relocation date, of Franchisee's intention to relocate the Franchised Business and does not cure such default within fifteen (15) days following notice from Franchisor;

8. If Franchisee's managers fail to attend and successfully complete any mandatory training program unless attendance is excused or waived, in writing, by Franchisor and does not cure such default within thirty (30) days following notice from Franchisor;

9. If Franchisee fails to obtain the prior written approval of Franchisor of all advertising, marketing or promotional plans and materials in whatever form used by Franchisee in connection with its promotion of the Franchised Business or otherwise fails to comply with Franchisor's policies and procedures with respect to advertising, marketing or promotion and does not cure such default within ten (10) days following notice from Franchisor;

10. If Franchisee fails to meet Minimum Monthly Gross Sales requirements set forth in Section I.C. within three (3) months after written notice of such failure is delivered to Franchisee; or

11. If Franchisee fails to comply with any other term, condition, or covenant contained in this Agreement, and fails to cure such failure within ten (10) days following notice from Franchisor.

C. No Right or Remedy. No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or equity.

D. Default and Termination. The events of default and grounds for termination described in this Section XIII shall be in addition to any other grounds for termination contained elsewhere in this Agreement or otherwise.

XIV. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall forthwith terminate, and Franchisee shall observe and perform the following:

A. Cessation of Operation. Franchisee shall immediately cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a franchisee of Franchisor.

B. Cessation of Use of Proprietary Marks. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any equipment, format, confidential methods, customer data base, programs, literature, procedures and techniques associated with the System, the name Rosati's, the Proprietary Marks and distinctive trade dress, forms, slogans, uniforms, signs, symbols or devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signs, fixtures, furniture, equipment, advertising materials or promotional displays, uniforms, stationery, forms and any other articles which display the Proprietary Marks associated with the System.

C. Cancellation of Name. Franchisee shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the Proprietary Marks or any other trademark, trade name or service mark of Franchisor, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement.

D. Optional Assignment of Lease. Franchisee shall, at Franchisor's option pursuant to Section XIII.E. above, assign to Franchisor any interest which Franchisee has in any lease or sublease for the premises of the Franchised Business. In the event Franchisor elects to exercise its option to acquire such lease or sublease, Franchisor shall pay for any furniture, equipment, supplies and signs acquired by Franchisor as a result of such assignment, at Franchisee's cost or fair market value (whichever is less), less any sums of money owed by Franchisee to Franchisor and less any sums of money necessary to upgrade and renovate the premises to meet Franchisor's then current standards for its Franchised Business and less any sums necessary to acquire clear title to the lease or sublease

interest. In the event that Franchisor and Franchisee are unable to agree on the fair market value of said items, an independent appraiser shall be appointed by Franchisor to determine the fair market value of said items. The determination of said appraiser shall be final and binding upon the parties. The costs and expenses associated with the appointment of an independent appraiser shall be paid by Franchisee.

In the event that Franchisor does not elect to exercise its option to acquire such lease or sublease, Franchisee shall make such modifications or alterations to the premises of the Franchised Business immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other Franchised Businesses under the System, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose. In the event Franchisee fails or refuses to comply with the requirements of this Section XIV, Franchisor shall have the right to enter upon the premises of the Franchised Business without being guilty of trespass or any other tort for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand.

E. Franchisor's Right to Continue Operations. In the event this Agreement is terminated, Franchisor may, at its option, immediately enter the premises of the Franchised Business and continue to provide services to customers of the Franchised Business and apply receipts therefrom to debts owed to Franchisor by Franchisee. Franchisor shall have no other obligations to Franchisee in connection with Franchisor's operation of the Franchised Business following said termination.

F. Non-Usage of Marks. Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Proprietary Marks or trade dress, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute Franchisor's exclusive rights in and to the Proprietary Marks or trade dress, and agrees not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor so as to constitute unfair competition.

G. Prompt Payment Upon Default. Franchisee shall promptly pay all sums owing to Franchisor and its subsidiaries, affiliates and suppliers. In the event of termination for any default of Franchisee, such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, machinery, fixtures, equipment and inventory owned by Franchisee and on the premises of the Franchised Business at the time of default.

H. Payment of Costs. Franchisee shall pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provision of this Section XIV or any other obligation under this Agreement.

I. Return of Materials. Franchisee shall immediately turn over to Franchisor all copies of all materials in Franchisee's possession including the Manual, all records, files, instructions, correspondence, customer database, brochures, agreements, disclosure statements and any and all other materials relating to the operation of the Franchised Business in Franchisee's possession, and all copies thereof (all of which are acknowledged to be Franchisor's property), and shall retain no copy or record of any of the foregoing, excepting only Franchisee's copy of this Agreement, any correspondence between the parties and any other documents which Franchisee reasonably needs for compliance with any provision of law. In addition to the foregoing, Franchisee shall deliver to Franchisor a complete list of all persons employed by Franchisee during the three (3) years immediately preceding termination, together with all employment files of each employee on such list. All costs of delivering all materials required by this Section XIV.I. shall be borne by Franchisee.

J. Assignment of Telephone Listings. Franchisee shall promptly notify the appropriate telephone company and all telephone directory listing agencies of the termination or expiration of its right to use any telephone number and any regular, classified or other telephone directory listings associated with any Proprietary Marks and authorize the transfer of same to or at the direction of Franchisor. In connection therewith, Franchisee shall execute a Telephone Assignment Agreement in the form of **Exhibit 3** attached hereto. Franchisee agrees to execute updated letters of direction to any telephone companies and telephone directory listing agencies directing termination and/or

transfer of Franchisee's right to use any telephone number associated with the Proprietary Marks, which Franchisor may hold until termination or expiration hereof. Franchisee acknowledges that as between Franchisor and Franchisee, Franchisor has the sole right to and interest in all telephone numbers and directory listings associated with any Proprietary Marks. Franchisee authorizes Franchisor, and hereby appoints Franchisor and any officer of Franchisor as its attorney in fact, to direct the appropriate telephone company and all listing agencies to transfer all such listings to Franchisor upon termination of this Agreement.

K. Option to Purchase. Franchisor shall have the right, but not the obligation, to purchase any or all of the tangible assets of the Franchised Business, including without limitation the signs, advertising materials, promotional displays, supplies, forms, inventory, software, furniture, fixtures, equipment or other items bearing the Proprietary Marks, at Franchisee's cost or fair market value, whichever is less. If the parties cannot agree on fair market value within a reasonable time, an independent appraiser shall be designated by Franchisor, and the appraiser's determination shall be final and binding. Franchisor's election to purchase provided for herein must be exercised by written notice to Franchisee within sixty (60) days after termination or expiration of this Agreement. If Franchisor elects to exercise any option to purchase provided herein it shall have the right to set off all amounts due from Franchisee under this Agreement and the cost of the appraisal, if any, against any payment therefor.

L. Covenant of Further Assurances. Franchisee shall execute any legal document that may be necessary to effectuate the termination hereunder and shall furnish to Franchisor, within thirty (30) days after the effective date of termination, written evidence satisfactory to Franchisor of Franchisee's compliance with the foregoing obligations.

M. Compliance with Covenants. Franchisee shall comply with all applicable covenants contained in Section XV of this Agreement.

N. No Further Interest. Other than as specifically set forth above, Franchisee shall have no interest in the Franchised Business upon termination or expiration of this Agreement.

XV. COVENANTS

A. Best Efforts. Franchisee covenants that during the term of this Agreement, and subject to the post-termination provisions contained herein, and except as otherwise approved in writing by Franchisor, Franchisee shall devote his or her full time, energy and best efforts to the efficient and effective management and operation of the Franchised Business.

B. Non-Solicitation and Non-Competition. Franchisee acknowledges that Franchisee will receive valuable, specialized training and confidential and other information regarding the establishment, development and operation of a Rosati's Pizza restaurant, promotional, sales, marketing and operational methods and techniques of Franchisor and the System. Accordingly, Franchisee covenants and agrees that during the term of this Agreement and subject to the post-termination provisions contained in Section XV.C below, Franchisee shall not, directly or indirectly, for itself or by, through, on behalf of or in conjunction with any other person or entity:

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

2. Employ or seek to employ any person who is at that time employed by Franchisor or by any other franchisee, or otherwise directly or indirectly induce such person to leave his or her employment;

3. Own, maintain, engage in, be employed by, advise, consult with, assist, invest in, franchise, make loans to, lease or sublease property to, or have a direct or indirect interest in (a) any business which is the same as or substantially similar to the Franchised Business or (b) a Rosati's Pizza restaurant operated under a franchise agreement, license agreement, or other agreement with anyone other than Franchisor; or

4. Sell, or offer for sale, products or services offered by, or similar to those offered by, the Franchised Business anywhere other than from the premises of the Franchised Business, unless in connection with

any other franchise agreement between Franchisor and Franchisee.

C. Post-Termination Restrictive Covenants. Franchisee covenants that, for a continuous and uninterrupted period commencing upon the expiration or termination of this Agreement, regardless of the cause for termination, and continuing for two (2) years thereafter, Franchisee will not either directly or indirectly, for itself or through, on behalf of or in conjunction with any person, persons, or entity, own, maintain, engage in, be employed by, advise, assist, consult with, invest in, franchise, make loans to, lease or sublease property to, or have a direct or indirect interest in any business which is the same as or substantially similar to the Franchised Business (including without limitation a Rosati's Pizza restaurant operated under a franchise agreement, license agreement, or any other agreement with anyone other than Franchisor), and which is located at the former Franchised Business, within a radius of twenty (20) miles of the former Franchised Business or any other Rosati's Pizza restaurant in existence as of the date of the expiration or termination of this Agreement. If the period of time or the area specified above should be adjudged unreasonable or unenforceable in any proceeding, then the period of time will be reduced by such number of months or the geographic area will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced in such area and for such time as is adjudged to be reasonable.

D. No Undue Hardship. Franchisee acknowledges and agrees that the covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on Franchisee, or Franchisee's shareholders, members or partners, if Franchisee is a corporation or partnership, since Franchisee, its shareholders, members, or partners have other considerable skills, experience and education which afford Franchisee, its shareholders, members or partners the opportunity to derive income from other endeavors.

E. Inapplicability of Restrictions. Sections XV.B.3. and XV.C. shall not apply to the ownership by Franchisee of less than a 5% beneficial interest in the outstanding equity securities of any publicly held corporation.

F. Independence of Covenants. The parties agree that each of the covenants in this Agreement shall be construed as independent of any other covenant or provision of this Agreement. If any or all portions of the covenants in this Section XV is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

G. Mission. Franchisee agrees to support Franchisor's mission and to conduct the Franchised Business in accordance with Franchisor's operating policies and stated principles.

H. Modification of Covenants. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section XV or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it shall forthwith comply with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section XXIII hereof.

I. Enforcement of Covenants. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Agreement. Franchisee agrees to pay all attorneys' fees, costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of the covenants set forth in this Agreement. If Franchisor incurs costs and expenses (both internal and external) due to Franchisee's failure to pay amounts due and owed to Franchisor, submit when due any reports, information, or supporting records or otherwise to comply with this Agreement, Franchisee agrees to reimburse Franchisor for all of the attorneys' fees, costs and expenses (both internal and external) that Franchisor incurs, including, without limitation, reasonable accounting, attorneys', arbitrators', and related fees. Franchisee's obligation to reimburse Franchisor arises whether or not Franchisor begins a formal legal proceeding against Franchisee to enforce this Agreement. If Franchisor begins such a formal proceeding against Franchisee, the reimbursement obligation applies to all attorneys' fees, costs and expenses Franchisor incurs preparing for, commencing, and prosecuting the proceeding and until the proceeding has come to a complete end (including appeals and settlements).

J. Injunctive Relief. Franchisee acknowledges that its violation of the covenants not to compete

contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Franchisee hereby consents to the entry of an injunction prohibiting any conduct by Franchisee in violation of the terms of the covenants not to compete set forth in this Agreement. Franchisee expressly agrees that it may be presumed conclusively that any violation of the terms of said covenants not to compete was accomplished by and through Franchisee's unlawful utilization of Franchisor's confidential information, know-how, methods and procedures.

K. Written Agreements. At Franchisor's request, Franchisee shall require and obtain execution of covenants similar to those set forth in this Section XV (including covenants applicable upon the termination of a person's relationship with Franchisee) from Franchisee's officers, directors, members, and shareholders. All covenants required by this Section XV.K. shall be in forms satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them. Failure by Franchisee to obtain execution of a covenant required by this Section XV.K. shall constitute a default under Section XIII.B hereof.

XVI. CHANGES AND MODIFICATIONS

Franchisor reserves and shall have the sole right to make changes in the Manual, the System and the Proprietary Marks at any time and without prior notice to Franchisee. Franchisee shall promptly alter any signs, products, business materials or related items, at its sole cost and expense, upon written receipt of written notice of such change or modification in order to conform with Franchisor's revised specifications. In the event that any improvement or addition to the Manual, the System or the Proprietary Marks is developed by Franchisee, then Franchisee agrees to grant to Franchisor an irrevocable, world-wide, exclusive, royalty-free license, with the right to sublicense such improvement or addition. Franchisee understands and agrees that due to changes in competitive circumstances, presently unforeseen changes in the needs of customers, and/or presently unforeseen technological innovations, Franchisor's System must not remain static, in order that it best serve the interests of Franchisor, franchisees and the System. Accordingly, Franchisee expressly understands and agrees that Franchisor may from time to time change the components of the System, including altering the programs, services, methods, standards, forms, policies and procedures of that System; adding to, deleting from or modifying those programs, products and services which the Franchised Business is authorized to offer; and changing, improving or modifying the Proprietary Marks. Subject to the other provisions of this Agreement, Franchisee expressly agrees to abide by any such modifications, changes, additions, deletions and alterations.

XVII. TAXES AND INDEBTEDNESS

A. Payment. Franchisee shall promptly pay, when due, all taxes levied or assessed by any federal, state or local tax authority and any and all other indebtedness incurred by Franchisee in the operation of the Franchised Business. Franchisee shall pay to Franchisor an amount equal to any sales tax, gross receipts tax or similar tax imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless the tax is credited against income tax otherwise payable by Franchisor.

B. Dispute. In the event of any bona fide dispute as to liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; provided, however, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Business or any improvements thereon.

C. Compliance with Federal, State and Local Laws. Franchisee shall comply with all federal, state, and local laws, rules and regulations applicable to the Franchised Business, and shall timely obtain any and all permits, certificates, licenses and bonds necessary for the full and proper operation and management of the Franchised Business, including, without limitation, a license to do business and provide services, fictitious name registration and sales tax permits. Copies of all subsequent inspection reports, warnings, certificates and ratings, issued by any governmental entity during the term of this Agreement in connection with the conduct of the Franchised Business which indicate Franchisee's failure to meet or maintain the highest governmental standards or less than full compliance by Franchisee with any applicable law, rule or regulation, shall be forwarded to Franchisor by Franchisee within three (3) days of Franchisee's receipt thereof.

D. Duty to Notify. Franchisee shall notify Franchisor in writing within three (3) days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of the Franchised Business or of any consumer related complaint. Additionally, any and all consumer related complaints shall be answered by Franchisee within fifteen (15) days after receipt thereof or such shorter period of time as may be provided in said complaint. A copy of said answer shall be forwarded to Franchisor within three (3) days of the date that said answer is forwarded to the complainant.

XVIII. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

A. Independent Contractor.

1. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that Franchisee shall be an independent contractor, and that nothing in this Agreement is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever.

2. During the term of this Agreement and any extensions hereof, Franchisee shall hold itself out to the public as an independent contractor operating the Franchised Business pursuant to a license from Franchisor and as an authorized user of the System and the Proprietary Marks which are owned by Franchisor. Franchisee agrees to take such affirmative action as may be necessary to do so, including exhibiting to customers a sign provided by Franchisor in a conspicuous place on the premises of the Franchised Business.

3. Franchisor shall not have the power to hire or fire Franchisee's employees, and except as herein expressly provided, Franchisor may not control or have access to Franchisee's funds or the expenditures thereof, or in any other way exercise dominion or control over the Franchised Business. Franchisee shall at all times be solely responsible for all hiring and security decisions for the Franchised Business.

B. No Liability. It is understood and agreed that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and that Franchisor shall in no event assume liability for or be deemed liable hereunder as a result of any such action or by reason of any act or omission of Franchisee in Franchisee's conduct of the Franchised Business or any claim or judgment arising therefrom against Franchisor. Franchisee agrees at all times to defend at his own cost, and to indemnify and hold harmless to the fullest extent permitted by law, Franchisor, its corporate parent, the corporate subsidiaries, affiliates, successors, assigns and designees of either entity, and the respective directors, officers, employees, agents, shareholders, designees, and representatives of each (Franchisor and all other hereinafter referred to collectively as "**Indemnities**") from all losses and expenses incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof which arises out of or is based upon any of the following: Franchisee's alleged infringement or any other violation or any other alleged violation of any patent, trademark or copyright or other proprietary right owned or controlled by third parties; Franchisee's alleged violation or breach of any contract, federal, state or local law, regulation, ruling, standard or directive of any industry standard; libel, slander or any other form of defamation by Franchisee; Franchisee's alleged violation or breach of any warranty, representation, agreement or obligation in this Agreement; any acts, errors or omissions of Franchisee or any of its agents, servants, employees, contractors, partners, proprietors, affiliates, or representatives; latent or other defects in the Franchised Business, whether or not discoverable by Franchisor or Franchisee; the inaccuracy, lack of authenticity or nondisclosure of any information by any customer of the Franchised Business; any services or products provided by Franchisee at, from or related to the operation at the Franchised Business; any services or products provided by any affiliated or nonaffiliated participating entity; any action by any customer of the Franchised Business; and, any damage to the property of Franchisee or Franchisor, their agents or employees, or any third person, firm or corporation, whether or not such losses, claims, costs, expenses, damages, or liabilities were actually or allegedly caused wholly or in part through the active or passive negligence of Franchisor or any of its agents or employees, or resulted from any strict liability imposed on Franchisor or any of its agents or employees.

C. **Identification.** Franchisee shall conspicuously identify itself and the Franchised Business and in all dealings with its clients, contractors, suppliers, public officials and others, as an independent Franchisee of Franchisor, and shall place such notice of independent ownership on all forms, business cards, stationery, advertising, signs and other materials and in such fashion as Franchisor may, in its sole and exclusive discretion, specify and require from time to time, in its Manual (as same may be amended from time to time) or otherwise.

D. **No False Representations.** Except as otherwise expressly authorized by this Agreement, neither party hereto will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between Franchisor and Franchisee is other than that of Franchisor and Franchisee. Franchisor does not assume any liability, and will not be deemed liable, for any agreements, representations, or warranties made by Franchisee which are not expressly authorized under this Agreement, nor will Franchisor be obligated for any damages to any person or property which directly or indirectly arise from or relate to the operation of the Franchised Business franchised hereby.

XIX. APPROVALS AND WAIVERS

A. **Written Consent.** Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor and such approval or consent shall be obtained in writing.

B. **No Waiver.** No failure of Franchisor to exercise any power reserved to it by this Agreement, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms herein. Waiver by Franchisor of any particular default by Franchisee shall not affect or impair Franchisor's rights with respect to any subsequent default of the same, similar or different nature, nor shall any delay, forbearance or omission of Franchisor to exercise any power or right arising out of any breach or default by Franchisee of any of the terms, provisions or covenants hereof affect or impair Franchisor's right to exercise the same, nor shall such constitute a waiver by Franchisor of any right hereunder or the right to declare any subsequent breach or default and to terminate this Franchise prior to the expiration of its term. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

C. **Waiver of Jury Trial.** FRANCHISEE IRREVOCABLY WAIVES ANY RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER PARTY IN CONNECTION THIS AGREEMENT OR ANY MATTERS ARISING UNDER OR RELATED TO THIS AGREEMENT.

XX. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by certified mail, return receipt requested, or dispatched by overnight delivery envelope, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor: Rosati's Franchise & Development, LLC
28381 Davis Parkway
Warrenville, IL 60555
Attn: Managing Member

Notices to Franchisee: _____

Attn: _____

Any notice sent by certified mail shall be deemed to have been given at the date and time of mailing.

XXI. RELEASE OF PRIOR CLAIMS

By executing this Agreement, Franchisee, individually and on behalf of Franchisee's heirs, legal representatives, successors and assigns, and each assignee of this Agreement by accepting assignment of the same, hereby forever releases and discharges Franchisor and its officers, directors, employees, agents and servants, including Franchisor's subsidiary and affiliated corporations, their respective officers, directors, employees, agents and servants, from any and all claims relating to or arising under any franchise agreement or any other agreement between the parties executed prior to the date of this Agreement including any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities or antitrust laws of the United States or of any state or territory thereof.

XXII. DISCLOSURE STATEMENT AND DISCLAIMER

A. Compliance with Applicable Laws. Franchisee acknowledges, by its signature hereto, that it received from Franchisor a Franchise Disclosure Document for the State in which the Franchised Business will be located, or Franchisee's place of residence, as appropriate, at least fourteen (14) calendar days prior to the execution of this Agreement.

_____ [Please initial to acknowledge that you have read and understand this Section XXII.A.]

B. Receipt of Agreement. Franchisee acknowledges that it received from Franchisor this Agreement with all blanks filled in at least five (5) business days prior to the execution of this Agreement. Franchisee represents that it has read this Agreement in its entirety and that it has been given the opportunity to clarify any provisions that it did not understand and to consult with an attorney or other professional advisor. Franchisee further represents that it understands the terms, conditions and obligations of this Agreement and agrees to be bound thereby.

_____ [Please initial to acknowledge that you have read and understand this Section XXII.B.]

C. Acknowledgement. Franchisee acknowledges and accepts the following:

THE SUCCESS OF THE FRANCHISEE IN OPERATING A FRANCHISE IS SPECULATIVE AND WILL DEPEND ON MANY FACTORS INCLUDING, TO A LARGE EXTENT, THE FRANCHISEE'S INDEPENDENT BUSINESS ABILITY. THIS OFFERING IS NOT A SECURITY AS THAT TERM IS DEFINED UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS. THE OBLIGATION TO TRAIN, MANAGE, PAY, RECRUIT AND SUPERVISE EMPLOYEES OF THE FRANCHISED BUSINESS RESTS SOLELY WITH THE FRANCHISEE. THE FRANCHISEE HAS NOT RELIED ON ANY WARRANTY OR REPRESENTATION, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL SUCCESS OR PROJECTED INCOME OF THE BUSINESS VENTURE CONTEMPLATED HEREBY. NO REPRESENTATIONS OR PROMISES HAVE BEEN MADE BY THE FRANCHISOR TO INDUCE THE FRANCHISEE TO ENTER INTO THIS AGREEMENT EXCEPT AS SPECIFICALLY INCLUDED HEREIN. THE FRANCHISOR HAS NOT MADE ANY REPRESENTATION, WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL REVENUES, PROFITS OR SERVICES OF THE BUSINESS VENTURE TO THE FRANCHISEE AND CANNOT, EXCEPT UNDER THE TERMS OF THIS AGREEMENT, EXERCISE CONTROL OVER THE FRANCHISEE'S BUSINESS. THE FRANCHISEE ACKNOWLEDGES AND AGREES THAT IT HAS NO KNOWLEDGE OF ANY REPRESENTATION MADE BY THE FRANCHISOR OR ITS REPRESENTATIVES OF ANY INFORMATION THAT IS CONTRARY TO THE TERMS CONTAINED HEREIN.

_____ [Please initial to acknowledge that you have read and understand this Section XXII.C.]

XXIII. ENTIRE AGREEMENT

This Agreement, the documents referred to herein and the Exhibits hereto, if any, constitute the entire, full and complete Agreement between the parties hereto concerning the subject matter hereof, and supersede all prior agreements with no other representations having induced Franchisee to execute this Agreement. Notwithstanding anything to the contrary contained herein, no statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise. No amendment, change or variance from this Agreement shall be binding on the parties hereto unless mutually agreed to by the parties and executed by themselves or their authorized officers or agents in writing.

XXIV. SEVERABILITY AND CONSTRUCTION

A. Severability. Except as expressly provided to the contrary herein, each section, part, term and/or provision of this Agreement shall be considered severable, and if, for any reason, any section, part, term and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms and/or provisions of this Agreement as may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties hereto, and said invalid sections, parts, terms and/or provisions shall be deemed not to be a part of this Agreement; provided, however, that if Franchisor determines that such finding of invalidity or illegality adversely affects the basic consideration of this Agreement, Franchisor, at its option, may terminate this Agreement.

B. Covenants. Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

C. Captions. All captions in this Agreement are intended solely for the convenience of the parties, and none of the captions shall be deemed to affect the meaning or construction of any provision hereof.

D. References. All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable, and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all of the parties executing this Agreement in his individual capacity on behalf of Franchisee. This Agreement may be executed in one or more originals, each of which shall be deemed an original.

E. Definition of Franchisee. As used in this Agreement, the term “**Franchisee**” shall include all persons who succeed to the interest of the original Franchisee by transfer or operation of law and shall be deemed to include not only the individual or entity defined as the “**Franchisee**” in the introductory paragraph of this Agreement, but shall also include all partners of the entity that executes this Agreement, in the event said entity is a partnership; all shareholders, officers and directors of the entity that executes this Agreement, in the event said entity is a corporation; and all members of the entity that executes this Agreement, in the event said entity is a limited liability company. By their signatures hereto, all partners, shareholders, officers and directors of the entity that signs this Agreement as Franchisee acknowledge and accept the duties and obligations imposed upon each of them, individually, by the terms of this Agreement.

F. Counterparts. This Franchise Agreement may be executed in duplicate, and each copy so executed shall be deemed an original. This Franchise Agreement may also be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement. A signed copy of this Franchise Agreement transmitted by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Franchise Agreement. You

agree that the electronic signatures or digital signatures (each an “e-Signature”) of any party to this Franchise Agreement shall have the same force and effect as manual signatures of such party and such e-Signature shall not be denied legal effect or enforceability solely because it is in electronic form or an electronic record was used in its formation. You agree that an e-Signature of either party is intended to: (i) authenticate the signature, (ii) represent the party’s intent to sign, and (iii) constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. You agree not to contest the admissibility or enforceability of either party’s e-Signature.

XXV. APPLICABLE LAW

A. Governing Law. This Agreement takes effect upon its acceptance and execution by Franchisor. This Agreement shall be interpreted and construed under the laws of the State of Illinois except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.). Notwithstanding that Illinois law shall apply to this Agreement, Franchisor and Franchisee agree that the provisions of the Illinois Franchise Disclosure Act, 815 ILCS 705, shall not apply to this Agreement unless the applicable jurisdictional requirements are met independently for its application, without reference to this section.

B. Jurisdiction and Venue. Except as otherwise expressly provided by applicable state law or regulation, the parties agree that any action brought by either party against the other shall be brought in the State of Illinois and the parties do hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

C. Remedy. No right or remedy conferred upon or reserved by Franchisor or Franchisee by this Agreement is intended and it shall not be deemed to be exclusive of any other right or remedy provided or permitted herein, by law or at equity, but each right or remedy shall be cumulative of every other right or remedy.

D. Injunctive Relief. Nothing herein contained shall bar Franchisor’s right to obtain injunctive relief against threatened conduct that will cause it loss or damage under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

E. LIMITATIONS OF CLAIMS. ANY CLAIM, CONTROVERSY OR PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE MAKING, PERFORMANCE, BREACH, INTERPRETATION OR TERMINATION OF THIS AGREEMENT, OR THE RELATIONSHIP OF THE PARTIES CREATED BY THIS AGREEMENT, MUST BE COMMENCED WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM, ACTION OR PROCEEDING, OR SUCH CLAIM, ACTION, OR PROCEEDING WILL BE BARRED. FRANCHISEE, ANY GUARANTOR AND THEIR RESPECTIVE SUCCESSOR AND ASSIGNS HEREBY WAIVE, IN ANY ARBITRATION OR JUDICIAL ACTION, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES OR LOST PROFITS AGAINST FRANCHISOR IN ANY DISPUTE ARISING UNDER THIS AGREEMENT OR RELATING TO THE FRANCHISE RELATIONSHIP, WHETHER ASSERTED AS A RELATED OR INDEPENDENT TORT, AS A BREACH OF CONTRACT, OR AS ANY OTHER CLAIM OR CAUSE OF ACTION BASED ON CONSTITUTIONAL, STATUTORY OR COMMON LAW AND AGREE THAT IN THE EVENT OF A DISPUTE FRANCHISEE WILL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.

XXVI. ARBITRATION

Except as specifically otherwise provided in this Agreement, the parties agree that any and all disputes between them and any claim by either party that cannot be amicably settled shall be submitted to the American Arbitration Association (the “AAA”) for binding arbitration under the AAA’s Commercial Arbitration Rules before a single arbitrator. The arbitrator shall be selected in accordance with standard AAA procedure. Except as otherwise expressly provided by applicable state law or regulation, the mediator shall hear the dispute in Chicago, Illinois. Franchisee acknowledges, understands and agrees that it is the intent of the parties that any arbitration between Franchisor and Franchisee shall be limited to Franchisee’s individual claims and that the claims subject to arbitration

shall not be arbitrated on a class-wide basis or a representative capacity, and no arbitration proceeding by Franchisee may be joined or consolidated with claims asserted by or against any other franchisee, person or entity.

Notwithstanding any provision contained in this Section XXVI, Franchisor may, at its sole option, file a lawsuit or lawsuits (a) for temporary, preliminary, or permanent injunctive relief or seeking any other equitable relief against Franchisee in addition to any other rights and remedies provided herein or (b) to collect any accrued but unpaid monies owed by Franchisee to Franchisor, including payments for accrued but unpaid royalty fees, advertising contributions, interest, and attorneys' fees and costs. In the event Franchisor files a lawsuit under this paragraph, in no event shall Franchisee be entitled to make, Franchisee shall not make, and Franchisee hereby waives, any claim, counterclaim, or third-party claim for money damages by way of set-off, counterclaim, third-party complaint, defense or otherwise based upon any claim or assertion by Franchisee that Franchisor has unreasonably withheld or unreasonably delayed any consent or approval to a proposed act by Franchisee under any of the terms of this Franchise Agreement. Franchisee's sole remedy for any such claim shall be an action or proceeding to enforce any such provisions, for specific performance or declaratory judgment.

XXVII. ACKNOWLEDGMENTS

Franchisee acknowledges that it has conducted an independent investigation of all aspects relating to the Franchised Business and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the skills and ability of Franchisee as an independent businessperson or organization. Franchisee acknowledges that it has received, read and understands this Agreement, the exhibits hereto and agreements relating thereto, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

_____ [Please initial to acknowledge that you have read and understand this Section XXVII]

[Remainder of Page Intentionally Left Blank; Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Agreement on the day and year first above written.

FRANCHISOR:

ROSATI'S FRANCHISE & DEVELOPMENT, LLC

By: _____
Jeffrey Rosati, Managing Member

Date Signed: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

Date Signed: _____

EXHIBIT 1

SITE SELECTION AND TERRITORY ADDENDUM

THIS SITE SELECTION AND TERRITORY ADDENDUM is made _____, by and between **Rosati's Franchise & Development, LLC** ("**Franchisor**") and _____ ("**Franchisee**").

WHEREAS, Franchisor and Franchisee are parties to a Franchise Agreement dated _____, under which Franchisor has granted to Franchisee the right and license to operate a **Rosati's Pizza** restaurant pursuant to Franchisor's System and Proprietary Marks; and

WHEREAS, Franchisee has selected and presented a site to Franchisor which has been approved by Franchisor.

NOW, THEREFORE, the parties hereto, intending to be bound, agree as follows:

1. Site Selection Territory/Approved Location. (Check and complete one)

The Franchised Business must be located within the following **Site Selection Territory**:

The **Approved Location** is:

2. Territory. The Territory is the geographical area within _____ miles of the front door, by road, of the Approved Location using the roads in existence as of the date of this Agreement. The Territory is not computed as a radius around the Approved Location. It is computed from front door to front door.

3. Franchisee's Representations and Warranties. Franchisee represents and warrants that it has negotiated, but not yet executed, a lease for the premises for the Franchised Business, a copy of which has been provided to Franchisor, and Franchisee warrants and represents as follows:

a. Franchisee has located and selected the Approved Location on Franchisee own, without our assistance.

b. Franchisee has conducted any investigation that Franchisee believes to be reasonable and appropriate in order to determine whether the Approved Location is suitable for Franchisee's Franchised Business.

c. Franchisee understands that Franchisor is unfamiliar with the demographics and other characteristics of the Territory and, therefore, Franchisor's acceptance of the Approved Location indicates only that the site has met Franchisor's minimum requirements for a Franchised Business.

d. Franchisee understands and acknowledges that Franchisor's acceptance of the Approved Location is not a representation, warranty, guaranty or other assurance to Franchisee that Franchisee will be successful at the Approved Location or that Franchisee will achieve a certain level of profitability.

e. Franchisee has negotiated, but not yet executed, a lease for the premises for the Franchised Business, a copy of which has been provided to Franchisor, and Franchisee warrants and represents as follows:

i. The initial term of the lease, or the initial term together with any renewal terms

(for which rent shall be set forth in the lease), shall be for not less than fifteen (15) years;

ii. The lessor has consented to Franchisee’s use of the Proprietary Marks and initial signage as we may prescribe for the Franchised Business.

4. Approved Location. The Approved Location described in Section 1 hereof shall constitute the site referred to in Section I.A. of the Franchise Agreement.

5. Miscellaneous.

a. All capitalized terms not defined herein shall have the meaning given to them in the Franchise Agreement.

b. This Site Selection and Territory Addendum constitutes an integral part of the Franchise Agreement, and the terms of this Site Selection and Territory Addendum shall be controlling with respect to the subject matter hereof Except as modified or supplemented by this Site Selection and Territory Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum on the day and year first above written.

FRANCHISOR:

ROSATI’S FRANCHISE & DEVELOPMENT, LLC

By: _____
Jeffrey Rosati, Managing Member

Date Signed: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

Date Signed: _____

Each of the undersigned owns a twenty percent (20%) or greater beneficial interest in Franchisee; each has read this Site Selection and Territory Addendum, and each agrees to be individually bound by its terms.

OWNER:

EXHIBIT 2

MANDATORY ADDENDUM TO LEASE AGREEMENT

THIS AGREEMENT is made and entered into this day of _____, 20__, by and among **Rosati's Franchise & Development, LLC** ("**Franchisor**"), an Illinois limited liability company; _____ ("**Landlord**"), with its principal offices at _____; and ("**Tenant**"), with its principal offices at _____.

WITNESSETH:

WHEREAS, the Landlord and the Tenant have executed a lease agreement dated _____ (the "**Lease**") for the premises located at (the "**Leased Premises**") for use by the Tenant as a business to be operated pursuant to Franchisor's proprietary marks and system in connection with a written Franchise Agreement dated _____, by and between Franchisor and the Tenant (the "**Franchise Agreement**");

WHEREAS, a condition to the approval of the Tenant's specific location by Franchisor is that the Lease for the Leased Premises designated for the operation of a **Rosati's Pizza** restaurant (the "**Franchised Business**") contain the agreements set forth herein;

WHEREAS, the Landlord acknowledges that Franchisor requires the modifications to the Lease set forth herein as a condition to its approving the Leased Premises as a site for the Franchised Business, and that the Landlord agrees to modify and amend the Lease in accordance with the terms and conditions contained herein;

WHEREAS, according to Section XIV.D. of the Franchise Agreement, all right, title and interest in and to the Lease may be assigned to Franchisor upon the termination of the Franchise Agreement; and

WHEREAS, it is the intent of the parties hereto to provide Franchisor with the opportunity to preserve the leased premises as a Franchised Business in the event of any default or termination of said Lease or Franchise Agreement and to assure the Landlord that in the event Franchisor exercises its rights herein contained, any defaults of the Tenant under the Lease will be cured by Franchisor before it takes possession of the Leased Premises.

1. Use Clause. The Leased Premises shall be used for the operation of a full-service casual dining restaurant identified by the mark **ROSATI'S PIZZA** or any other name designated by the terms of the Franchise Agreement. The Landlord acknowledges that such use shall not violate any existing exclusives granted to any existing tenant of the Landlord. The Landlord further acknowledges that during the term of this Lease or any extension thereof, the Landlord will not lease space within the location of the Franchised Business to a business similar to the Tenant's. Landlord represents and warrants that the Leased Premises has no existing building code violations and is properly zoned for its intended use.

2. Default of Lessee under Lease. The Landlord shall mail to Franchisor copies of any notice of default or termination it gives to the Tenant concurrently with giving such notices to the Tenant. If the Tenant fails to cure any default within the period provided in the Lease, if any, the Landlord shall give Franchisor immediate written notice of such failure to cure. The Landlord shall thereupon offer to Franchisor and Franchisor shall have the right to accept an assignment of the Lease or a new lease containing the same terms and conditions of the Lease, whichever Franchisor elects. If Franchisor elects to continue the use of the Leased Premises under an assignment of the Lease or a new lease, it shall so notify the Landlord in writing within thirty (30) days after it has received written notice from the Landlord specifying the defaults the Tenant has failed to cure within the grace period specified in the Lease. Upon receipt of such notice from Franchisor, the Landlord shall promptly execute and deliver to Franchisor an assignment of the Lease or a new lease, whichever Franchisor requests, and shall deliver to Franchisor possession of the Leased Premises, free and clear of any rights of the Tenant or any third party. Franchisor, before taking possession of the Leased Premises, shall promptly cure the defaults specified by the Landlord in its notice to Franchisor and shall execute and deliver to the Landlord its acceptance of the assignment of the Lease or of the new lease, as the case may

be. In the event that Franchisor elects to enter into a new lease with the Landlord, Landlord shall do so upon terms and conditions no less favorable than those contained in the Lease.

3. Termination of the Franchise Agreement. If the Franchise Agreement between Franchisor and the Tenant is terminated for any reason during the term of the Lease or any extension thereof, the Tenant, upon the written request of Franchisor, shall assign to Franchisor all of its right, title and interest in and to the Lease. If Franchisor elects to accept the assignment of the Lease from the Tenant, it shall give the Tenant and the Landlord written notice of its election to acquire the leasehold interest. The Landlord hereby consents to the assignment of the Lease from the Tenant to Franchisor, subject to the Tenant's and/or Franchisor's curing any defaults of the Tenant under the Lease before Franchisor takes possession of the Leased Premises. Alternatively, in the event of a termination of the Franchise Agreement, Franchisor may elect to enter into a new lease with the Landlord containing terms and conditions no less favorable than the Lease. Upon the Landlord's receipt of written notice from Franchisor advising the Landlord that Franchisor elects to enter into a new lease, the Landlord shall execute and deliver such new lease to Franchisor for its acceptance. The Landlord and the Tenant shall deliver possession of the Leased Premises to Franchisor, free and clear of all rights of the Tenant or third parties, subject to Franchisor's curing any defaults of the Tenant, under the Lease, and executing an acceptance of the assignment of the Lease or the new lease, as the case may be.

Franchisor shall indemnify, defend and hold the Landlord harmless from any attempt to terminate the Lease or dispossess the Tenant from the Leased Premises based upon a termination of the Franchise Agreement.

4. Tenant's Agreement to Vacate Leased Premises. The Tenant agrees to peaceably and promptly vacate the Leased Premises and (subject to Franchisor's right to acquire any such property pursuant to its Franchise Agreement with the Tenant) to remove its personal property therefrom upon the termination of the Franchise Agreement or upon the Tenant's failure to timely cure all of its defaults under the Lease. Any property not removed or otherwise disposed of by the Tenant shall be deemed abandoned.

5. Delivery of Possession. If it becomes necessary for the Landlord to pursue legal action to evict the Tenant in order to deliver possession of the Leased Premises to Franchisor, Franchisor shall, at the written request of the Landlord, pay into an interest-bearing escrow account all amounts necessary to cure any default of the Tenant's, pending delivery of the Leased Premises to Franchisor. If the Landlord may not legally obtain possession of the Leased Premises or if the Landlord is unable to deliver the Leased Premises to Franchisor within six (6) months from the date Franchisor notifies the Landlord of its election to continue the use of the Leased Premises, then Franchisor shall have the right at any time thereafter to rescind its election to acquire a leasehold interest in the Leased Premises and to terminate the Lease or any new lease between it and the Landlord for the Leased Premises, whereupon all amounts deposited by Franchisor in escrow, together with interest earned thereon, shall be returned forthwith to Franchisor, and the Landlord shall release Franchisor from all of its obligations under the Lease or under any new lease.

6. Amendment of Lease. The Landlord and the Tenant agree not to amend the Lease in any respect, except with the prior written consent of Franchisor.

7. Franchisor Not a Guarantor. The Landlord acknowledges and agrees that notwithstanding any terms or conditions contained in this Addendum or any other agreement, Franchisor shall in no way be construed as a guarantor or surety of the Tenant's obligations under the Lease. Notwithstanding the foregoing, in the event Franchisor becomes the Tenant by assignment of the Lease in accordance with the terms hereof or enters into a new lease with Landlord, then Franchisor shall be liable for all of the obligations of the Tenant on its part to be performed or observed under the Lease or a new lease.

8. Document to Govern. The terms and conditions contained herein modify and supplement the Lease. Whenever any inconsistency or conflict exists between this Addendum and the Lease, the terms of this Addendum shall prevail.

9. No Hazardous Materials. The Landlord warrants and represents that no part of the Franchised Business location, including the walls, ceilings, structural steel, flooring, pipes or boilers is wrapped, insulated, fire-proofed or surfaced with any asbestos-containing materials ("ACM") or other hazardous materials as the same may be identified from time to time by applicable federal, state or local laws or regulations ("**Hazardous Materials**"), and that no ACM materials or Hazardous Materials will be present in the Leased Premises as of the date Tenant takes

possession thereof.

10. Assignment and Subletting. Notwithstanding anything set forth in the Lease to the contrary, the Tenant shall have the right to assign this Lease or any interest therein, or sublet the Leased Premises or any portion thereof without the consent of Landlord (a) to any bona fide franchisee of Franchisor; or (b) to Franchisor or any successor or affiliate thereof.

11. Subordination. The Landlord will subordinate its interest in the Tenant's equipment to any lender financing the same, and the Landlord will further cooperate in executing all required documents to recognize such subordination.

12. Waiver. Failure of Franchisor to enforce or exercise any of its rights hereunder shall not constitute a waiver of the rights hereunder or a waiver of any subsequent enforcement or exercise of its rights hereunder.

13. Amendment of Agreement. This Agreement may be amended only in a writing signed by all parties hereto.

14. Notices. All notices hereunder shall be by certified mail to the addresses set forth above or to such other addresses as the parties hereto may, by written notice, designate.

15. Binding Effect. This Agreement shall be binding upon the parties hereto, their heirs, executors, successors, assigns and legal representatives.

16. Severability. If any provision of this Agreement or any part thereof is declared invalid by any court of competent jurisdiction, such act shall not affect the validity of this Agreement and the remainder of this Agreement shall remain in full force and effect according to the terms of the remaining provisions or part of provisions hereof.

17. Remedies. The rights and remedies created herein shall be deemed cumulative and no one of such rights or remedies shall be exclusive at law or in equity of the rights and remedies which Franchisor may have under this or any other agreement to which Franchisor and the Tenant are parties.

18. Attorneys' Fees. If any action is instituted by any party to enforce any provision of this Agreement, the prevailing party shall be entitled to recover all attorneys' fees and costs incurred in connection therewith.

19. Construction. This Agreement shall be governed by and construed in accordance with the laws of the State in which the Leased Premises are located.

20. Certain Acknowledgements. The Landlord and the Tenant acknowledge and agree that all interior and exterior signage and related items (collectively the "**Leased/Licensed Assets**") are the sole property of Franchisor. The Tenant shall have no right to pledge in any manner the Leased/Licensed Assets and the Landlord shall have no rights to place any liens on or make any other claims to the Leased/Licensed Assets.

21. Execution. This Agreement may be executed in duplicate, and each copy so executed shall be deemed an original. This Agreement may also be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement. A signed copy of this Agreement transmitted by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Agreement. You agree that the electronic signatures or digital signatures (each an "e-Signature") of any party to this Agreement shall have the same force and effect as manual signatures of such party and such e-Signature shall not be denied legal effect or enforceability solely because it is in electronic form or an electronic record was used in its formation. You agree that an e-Signature of either party is intended to: (i) authenticate the signature, (ii) represent the party's intent to sign, and (iii) constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. You agree not to contest the admissibility or enforceability of either party's e-Signature.

[Remainder of Page Intentionally Left Blank; Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Option for Assignment of Lease to be executed the day and year first above written.

LANDLORD:

By: _____
Name: _____
Title: _____

TENANT:

By: _____
Name: _____
Title: _____

EXHIBIT 3

TELEPHONE ASSIGNMENT AGREEMENT

THIS TELEPHONE ASSIGNMENT AGREEMENT is made _____ by and between _____ (“Assignor”) and **ROSATI’S FRANCHISE & DEVELOPMENT, LLC (“Assignee”)**.

WITNESSETH:

WHEREAS, the Assignee has developed and owns the proprietary system (“**System**”) for the operation of a restaurant under the trademark and logo **ROSATI’S PIZZA** (the “**Franchised Business**”);

WHEREAS, the Assignor has been granted a license to operate a Franchised Business pursuant to a Franchise Agreement dated _____, in accordance with the System;

WHEREAS, in order to operate its Franchised Business, the Assignor shall be acquiring one or more telephone numbers, telephone listings and telephone directory advertisements; and

WHEREAS, as a condition to the execution of the Franchise Agreement, the Assignee has required that the Assignor assign all of its right, title and interest in its telephone numbers, telephone listings and telephone directory advertisements to the Assignee in the event of a termination of the Franchise Agreement;

NOW, THEREFORE, in consideration of the foregoing, the mutual promises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. **Assignment**. In the event of termination of the Franchise Agreement, and in order to secure continuity and stability of the operation of the System, the Assignor hereby sells, assigns, transfers and conveys to the Assignee all of its rights, title and interest in and to certain telephone numbers, telephone listings and telephone directory advertisements pursuant to which Assignor shall operate its Franchised Business in accordance with the terms of the Franchise Agreement; provided, however, such Assignment shall not be effective unless and until the Franchise Agreement is terminated in accordance with the provisions thereof.

2. **Representation and Warranties of the Assignor**. The Assignor hereby represents, warrants and covenants to the Assignee that:

(a) As of the effective date of the Assignment, all of the Assignor’s obligations and indebtedness for telephone, telephone listing services and telephone directory advertisement services shall be paid and current;

(b) As of the date hereof, the Assignor has full power and legal right to enter into, execute, deliver and perform this Agreement;

(c) This Agreement is a legal and binding obligation of the Assignor, enforceable in accordance with the terms hereof;

(d) The execution, delivery and performance of this Assignment does not conflict with, violate, breach or constitute a default under any contract, agreement or instrument to which the Assignor is a party or by which the Assignor is bound, and no consent of nor approval by any third party is required in connection here-with; and

(e) The Assignor has the specific power to assign and transfer its right, title and interest in its telephone numbers, telephone listings and telephone directory advertisements, and the Assignor has obtained all necessary consents to this Assignment.

3. Miscellaneous. The validity, construction and performance of this Assignment shall be governed by the laws of the State of Illinois. All agreements, covenants, representations and warranties made herein shall survive the execution hereof. All rights of the Assignee shall inure to its benefit and to the benefit of its successors and assigns.

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

ASSIGNOR:

By: _____

Name: _____

Title: _____

Date Signed: _____

ASSIGNEE:

ROSATI'S FRANCHISE & DEVELOPMENT, LLC

By: _____

Name: _____

Title: _____

Date Signed: _____

EXHIBIT 4

GUARANTEE

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement, and any revisions, modifications and amendments thereto, (hereinafter collectively the “**Agreement**”) dated _____ by and between **ROSATI’S FRANCHISE & DEVELOPMENT, LLC** (“**Franchisor**”) and _____ (“**Franchisee**”), each of the undersigned Guarantors agrees as follows:

1. The Guarantors do hereby jointly and severally unconditionally guarantee the full, prompt and complete performance of Franchisee under the terms, covenants and conditions of the Agreement, including without limitation the complete and prompt payment of all indebtedness to Franchisor under the Agreement and all non-monetary obligations contained in the Agreement, including but not limited to Section XV of the Agreement, “Non-Solicitation and Non-Competition” and “Post-Termination Restrictive Covenants”. The word “indebtedness” is used herein in its most comprehensive sense and includes without limitation any and all advances, debts, obligations and liabilities of Franchisee, now or hereafter incurred, either voluntarily or involuntarily, and whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, or whether recovery thereof may be now or hereafter barred by any statute of limitation or is otherwise unenforceable.

2. The obligations of the Guarantors are independent of the obligations of Franchisee and a separate action or actions may be brought and prosecuted against any or all of the Guarantors, whether or not actions are brought against Franchisee or whether Franchisee is joined in any such action.

3. If Franchisee is a corporation, partnership or limited liability company, Franchisor shall not be obligated to inquire into the power or authority of Franchisee or its partners or the officers, directors, agents, members or managers acting or purporting to act on Franchisee’s behalf and any obligation or indebtedness made or created in reliance upon the exercise of such power and authority shall be guaranteed hereunder. Where the Guarantors are corporations or partnerships it shall be conclusively presumed that the Guarantors and the partners, agents, officers and directors acting on their behalf have the express authority to bind such corporations or partnerships and that such corporations or partnerships have the express power to act as the Guarantors pursuant to this Guarantee and that such action directly promotes the business and is in the interest of such corporations or partnerships.

4. Franchisor, its successors and assigns, may from time to time, without notice to the undersigned: (a) resort to the undersigned for payment of any of the indebtedness, whether or not it or its successors have resorted to any property securing any of the indebtedness or proceeded against any other of the undersigned or any party primarily or secondarily liable on any of the indebtedness; (b) release or compromise any indebtedness of any of the undersigned hereunder or any indebtedness of any party or parties primarily or secondarily liable on any of the indebtedness; (c) extend, renew or credit any of the indebtedness for any period (whether or not longer than the original period); (d) alter, amend or exchange any of the indebtedness; or (e) give any other form of indulgence, whether under the Agreement or otherwise.

5. The undersigned further waive presentment, demand, notice of dishonor, protest, nonpayment and all other notices whatsoever, including without limitation: notice of acceptance hereof; notice of all contracts and commitments; notice of the existence or creation of any liabilities under the Agreement and of the amount and terms thereof; and notice of all defaults, disputes or controversies between Franchisee and Franchisor resulting from the Agreement or otherwise, and the settlement, compromise or adjustment thereof.

6. This Guarantee shall be enforceable by and against the respective administrators, executors, successors and assigns of the Guarantors and the death of any Guarantor shall not terminate the liability of such Guarantor or limit the liability of the other Guarantors hereunder.

7. If more than one person has executed this Guarantee, the term “the undersigned,” as used herein shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and

primary as sureties.

8. In each case where the spouse of a Franchisee has executed any documents in connection with the granting of the Agreement, and Franchisee subsequently divorces from such spouse, then, in the event that Franchisee subsequently remarries, the new spouse of such Franchisee must execute, and agree to be bound by the provisions of, each of the documents previously executed by Franchisee's original spouse.

9. Except as precluded by applicable law, all mediation, arbitration, litigation actions or proceedings pertaining to this Guarantee will be brought and venues determined in accordance with the terms of the Franchise Agreement, and each of the Guarantors agrees to the dispute resolution provisions, including jurisdiction and venue, contained in the Franchise Agreement.

10. This Guarantee may be executed in duplicate, and each copy so executed shall be deemed an original. This Guarantee may also be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement. A signed copy of this Guarantee transmitted by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Guarantee. You agree that the electronic signatures or digital signatures (each an "e-Signature") of any party to this Guarantee shall have the same force and effect as manual signatures of such party and such e-Signature shall not be denied legal effect or enforceability solely because it is in electronic form or an electronic record was used in its formation. You agree that an e-Signature of either party is intended to: (i) authenticate the signature, (ii) represent the party's intent to sign, and (iii) constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. You agree not to contest the admissibility or enforceability of either party's e-Signature.

IN WITNESS WHEREOF, each of the undersigned has executed this Guarantee under seal effective as of _____.

Name:

Name:

Home Address

Home Address

Home Telephone

Home Telephone

Business Telephone

Business Telephone

Date

Date

EXHIBIT 5

AUTHORIZATION AGREEMENT FOR DIRECT PAYMENTS (ACH DEBITS)

Franchisee Name

Location:

I (we) hereby authorize Rosati's Franchise & Development, LLC, hereinafter called ROSATI'S, to initiate debit entries to my (our) Checking Account / Savings Account (select one) indicated below at the depository financial institution named below, hereafter called DEPOSITORY, and to debit the same to such account. I (we) acknowledge that the origination of ACH transactions to my (our) account must comply with the provisions of U.S. law.

The debit entries covered by this authorization are for all payment obligations under the Franchise Agreement, including but not limited to Franchise Royalty and Advertising Fund contributions. Transactions will generally be processed each [*Wednesday*]. Debits for royalty fees will be for the amount shown on the "Royalty Fee Report," for the above-listed Company and location(s), as completed by me (us).

Depository Name:

Branch Address: _____

City:

State: _____ **Zip** _____

Routing No:

Acct. No: _____

This authorization is to remain in full force and effect until ROSATI'S has received written notification from me (or either of us) of its termination in such time and in such manner as to afford Rosati's and DEPOSITORY a reasonable opportunity to act on it.

Signature
Name:
 (Please Print)
Date _____

NOTE: THE RECEIVER MAY REVOKE THE AUTHORIZATION ONLY BY NOTIFYING THE ORIGINATOR IN THE MANNER SPECIFIED ON THIS AUTHORIZATION.

EXHIBIT 6

STATEMENT OF OWNERSHIP, OFFICERS, MEMBERS, AND MANAGERS

Owners of Franchisee Entity:

List below the names, titles, residential addresses and respective percentage ownership interests of each owner of Franchisee entity executing this Agreement, whether shareholder of a corporation, member of a limited liability company, or partner of a partnership (attach additional sheets if necessary):

1. _____
Name

Street Address

City, State, Zip Code
_____%
Percent Ownership

2. _____

Street Address

City, State, Zip Code
_____%
Percent Ownership

3. _____
Name

Street Address

City, State, Zip Code
_____%
Percent Ownership

Officers (for corporation or LLC) and/or Managers (if manager-managed LLC) of Franchisee Entity:

1. _____
Name

Title

Street Address

City, State, Zip Code

_____%
Percent Ownership

2. _____
Name

Title

Street Address

City, State, Zip Code

_____%
Percent Ownership

3. _____
Name

Title

Street Address

City, State, Zip Code

_____%
Percent Ownership

EXHIBIT D

MULTI-UNIT DEVELOPMENT

Rosati's Franchise & Development, LLC

MULTI-UNIT DEVELOPMENT AGREEMENT

THIS MULTI-UNIT DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into this _____ day of _____, 20____, by and between **Rosati's Franchise & Development, LLC**, a limited liability company formed under the laws of the State of Illinois, with a business address at 28381 Davis Parkway, Warrenville, IL 60555 (hereinafter referred to as the "Franchisor") and _____ with its address at _____ (hereinafter referred to as "Developer").

WITNESSETH:

WHEREAS, the Franchisor holds the right to franchise a proprietary system owned by its affiliate, Rosati's Franchise Systems, Inc. ("RFSI"), which has been developed through significant expenditures of time, skill, effort and money (hereinafter the "System") relating to the establishment, development and operation of a Rosati's Pizza Restaurant (hereinafter the "Franchised Business") which offers quality Rosati's pizza and other menu items for carry out and delivery;

WHEREAS, the System features a distinctive exterior and interior design, decor, color scheme, fixtures and furnishings for the Franchised Business, as well as uniform standards, specifications, methods, policies and procedures for restaurant operations, inventory and management control, training and assistance, and advertising and promotional programs, all of which may be changed, improved upon, and further developed from time to time;

WHEREAS, Franchisor and RFSI, through dedicated operations, marketing methods, and merchandising policies, have developed the reputation, public image and good will of the System and established a firm foundation for the franchised restaurant operations consisting of the highest standards of training, management, supervision, appearance, services and quality of products;

WHEREAS, the System is identified by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including the mark Rosati's Pizza and logo, and such other trade names, service marks, and trademarks as are now, and may hereafter be designated for use in connection with the System (the "Proprietary Marks") which Proprietary Marks are owned by RFSI;

WHEREAS, RFSI has licensed and granted to the Franchisor the right and license to sub-license and monitor the use of the System and the Proprietary Marks in the United States;

WHEREAS, the Franchisor and RFSI continue to develop, expand, use, control and add to the Proprietary Marks and the System for the benefit of and exclusive use by RFSI and RFSI's licensees, including the Franchisor and its franchisees, in order to identify for the public the

source of the products and services marketed thereunder and to represent the System's high standards of quality and service;

WHEREAS, the Developer desires to obtain the right to develop, construct, manage and operate a series of Franchised Businesses under the development schedule described in Exhibit 2 attached hereto (the "Development Schedule") and within the area described in Exhibit 1 attached hereto (the "Development Area"), under the System and Proprietary Marks, as well as to receive the training and other assistance provided by Franchisor in connection therewith;

WHEREAS, the Developer hereby acknowledges that it has read this Agreement and the Franchisor's Franchise Disclosure Document, and that it has no knowledge of any representations about the Franchised Business or about the Franchisor or its franchising program or policies made by the Franchisor or by its officers, directors, shareholders, employees or agents which are contrary to the statements in the Franchisor's Franchise Disclosure Document or to the terms of this Agreement, and that it understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain the Franchisor's high standards of quality and service and the uniformity of those standards at all facilities which operate pursuant to the System and thereby to protect and preserve the goodwill of the Proprietary Marks; and

WHEREAS, the Developer understands and acknowledges the importance of Franchisor's uniformly high standards of quality and service and the necessity of operating the Franchised Businesses in strict conformity with Franchisor's quality control standards and specifications.

NOW, THEREFORE, the parties, in consideration of the promises, undertakings and commitments of each party to the other party set forth herein, hereby mutually agree as follows:

I. GRANT.

A. Franchisor hereby grants to the Developer the right and license to develop, construct, operate and manage _____ (_____) Franchised Businesses in strict accordance with the System and under the Proprietary Marks within the Development Area. Each Franchised Business shall be operated according to the terms of the individual franchise agreement with respect thereto.

B. If the Developer complies with the terms of this Agreement, the Development Schedule and the individual franchise agreement for each Franchised Business, then Franchisor will not franchise or license others, nor will it itself directly or indirectly develop, own, lease, construct or operate in any manner, any Franchised Businesses in the Development Area during the term hereof; however, Franchisor reserves the right to sell products and services, under the Proprietary Marks or any other marks, through any other retail location, at special events or through any other channel of distribution, including online sales even within the Development Area. We also reserve the right during the term of your Agreement, to establish and own, or to grant others the right to establish and own, businesses similar to the Franchised Business operating under different Marks and located within the Development Area. You may also face competition within the Development area from Rosati's Pizza restaurants operating under the Marks and owned or franchised by one or more of the other 8 shareholders of RFSI (not our owners), or their licensees.

Upon the expiration or termination of this Agreement, the Developer will no longer have a Development Area and each Franchised Business will be limited to operation in its own protected territory described in the individual franchise agreement.

C. This Agreement is not a franchise agreement and the Developer shall have no right to use in any manner the Proprietary Marks by virtue hereof. Each Franchised Business will be governed by the individual franchise agreement executed by the Franchisor and the Developer for such Franchised Business.

II. **TERM.** Unless sooner terminated pursuant to the provisions of Section VII, the term of this Agreement shall expire upon completion of the term of the Development Schedule. The Franchisor, in its sole discretion, may permit the Developer to renew this Agreement for an additional term; provided that the Developer has not defaulted in its obligations under this Agreement or any other agreement with the Franchisor, and the parties agree in writing to an extension of the Development Schedule.

III. **INITIAL FRANCHISE FEE & INITIAL TRAINING.**

A. With respect to all Franchised Businesses to be developed under this Agreement, the Franchisor and the Developer shall enter into an individual franchise agreement for each such Franchised Business within sixty (60) days prior to opening, which agreement shall be in the form of the Franchisor's then current form of franchise agreement.

B. The aggregate total initial franchise fee to be paid to the Franchisor by the Developer is _____, which represents 50% of the aggregate initial franchise fee for all Franchised Businesses to be developed hereunder and is payable in a lump sum upon execution of this Agreement. The balance of the initial franchise fee attributable to each Franchised Business must be paid when the Franchise Agreement for each Franchised Business is signed. Except as may be provided within the Franchise Agreement, each portion of the initial franchise fee is deemed fully earned upon receipt and is non-refundable.

C. To the extent the provisions of this Section III are inconsistent with the terms of any individual Franchise Agreement issued hereunder, the terms of this Agreement shall govern and such Franchise Agreement shall be deemed amended accordingly.

IV. **DEVELOPMENT SCHEDULE.** The Developer shall open and continuously operate the Franchised Businesses in accordance with the System, and the Development Schedule set forth in the Development Schedule. In the event that the Developer opens and operates a greater number of Franchised Businesses than is required to comply with the current period of the Development Schedule, the requirements of the succeeding period(s) shall be deemed to have been satisfied to the extent of such excess number of Franchised Businesses. The Developer will be permitted to open Franchised Businesses in excess of the number of Franchised Businesses set forth in the Development Schedule subject to the prior written approval of Franchisor if, in the Franchisor's sole discretion, the Development Area could support additional Franchised Businesses.

V. LOCATION OF FRANCHISED BUSINESSES. The location of each Franchised Business shall be selected by the Developer, within the Development Area, subject to Franchisor's prior approval, which approval shall take into account all relevant demographic information then available to the Franchisor. The establishment of any proposed site by the Developer prior to approval of Franchisor shall be the sole risk and responsibility of the Developer and shall not obligate Franchisor in any way to approve the same. The approval of a proposed site by Franchisor does not in any way constitute a warranty or representation by Franchisor as to the suitability of such site for location of a Franchised Business.

VI. FRANCHISE AGREEMENT. The Developer shall not open any Franchised Business until the entire initial franchise fee for said Franchised Business has been paid in full and the individual franchise agreement for such Franchised Business has been executed.

VII. DEFAULT AND TERMINATION. The Developer shall be in default under this Agreement should the Developer: (a) fail to comply with the Development Schedule; (b) fail to perform any of its obligations under this Agreement or any individual franchise agreements; (c) cease to be a franchisee of Franchisor in good standing; or (d) fail to comply with the provisions on transfer contained herein.

Upon such default, Franchisor shall have the right, at its option, and in its sole discretion, to do any or all of the following:

- (1) terminate this Agreement;
- (2) terminate the territorial exclusivity granted to the Developer;
- (3) reduce the size of the Development Area; or
- (4) accelerate the Development Schedule on immediate written notice.

In addition, if any individual franchise agreement issued to the Developer, whether or not issued pursuant to this Agreement, is terminated for any reason, Franchisor shall have the right to terminate this Agreement on immediate written notice to the Developer. Upon termination or expiration of the term of this Agreement, this Agreement shall be of no further effect, except as it may modify the terms of a franchise agreement issued pursuant to this Agreement, and Franchisor shall have the right to itself open, or license others to open, Franchised Businesses within the Development Area. For purposes of this Section VII, any franchise agreement issued by Franchisor to the Developer or its affiliates, or any corporation, partnership or joint venture, or their affiliates, in which the Developer or any stockholder, partner or joint venturer of the Developer, has any direct or indirect ownership or participation interest, shall be deemed a franchise agreement issued to the Developer.

VIII. ASSIGNMENT.

A. By Franchisor. Franchisor shall have the absolute right to transfer or assign all or any part of its rights or obligations hereunder to any person or legal entity which assumes its obligation under this Agreement.

B. By The Developer.

1. The Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to the Developer and are granted in reliance upon the personal qualifications of the Developer. The Developer has represented to Franchisor that the Developer is entering into this Agreement with the intention of complying with its terms and conditions and not for the purpose of transferring the development and option rights hereunder.

2. Neither the Developer nor any partner or shareholder thereof shall, without Franchisor's prior written consent, directly or indirectly assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in this Agreement or in the Developer. Any such proposed assignment occurring by operation of law or otherwise, including any assignment by a trustee in bankruptcy, without Franchisor's prior written consent shall be a material default of this Agreement.

3. Any assignment, transfer or other disposition by the Developer of a single-unit Franchised Business within the Development Area will be governed by the franchise agreement to which such single-unit Franchised Business is bound.

4. Subject to the other provisions of Section VIII herein, including Section VIII.B. 3 above and Section VIII.B. 5 below, if the Developer wishes to sell, transfer or otherwise assign any portion, or all, of the Development Area, the Developer shall notify the Franchisor which may approve or disapprove the same in its sole discretion, and in addition the Franchisor may require any or all of the following as conditions of its approval:

a. All of the Developer's accrued monetary obligations and all other outstanding obligations to the Franchisor, its affiliates and suppliers must be fully paid and satisfied.

b. The Developer must not be in default of any provision of its franchise agreements, any amendments thereof or successors thereto, or any other agreement between the Developer and the Franchisor, its subsidiaries or affiliates.

c. The Developer and each of its affiliates, shareholders, officers and directors must execute a general release under seal, the consideration for which shall be the approval of the transfer, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor and its affiliates, officers, directors, shareholders and

employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

d. The transferee must enter into a written assignment, under seal and in a form satisfactory to the Franchisor, assuming and agreeing to discharge all of the Developer's obligations under the relevant franchise agreements and, if deemed necessary by the Franchisor, the transferee's principals, individually, shall guarantee the performance of all such obligations in writing in a form satisfactory to the Franchisor.

e. The transferee must demonstrate to the Franchisor's satisfaction that the transferee meets the Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to operate the Franchised Business (as may be evidenced by prior related experience or otherwise); has at least the same managerial and financial criteria required of new Developers and shall have sufficient equity capital to operate the Franchised Businesses.

f. At the Franchisor's option, the transferee must execute (and/or, upon the Franchisor's request, shall cause all interested parties to execute), for a term ending on the expiration date of the franchise agreement(s) and with such renewal term as may be provided by the franchise agreement(s), the standard form of franchise agreement then being offered to new Developers and such other ancillary agreements as the Franchisor may require for the Franchised Businesses, which agreements shall supersede the franchise agreements between the Developer and the Franchisor in all respects and the terms of which agreements may differ from the terms of the franchise agreements, including, without limitation, the implementation of other fees.

g. The Developer must remain liable for all direct and indirect obligations to the Franchisor in connection with the Franchised Business(es) prior to the effective date of transfer and will continue to remain responsible for its obligations of nondisclosure, noncompetition and indemnification as provided in the franchise agreements, and shall execute any and all instruments reasonably requested by the Franchisor to evidence such liability.

h. The Developer shall pay to Franchisor, at the time of said transfer, a transfer fee equal to 50% of Franchisor's then current initial franchise fee for each Franchised Business to be transferred to cover the Franchisor's administrative and other expenses in connection with the transfer of the Franchised Businesses by the Developer.

5. If the Developer or its owners shall at any time determine to sell, transfer or otherwise dispose of all or part of the rights under this Agreement or an ownership interest in the Developer, the Developer or its owners shall obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and shall notify the Franchisor in writing of each such offer, and Franchisor has the right and option, exercisable within a period of thirty (30) days from the date of delivery of such offer, exercisable by written notice to the Developer or its owners, to purchase the rights under this Agreement or such

ownership interest for the price and on the terms and conditions contained in said purchaser's offer. If the Franchisor does not exercise its right of first refusal, the Developer or its owners may complete the sale of the Developer or such ownership interest, subject to Franchisor's approval of the purchaser and all other conditions set forth in this Section VIII.B. provided that if such sale is not completed within one hundred twenty (120) days after delivery of such offer to Franchisor, Franchisor shall again have the right of first refusal herein provided. In the event that the Developer wishes to publicly offer its shares in any partnership or corporation which has an ownership interest in the Developer, said public offering shall be subject to the approval of the Franchisor, such approval to not be unreasonably withheld.

C. Corporate Ownership. Each shareholder or member of the corporation or corporations which are granted the rights to serve as the Developer hereunder shall be a party to an agreement which shall provide, *inter alia*, that upon any dissolution of the corporation or corporations, or upon any divorce decree among the parties who are also shareholders, that ownership of the shares shall be transferred to the shareholder, for agreed upon consideration, which has primary responsibility for sales and marketing activities, typically the President, following any such dissolution or decree. The form and content of the shareholders agreement must be approved by the Franchisor prior to execution.

IX. FORCE MAJEURE. In the event that the Developer is unable to comply with the Development Schedule due to strike, riot, civil disorder, war, failure to supply, fire, natural catastrophe or other similar events beyond its control, and upon notice to Franchisor, the Development Schedule and this Agreement shall be extended for a corresponding period, not to exceed ninety (90) days.

X. CONFIDENTIALITY.

A. Nothing contained in this Agreement shall be construed to require Franchisor to divulge to the Developer any trade secrets, techniques, methods or processes except the material contained in Franchisor's manuals and training materials. The Developer acknowledges that its knowledge of Franchisor's know-how, processes, techniques, information and other proprietary data are derived entirely from information disclosed to it by Franchisor and that such information is proprietary, confidential and a trade secret of Franchisor. The Developer agrees to adhere fully and strictly to the confidentiality of such information and to exercise the highest degree of diligence in safeguarding Franchisor's trade secrets during and after the term of this Agreement. The Developer shall divulge such material only to its employees and agents and only to the extent necessary to permit the efficient operation of the Franchised Businesses. It is expressly agreed that the ownership of all such items and property is and shall remain vested solely in Franchisor.

B. The Developer agrees that all terms of this Agreement shall remain confidential and shall not make any public announcement, issue any press release or publicity, make any confirmation of statements made by third parties concerning the terms of this Agreement, or make any other disclosures without the prior written consent of the Franchisor. It

is agreed and understood that the Developer may disclose the terms of this Agreement to its professional advisors and lenders.

XI. NONCOMPETITION.

A. The Developer has heretofore specifically acknowledged that, pursuant to this Agreement, the Developer will receive valuable specialized Confidential Information and information regarding the business of Franchisor, and its System. The Developer covenants that during the term of this Agreement and subject to the post-term provisions contained herein, except as otherwise approved in writing by Franchisor, the Developer shall not, either directly or indirectly, for itself or through, on behalf of or in conjunction with any person, persons, partners or corporations:

1. Divert or attempt to divert any business or customer of the Franchised Businesses to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks or the System;

2. Employ or seek to employ any person who is at that time employed by Franchisor or by the Developer or any other Developer or franchisee of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment; or

3. Own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to or have any interest in any business which is the same as or substantially similar to the Franchised Business.

B. The Developer covenants that, except as otherwise approved in writing by the Franchisor, the Developer shall not, for a continuous uninterrupted period commencing upon the expiration or termination of this Agreement, regardless of the cause for termination, and continuing for three (3) years thereafter, either directly or indirectly, for itself or through, on behalf of or in conjunction with any person, persons, partnership or corporation, own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to, or have any interest in any business which is the same as or substantially similar to the Franchised Business and which is located within a radius of fifteen (15) miles of the Development Area hereunder or the location of any developer or Franchised Business under the System which is in existence on the date of expiration or termination of this Agreement.

C. Sections XI.A. and XI.B. shall not apply to ownership by the Developer of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation.

D. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If any or all portions of the covenants in this Section XI is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party,

the Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section XI.

E. The Developer understands and acknowledges that the Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections XI.A. and XI.B. in this Agreement, or any portion thereof, without the Developer's consent, effective immediately upon receipt by the Developer of written notice thereof, and the Developer agrees that it shall forthwith comply with any covenant as so modified, which shall be fully enforceable.

F. The Developer expressly agrees that the existence of any claims it may have against the Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by the Franchisor of the covenants in this Section XI. The Developer agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by the Franchisor in connection with the enforcement of this Section XI.

G. The Developer acknowledges that the Developer's violation of the terms of this Section XI would result in irreparable injury to the Franchisor for which no adequate remedy at law may be available, and the Developer accordingly consents to the issuance of an injunction prohibiting any conduct by the Developer in violation of the terms of this Section XI.

H. At Franchisor's request, the Developer shall require and obtain execution of covenants similar to those set forth in this Section XI (including covenants applicable upon the termination of a person's relationship with the Developer) from any or all of the following persons: (a) all directors and managers of the Franchised Business; (b) all officers, directors and holders of a beneficial interest of five percent (5%) or more of the securities of the Developer and of any corporation directly or indirectly controlling the Developer if the Developer is a corporation; and (c) the general partners and any limited partners (including any corporation, and the officers, directors and holders of a beneficial interest of five percent (5%) or more of the securities of any corporation which controls, directly or indirectly, any general or limited partner) if the Developer is a partnership. All covenants required by this Section XI shall be in forms satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third party beneficiary of such covenants with the independent right to enforce them. Failure by the Developer to obtain execution of a covenant required by this Section XI shall constitute a default under Section VII hereunder.

XII. ENTIRE AGREEMENT. This Agreement constitutes the entire understanding of the parties with respect to the development of the Development Area, and shall not be modified except by a written agreement signed by the parties hereto. Where this Agreement and any franchise agreement between the parties conflict with respect to initial training, the amount or payment terms of initial franchise fees or equity interests held by the franchisee or operating partners and unit managers, the terms of this Agreement shall govern.

Notwithstanding anything to the contrary in this area development agreement or any related agreement, , no statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise. This provision supersedes any other term of any document executed in connection with the franchise.

XIII. MONTHLY REPORTS. The Developer agrees that it shall provide to Franchisor a monthly report of its activities and progress in developing and establishing Franchised Businesses as provided herein. The monthly reports shall be submitted no later than the fifth (5th) day following the end of the preceding month during the term of this Agreement.

XIV. INDEPENDENT CONTRACTOR AND INDEMNIFICATION. It is acknowledged and agreed that the Developer and the Franchisor are independent contractors and nothing contained herein shall be construed as constituting the Developer as the agent, partner or legal representative of the Franchisor for any purpose whatsoever. The Developer shall enter into contracts for the development of the Development Area contemplated by this Agreement at its sole risk and expense and shall be solely responsible for the direction, control and management of its agents and employees. The Developer acknowledges that it does not have authority to incur any obligations, responsibilities or liabilities on behalf of Franchisor, or to bind Franchisor by any representations or warranties, and agrees not to hold itself out as having such authority.

The Developer agrees to protect, defend, indemnify and hold Franchisor harmless from and against all claims, actions, proceedings, damages, costs, expenses and other losses and liabilities, directly or indirectly incurred as a result of, arising from, out of, or in connection with the Developer's carrying out its obligations hereunder.

XV. COMPLIANCE WITH APPLICABLE LAWS. The Developer shall develop all Franchised Businesses in the Development Area in accordance and compliance with all applicable federal, state and local statutes, laws, ordinances and regulations, and pawnshop regulations and agrees to promptly pay all financial obligations incurred in connection therewith.

XVI. CHANGE IN DEVELOPMENT AREA. The parties acknowledge that the development of the Development Area as anticipated hereunder has been determined according to the needs of the Developer's targeted market in the Development Area, as determined by Franchisor, as of the date of execution of this Agreement. The Developer understands that, if there is an increased public demand for the products and services offered by Franchisor due to an increase in the number of individuals or corporations in the Development Area, Franchisor will expect the Developer to establish additional Franchised Businesses within the Development Area. While the Franchisor will not require the Developer to establish such additional Franchised Businesses, the Franchisor will strongly encourage the Developer to do so. Any additional Franchised Business shall be governed by the Franchisor's then current form of individual franchise agreement.

XVII. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon

and inure to the benefit of each of the parties hereto and their heirs, successors, assigns and personal representatives.

XVIII. APPLICABLE LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois which laws shall govern in the event of any conflict of laws, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et. seq.). Except as otherwise provided by local law, the parties agree that any action brought by either party against the other shall be brought in Illinois and the parties do hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

XIX. RECEIPT OF DOCUMENTS. The Developer acknowledges receipt of the Franchise Disclosure Document, franchise agreement, financial statements and other contracts for the Franchised Business at least fourteen (14) calendar days prior to execution hereof or payment of any monies.

XX. NOTICE. Whenever this Agreement requires notice, it shall be in writing and shall be sent by registered or certified mail, return receipt requested, to the other party at the addresses set forth below, unless written notice is given of a change of address.

All notices to the Developer shall be conclusively deemed to have been received by the Developer upon the delivery or attempted delivery of such notice to the Developer's address listed herein, or such changed address.

Notices to the Franchisor:

Rosati's Franchise & Development, LLC
28381 Davis Parkway
Warrenville, IL 60555 Attn: Managing Member

Notices to Developer:

XXI. ARBITRATION.

A. Agreement to Arbitrate. All disputes and claims relating to this Agreement, the rights and obligations of the parties hereto, or any other claims or causes of action relating to the performance of either party, and/or the purchase of the franchise by the Developer shall be settled by binding arbitration under applicable rules of arbitration of the American Association of Arbitration. The Arbitrator shall hear the dispute in Illinois. This area development agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchise to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

B. Preliminary Relief. Nothing herein contained shall prevent Franchisor from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interest prior to or during any mediation proceeding.

C. Limitation on Money Damages. In no event shall the Developer be entitled to make, nor shall the Developer make, any claim, and the Developer hereby waives any claim for monetary damages, nor shall the Developer claim money damages by way of set-off, counterclaim or defense, based upon any claim or assertion by the Developer that Franchisor has unreasonably withheld or unreasonably delayed any consent or approval to a proposed act by the Developer under any of the terms of this Agreement. The Developer's sole remedy for any such claim shall be an action or proceeding to enforce any such provisions, or for specific performance, or declaratory judgment.

XXII. MODIFICATION BY FRANCHISOR. Franchisor may modify and update its Manual, the Proprietary Marks and the System unilaterally under any conditions and to any extent which Franchisor, in the exercise of its sole discretion, deems necessary to meet competition, protect trademarks or trade name, improve the quality of the products or services provided through the Franchised Businesses and the Developer shall exclusively incur the costs of any such change in the Franchised Business or the System which has been caused by such modification. In the event that any improvement or addition to the Manuals, the System or the Proprietary Marks is developed by the Developer, then the Developer agrees to grant to Franchisor an irrevocable, world-wide, exclusive, royalty free license, with the right to sublicense such improvement or addition.

XXIII. ACKNOWLEDGEMENTS.

A. The Developer acknowledges and recognizes that different terms and conditions, including different fee structures may pertain to different area development agreements and franchise agreements offered in the past, contemporaneously herewith, or in the future, and that Franchisor does not represent that all development agreements or franchise agreements are or will be identical.

B. The Developer acknowledges that it is not, nor is it intended to be a third party beneficiary of this Agreement or any other agreement to which Franchisor is a party.

C. The Developer represents to Franchisor that it has the business acumen, corporate authority, and financial wherewithal to enter into this Agreement and to perform all of its obligations hereunder and furthermore that the execution of this Agreement is not in contravention of any other written or oral obligation of the Developer.

D. The Developer acknowledges that it received from Franchisor this Agreement with all blanks filled in at least five (5) days prior to the execution of this Agreement.

E. The Developer acknowledges and accepts the following:

THE SUCCESS OF THE DEVELOPER IN MANAGING AND OPERATING MULTIPLE FRANCHISES IS SPECULATIVE AND WILL DEPEND ON MANY FACTORS INCLUDING, TO A LARGE EXTENT, THE DEVELOPER'S INDEPENDENT BUSINESS ABILITY. THIS OFFERING IS NOT A SECURITY AS THAT TERM IS DEFINED UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS. THE OBLIGATION TO TRAIN, MANAGE, PAY, RECRUIT AND SUPERVISE EMPLOYEES OF THE FRANCHISED BUSINESSES RESTS SOLELY WITH THE DEVELOPER. THE DEVELOPER HAS NOT RELIED ON ANY WARRANTY OR REPRESENTATION, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL SUCCESS OR PROJECTED INCOME OF THE BUSINESS VENTURE CONTEMPLATED HEREBY. NO REPRESENTATIONS OR PROMISES HAVE BEEN MADE BY FRANCHISOR TO INDUCE THE DEVELOPER TO ENTER INTO THIS AGREEMENT EXCEPT AS SPECIFICALLY INCLUDED HEREIN. FRANCHISOR HAS NOT MADE ANY REPRESENTATION, WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL REVENUES, PROFITS OR SERVICES OF THE BUSINESS VENTURE TO THE DEVELOPER AND CANNOT, EXCEPT UNDER THE TERMS OF THIS AGREEMENT, EXERCISE CONTROL OVER THE DEVELOPER'S BUSINESS. THE DEVELOPER ACKNOWLEDGES AND AGREES THAT IT HAS NO KNOWLEDGE OF ANY REPRESENTATION MADE BY FRANCHISOR OR ITS REPRESENTATIVES OF ANY INFORMATION THAT IS CONTRARY TO THE TERMS CONTAINED HEREIN.

XXIV. EXECUTION.

This Multi-Unit Development Agreement may be executed in duplicate, and each copy so executed shall be deemed an original. This Multi-Unit Development Agreement may also be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement. A signed copy of this Multi-Unit Development Agreement transmitted by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Multi-Unit Development Agreement. You agree that the electronic signatures or digital signatures (each an "e-Signature") of any party to this Multi-Unit Development Agreement shall have the same force and effect as manual signatures of such party and such e-Signature shall not be denied legal effect or enforceability solely because it is in electronic form or an electronic record was used in its formation. You agree that an e-Signature of either party is intended to: (i) authenticate the signature, (ii) represent the party's intent to sign, and (iii) constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. You agree not to contest the admissibility or enforceability of either party's e-Signature.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Multi-Unit Development Agreement on the day and year first written above.

ATTEST:

WITNESS:

FRANCHISOR:

Rosati's Franchise & Development, LLC

By: _____

Title: _____

DEVELOPER:

By: _____

Title: _____

EXHIBIT 1

DESCRIPTION OF THE DEVELOPMENT AREA

EXHIBIT 2

DEVELOPMENT SCHEDULE

**NUMBER OF MONTHS FROM DATE
OF THIS AGREEMENT**

**TOTAL NUMBER OF FRANCHISED
BUSINESSES OPEN FOR BUSINESS**

EXHIBIT E
AFFILIATED RESTAURANTS

Rosati's Pizza restaurants operated or licensed by our owners or entities in which they hold an interest (the "Affiliated Restaurants") as of February 28, 2022

Arizona
Rosati's of Scottsdale 7119 E Shea Blvd Scottsdale, Arizona 85254
Rosati's of Tucson 8814 East Tanque Verde Tucson, Arizona 85749
Florida
Rosati's of Valrico 3437 Lithia Pinecrest, Unit 5 Valrico, Florida 33956
Illinois
Rosati's of Arlington Heights 1414 Hintz Road Arlington Heights, Illinois 60004
Rosati's of Bolingbrook 329 N. Schmidt Road Bolingbrook, Illinois 60440
Rosati's of Belvidere 1946 Gateway Center Drive Belvidere, Illinois 61008
Rosati's of Countryside 6560 Joliet Road Countryside, Illinois 60525
Rosati's of Fox Lake 2 West Grand Avenue Fox Lake, Illinois 60020
Rosati's of Hanover Park 5549 County Farm Road Hanover Park, Illinois 60133
Rosati's of Lindenhurst 616 North Bridgeport Terrace Lindenhurst, Illinois 60046
Rosati's of Schaumburg 120 E. Golf Road Schaumburg, Illinois 60173
Rosati's of Woodridge 3014 West Hobson Woodridge, Illinois 60517
Rosatis of Romeoville

463 N Weber Rd. Romeoville, IL 60446
Texas
Rosati's of McKinney 5261 McKinney Ranch Parkway McKinney, Texas 75070
Wisconsin
Rosati's of Madison 4933 Commercial Avenue Madison, Wisconsin 53704

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EXHIBIT G
CONFIDENTIALITY AGREEMENT

Rosati's Franchise & Development, LLC
28381 Davis Parkway
Warrenville, Illinois 60555
(630) 393-2280

(Date)

Re: Training in Anticipation of Rosati's Pizza Restaurant Purchase

Dear _____,

As you are aware, we market Rosati's Pizza Restaurant Franchises whereby Franchisees own and operate Rosati's Pizza Restaurants which offer for sale to the general public a variety of pizza, pasta, soups, and related food products and items utilizing the service marks, trade secrets and confidential information owned by or licensed to Rosati's Franchise & Development, LLC.

As you are also aware, one of our Franchisees is _____ (the "Seller"), who currently owns and operates the Rosati's Pizza Restaurant located at (the "Seller's Rosati's Pizza Restaurant"). We are advised that you have entered into a Purchase Agreement with the Seller governing your proposed purchase of the assets and business as a going concern comprising the Seller's Rosati's Pizza Restaurant. The closing of the proposed transaction is scheduled to occur on or about _____, and is predicated upon your being granted a Franchise for the continued ownership and operation of the Seller's Rosati's Pizza Restaurant by you. Although we have not yet approved you as a Franchisee, nor have we yet determined whether or not we shall exercise our "right of first refusal" to purchase the Seller's Rosati's Pizza Restaurant assets, we have agreed to permit you to commence the regular course of instruction offered by us to new Franchisees ("your training"). The commencement of your training is with the understanding that the possibility exists that the closing of the proposed sale transaction may not occur for a variety of reasons, including, but not necessarily limited to our decision not to approve you as a Franchisee, or our exercise of the foregoing "right of first refusal".

Your training shall include disclosure of service, financial, marketing, technical, and other information, all of which shall be hereinafter referred to as the "Confidential Information". Also included within the Confidential Information are the following: pricing information, recipes, instructions, specialized business methods, techniques, know-how and technology and other information relating to and comprising the "System". Accordingly, as a condition precedent to, and in consideration of the commencement of your training and the disclosure of the Confidential Information to you, this correspondence, following your Acknowledgment Copy hereof, shall evidence your agreement, as follows:

- 1. The Confidential Information will be used by you solely for the purpose of the ownership and operation of the Seller's Rosati's Pizza Restaurant and for no other purpose whatsoever.**
- 2. You shall keep all Confidential Information secret and confidential and shall not disclose it to anyone.**
- 3. We may terminate your training at any time upon notice to you for any reason whatsoever, including, but not necessarily limited to tardiness and/or your failure to satisfactorily complete any courses of instruction. Upon any such termination, you shall return any Confidential Information which is in tangible form to us, including any copies thereof, whether oral, written, taped, phono or computer recorded, or otherwise contained in any medium whatsoever, which may have been made. You shall not use any of the Confidential Information for any purpose whatsoever except as set forth in this letter agreement.**
- 4. Confidential Information does not include any information which was (i) known to you prior to your receipt of such information, provided it shall not have been known by you as a result of any breach of a duty of confidentiality, (ii) publicly available prior to receipt of such information, or (iii) thereafter became publicly available. Information shall be deemed "publicly available" if it becomes a matter of public knowledge or is contained in materials available to the public through no breach of any confidentiality obligation.**
- 5. In the event you become legally compelled to disclose any of the Confidential Information, you will provide us with prompt and adequate notice so that we may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this letter agreement.**
- 6. Nothing in this letter agreement shall impose any obligation upon us to approve you as a Franchisee or to permit you to complete your training, or to enter into any discussions or negotiations with respect thereto.**
- 7. In the event of a breach or threatened breach of any of the Confidential Information provisions of this letter agreement by you, we shall be entitled to an injunction restraining you from utilizing any of the Confidential Information, or disclosing any of the Confidential Information, in whole or in part, to any person, firm, corporation, association or other entity to whom the Confidential Information is threatened to be disclosed. Nothing herein shall be construed as prohibiting us from pursuing any other available remedies for such breach or threatened breach, including but not limited to the recovery of damages from you, and you shall be liable to us for, and shall fully satisfy all damages and**

losses sustained by us, inclusive of but not limited to lost business and reasonable attorneys' fees.

8. This letter agreement shall be interpreted in accordance with the laws of the State of Illinois applicable to agreements made and to be wholly performed within the State of Illinois. You irrevocably consent to the exclusive jurisdiction and venue of the Courts of the State of Illinois, County of Cook, or of any Federal Court located in the State of Illinois, County of Cook, in connection with any action or proceeding arising out of or relating to this letter agreement.

9. If any clause, phrase, provision or portion of this letter agreement or the application thereof to any person or circumstance shall be invalid or unenforceable under applicable law, such invalidity or unenforceability shall not affect, impair or render invalid or unenforceable the remainder of this letter agreement nor any other clause, phrase, provision or portion hereof, nor shall it affect the application of any clause, phrase, provision or portion hereof to other persons or circumstances.

Please execute, date and return the Acknowledgment Copy of this letter agreement evidencing your understanding and contractual agreement with the foregoing.

Very truly yours,

Rosati's Franchise & Development, LLC

By: _____

ACKNOWLEDGMENT:

Date: _____

EXHIBIT H
LISTING OF OUR CURRENT FRANCHISEES

Rosati's Pizza Franchised Restaurants as of December 31, 2022

Rosati's Pizza Franchised Restaurants Located in the State of Arizona:

- | | |
|--|---|
| 1. Henry Paustenbach
H.J. Gilbert Pizza LLC
451 Sudbury Circle
Oswego, Illinois 60543 | Restaurant operational
8490 Power Road
Gilbert, Arizona 85297
(480) 987-0888 |
|--|---|

- | | |
|---|---|
| 2. TMJ Pizza Mesa LLC
8619 E Lockwood Street
Mesa, Arizona 85207 | Restaurant operational
2235 S Power Road #118
Mesa, Arizona 85209
(480) 214-3233 |
|---|---|

- | | |
|--|--|
| 3. Cara Jacobs
6759 Yearling Road
Peoria, Arizona 85383 | Restaurant operational
18555 N 59th Ave
Glendale, Arizona 85308
(602) 439-3444 |
|--|--|

- | | |
|--|--|
| 4. The Good People of Prescott
LLC
207 W. Willis Street
Prescott, Arizona 86302 | Restaurant operational
207 W. Willis Street
Prescott, Arizona 86301 |
|--|--|

- | | |
|---|--|
| 5. Henry Paustenbach
H.J. Surprise Pizza LLC
451 Sudbury Circle
Oswego, Illinois 60543 | Restaurant operational
13856 W. Waddell #104
Surprise, Arizona 85379
(623) 537-9899 |
|---|--|

- | | |
|--|--|
| 6. Good People Enterprises LLC
14230 S 24th Way
Phoenix, Arizona 85408 | Restaurant operational
21423 North John Wayne Parkway #102
Maricopa, Arizona 85138
(520) 568-7700 |
|--|--|

- | | |
|--|---|
| 7. TMJ Pizza Mesa 2M & W
LLC
4425 S Mountain Road
Mesa, Arizona 85207 | Restaurant operational
4425 S. Mountain Road #101
Mesa, Arizona 85296
(480) 500-5566 |
|--|---|

- | | |
|---|---|
| 8. SDM Holdings LLC
133 E. Echo Lane | Restaurant operational
4206 E. Chandler Blvd |
|---|---|

- | | | |
|------------|--|--|
| | Phoenix, Arizona 85020 | Phoenix, Arizona 85020 |
| 9. | Kroll Management LLC –
Tempe
1640 S Jay Place
Chandler, Arizona 85206 | Restaurant operational
1730 E. Warner
Tempe, Arizona 85284 |
| 10. | Kroll Management LLC –
Johnson Ranch
1640 S Jay Place
Chandler, Arizona 85206 | Restaurant operational
287 E. Hunt Hwy
Queen Creek, Arizona 85103 |
| 11. | Kroll Management LLC –
Ocotillo
1640 S Jay Place
Chandler, Arizona 85206 | Restaurant operational
2040 S Alma School
Chandler, Arizona 85286 |

Rosati's Pizza Franchised Located in the State of Colorado:

- | | | |
|-----------|--|--|
| 1. | Melissa Anne Pfiel
Andrew Joseph Wichlinski
1105 Cooke Court
Erie, Colorado 80516 | Restaurant operational.
1067 Courtesy Road
Louisville, Colorado 80027
(303)484-9984 |
|-----------|--|--|

Rosati's Pizza Franchised Restaurants Located in the State of Florida:

- | | | |
|-----------|---|--|
| 1. | Rosatis FL 2 LLC
3730 Tampa Road #6
Oldsmar, Florida 34677 | Restaurant operational
3730 Tampa Road Ste #6
Oldsmar, Florida 34677
(813) 328-4128 |
|-----------|---|--|

Rosati's Pizza Franchised Restaurants Located in the State of Illinois:

- | | | |
|-----------|---|---|
| 1. | AJ Luk Corp
1N321 Fanchon
Carol Stream, Illinois 60188 | Restaurant operational
739 N Mill Rd
Addison, Illinois 60101
(630) 543-6600 |
| 2. | Sunny Patel
Saleem & Anver Inc.
Crystal Lake, Illinois 60014 | Restaurant operational
2411 West Algonquin Road
Algonquin, Illinois 60102
(815) 444-6868 |

3. **OM Krat Pizza, Inc**
2304 Brinmore Court
Naperville, Illinois 60102

Restaurant operational
272 Glen Ellyn Road
Bloomington, Illinois 60108
(630) 894-6200
4. **Saleem Damani**
C-Lake Inc.
Algonquin, Illinois 60102

Restaurant operational
40 West Terra Cotta
Crystal Lake, Illinois 60014
(847) 477-0888
5. **Huskey Pizza LLC**
456 Lincoln Hwy
DeKalb, Illinois 60115

Restaurant operational
456 E Lincoln Hwy
DeKalb, Illinois 60115
6. **Javed Nayani**
Antioch, Illinois

Restaurant operational
1069 Rohlwing Road
Elk Grove Village, Illinois 60007
(847) 477-0888
7. **Samir Damani**
687 North York Road
Elmhurst, Illinois 60126

Restaurant operational
687 North York Road
Elmhurst, Illinois 60126
(630) 279-1998
8. **F&F Five LLC**
642 Gray Court
Wheeling, Illinois 60133

Restaurant operational
5404 Grand Avenue
Gurnee, Illinois 60031
(847) 360-9400
9. **Afreen 786 Inc.**
720 E 31st Street
LaGrange Park, Illinois 60526

Restaurant operational
720 E 31st Street
LaGrange Park, Illinois 60526
10. **OM Matteson Pizza Inc**
2304 Brinmore Court
Naperville, Illinois 60540

Restaurant operational
4710 W Lincoln Highway
Matteson, Illinois 60423
(708) 948-7499
11. **O’Kelly Franchises LLC**
170 King Drive
Carpentersville, Illinois 60110

Restaurant operational
1013 Madison Street
Oak Park, Illinois 60302
(708) 948-7499
12. **Raising Dough, LLC**

Restaurant operational.

- | | | |
|------------|---|---|
| | 137-A West Market Street
Pekin, Illinois 61554 | 137-A West Market Street
Pekin, Illinois 61554
(309) 382-5000 |
| 13. | Talia & Jose Diaz
1668 Brookdale Road
Naperville, Illinois 60073 | Restaurant operational.
700 E Rollins Road
Round Lake Beach, Illinois 60073
(847) 740-1800 |
| 14. | Asad Irshad
Asad & Abeer, Inc.
St. Charles, Illinois 60174 | Restaurant operational.
615 South Randall Road
St. Charles, Illinois 60174
(630) 584-8244 |
| 15. | LMC Pizza 102 LLC
1360 Parkside Drive
Bolingbrook IL 40490-3153 | Restaurant operational
1147 McHenry Road
Buffalo Grove, Illinois 60089
(847) 634-0039 |
| 16. | Rosati's of Sycamore
630 Plaza Drive #4
Sycamore, Illinois 60178 | Restaurant operational
630 Plaza Drive #4
Sycamore, Illinois 60178
(815) 895-4646 |
| 17. | SRIF Inc.
Imran Kanchwala
550 N Kirk Rd
St Charles, IL 60174 | Restaurant operational
550 N Kirk Rd
St Charles, IL 60174
(630) 513-9222 |
| 18. | Dr Pizza II Inc
1622 Lotus Drive
Round Lake Beach, Illinois
60073 | Restaurant operational
225 West Dundee
Palatine, Illinois 60067
(847) 991-6350 |
| 19. | Raising Dough LLC
137-A West market Street
N Pekin, Illinois 61554 | Restaurant operational
137a Radio City Drive
N Pekin, Illinois 61554
(309) 382-5000 |
| 20. | Rosati's of Streamwood
2602 Williamsburg Drive
Algonquin, Illinois 60102 | Restaurant operational
27 South Sutton Road
Streamwood, Illinois 60107
(630) 837-1515 |

Rosati's Pizza Franchised Restaurants Located in the State of Indiana:

- | | | |
|-----------|-------------------------------|-------------------------------|
| 1. | Avar 786, Inc | Restaurant operational |
| | 324 Ridge Road | 324 Ridge Road |
| | Munster, Indiana 46321 | Munster, Indiana 46321 |
| | (219) 864-0000 | (219) 864-0000 |
- | | | |
|-----------|-------------------------------------|---------------------------------|
| 2. | Jacobs & Jacobs LLC | Restaurant operational |
| | 204 E 127th Place | 10033 Wicker Ave, Unit 1 |
| | Crown Point, Indiana 46307 | St. John, Indiana 46373 |
| | | (219) 351-5185 |
- | | | |
|-----------|-------------------------------------|-------------------------------------|
| 3. | Jacobs Valpo LLC | Restaurant operational |
| | 204 E 127th Place | 204 E 127th Place |
| | Crown Point, Indiana 46307 | Valparaiso, Indiana 46385 |
| | | (219) 510-5650 |

Rosati's Pizza Franchised Restaurants Located in the State of Iowa:

- | | | |
|----------|----------------------------|---------------------------------|
| 1 | Javi, Inc | Restaurant operational |
| | 3141 Evergreen Road | 1550 N Ankeny Blvd, #110 |
| | Ames Iowa 50014 | Ankeny, Iowa 50023 |
| | | (515) 777-3074 |
- | | | |
|-----------|----------------------------|------------------------------------|
| 2. | Javi, Inc | Restaurant operational |
| | 3141 Evergreen Road | 1165 Southeast Alice's Road |
| | Ames Iowa 50014 | Waukee, Iowa 50263 |
| | | (515) 987-2556 |

Rosati's Pizza Franchised Restaurants Located in the State of Nevada:

- | | | |
|-----------|--------------------------------|--------------------------------|
| 1. | AEB Group LLC | Restaurant operational |
| | 3370 S. Hualapai Way | 3370 South Hualapai Way |
| | Las Vegas, Nevada 89117 | Las Vegas, Nevada 89117 |
| | | (702) 262-1900 |

Rosati's Pizza Franchised Restaurants Located in the State of North Carolina:

- | | | |
|-----------|------------------------------|-----------------------------------|
| 1. | Hospitality Foods LLC | Restaurant operational |
| | 1530 Benvenue Road | 3605 Davis Drive, Ste. 107 |

**Rocky Mount, North Carolina
27804**

**Morrisville, North Carolina 27560
(919) 380-7000**

Rosati's Pizza Franchised Restaurants Located in the State of Tennessee:

- 1. Robert Lingenfelter
1137 Green Lea BLD
Gallatin, TN 37066
(731) 733-3626**
**Restaurant operational
234 Brookview Centre Way, Suite 109
Knoxville, Tennessee 37923
(865) 602-2211**

Rosati's Pizza Franchised Restaurants Located in the State of Texas:

- 1.**
- 2. Ardon Investments LLC
1331 Cedar Springs Dr
Frisco, Texas 75035**
**Restaurant operational
2704 Cross Timbers Road
Flower Mound, Texas 75028
(972) 906-9696**
- 3. Correa & Picard
2705 Shenandoah
Pasadena, Texas 77052**
**Restaurant operational
9111 Farm to Market Rd 723 Ste 250
Richmond Texas 77406
(281) 239-7924**
- 4. JCNB Ventures LLC
5220 Edgebrook Way
Ft Worth, Texas 76244**
**Restaurant operational
5152 Golden Triangle Blvd.
Fort Worth, Texas 76244**
- 5. One Hand Holding LLC
1095 Evergreen Cr #200
Woodlands, TX 77380**
**Restaurant operational
4150 Farm to Market rd 1488
Conroe, TX 77384**

Rosati's Pizza Franchised Restaurants Located in the State of Wisconsin:

- 1. Dave Allen
Allen Pizza, Inc.
N6525 Isaacson Road
Cecil, Wisconsin 54111**
**Restaurant operational
745 Huron, Suite O
Green Bay, Wisconsin 54311
(715) 745-6783**
- 2. Javed Nayani**
Restaurant operational

**Lake Geneva Food Service,
Inc.
Antioch, Illinois 60002**

**240 Edwards Blvd.
Lake Geneva, Wisconsin 53147
(262) 248-4000**

- 3. HOUSE OF THEO LLC
690 Westfield Way
Pewaukee, WI 53072
(262) 695-4080**

**Restaurant operational
690 Westfield Way
Pewaukee, Wisconsin 53072
(262) 695-4080**

- 4. GEA Pizza-OKL Ave., Inc
145 W. Oklahoma Ave
Milwaukee Wisconsin 53207**

**Rosati's Pizza Franchised Restaurants
Located in the State of Wisconsin:
145 W. Oklahoma Ave
Milwaukee Wisconsin 53207
(262) 695-4080**

Rosati's Pizza Franchised Restaurants Located in the State of Maryland:

- 1. Carmen & David Kukor
107 Rose Garden way
Fredrick, MD 21702**

**Restaurant operational
911 West 7th st.
Fredrick, MD 21701
(301) 694-4650**

Rosati's Pizza Franchised Restaurants Located in the State of Kansas:

- 1. Ringos Pizzeria LLC
16004 Kessler Street
Overland Park, Kansas 66085**

**Restaurant operational
8360 West 151st Street
Overland Park, Kansas 66223**

EXHIBIT I
LISTING OF OUR FORMER FRANCHISEES

The name and last known address of every franchisee who had a Rosati's Pizza Restaurant transferred, terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the period from January 1, 2022 to December 31, 2022, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document are listed below.

Voluntarily ceased to do business

Jacobs Munster LLC
204 E 127th Place
Crown Point, Indiana 46307 (Sold to
new franchisee)

John A. Johnson II
120 S. Peters Rd, Suite 13
Knoxville, Tennessee 47923 (Sold to
new Franchisee)

JBMP Pizza LLC
2936 S. 6th Street
Springfield, Illinois 62703
(Closed)

Paul Plevritis
7140 N Harlem Ave
Chicago, Illinois 60631
(Sold to new franchisee)

Marshall and Whitney Tucker
4413 Merrick Run Lane
Valrico, Florida 33596
(Sold to Affiliated company)

Rosatis FL 2 LLC
3730 Tampa Rd #6
Oldsmar, FL 33596
(sold to new franchisee)

D.A.N Enterprise Inc
732 Winston Way
Hartland, WI 53029
(Sold to new franchisee)

EXHIBIT J-1

**FRANCHISEE ORGANIZATIONS WE HAVE CREATED, SPONSORED OR
ENDORSED**

NONE.

EXHIBIT J-2
INDEPENDENT FRANCHISEE ASSOCIATIONS
NONE

EXHIBIT K
FINANCIAL STATEMENTS



**ROSATI'S FRANCHISE &
DEVELOPMENT, LLC AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Year Ended December 31, 2022

The background of the cover page features a teal header bar at the top, followed by a large, semi-transparent image of a construction site with rebar. The rebar is arranged in a grid pattern, and the image is overlaid with a complex, geometric pattern of overlapping, semi-transparent shapes in shades of gray and teal. In the bottom right corner, there is an orange rectangular box containing the text 'SIKICH.COM' in white, bold, sans-serif font.

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ROSATI'S FRANCHISE & DEVELOPMENT, LLC AND SUBSIDIARY
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1415 West Diehl Road, Suite 400
Naperville, IL 60563
630.566.8400

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INDEPENDENT AUDITOR'S REPORT

To the Members
Rosati's Franchise & Development, LLC and Subsidiary
Warrenville, Illinois

Opinion

We have audited the accompanying consolidated financial statements of Rosati's Franchise & Development, LLC and Subsidiary (the Company), which comprise the consolidated balance sheet as of December 31, 2022 and the related consolidated statements of income and members' equity and cash flows for the year then ended and the related notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Consolidated Financial Statements

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

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

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

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

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

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

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

Sikich LLP

Naperville, Illinois
March 30, 2023

CONSOLIDATED FINANCIAL STATEMENTS

ROSATI'S FRANCHISE & DEVELOPMENT, LLC AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

December 31, 2022

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,672,019
Accounts receivable, net of allowance for doubtful accounts of \$30,000	141,264
Prepaid expenses	11,236
Advances	<u>856</u>
Total current assets	<u>1,825,375</u>
OTHER ASSETS	
Security deposit	5,000
Intangible assets, net of accumulated amortization of \$52,656	<u>13,164</u>
Total other assets	<u>18,164</u>
TOTAL ASSETS	<u><u>\$ 1,843,539</u></u>
LIABILITIES AND MEMBERS' EQUITY	
CURRENT LIABILITIES	
Deferred franchise fees	\$ 200,375
Deferred advertising fees	977,456
Other liabilities	<u>13,500</u>
Total current liabilities	<u>1,191,331</u>
Total liabilities	1,191,331
MEMBERS' EQUITY	<u>652,208</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u><u>\$ 1,843,539</u></u>

See accompanying notes to consolidated financial statements.

ROSATI'S FRANCHISE & DEVELOPMENT, LLC AND SUBSIDIARY**CONSOLIDATED STATEMENT OF INCOME AND MEMBERS' EQUITY**

For the Year Ended December 31, 2022

REVENUES	
Franchise fees	\$ 160,625
Advertising fees	354,924
Royalties	<u>2,373,656</u>
Total revenues	<u>2,889,205</u>
OPERATING EXPENSES	
Franchisee training	429,331
Uncollectible accounts	14,489
Graphic design	69,597
Social media	66,842
Promotional giveaways	102,083
Public relations	21,938
Agency fees	63,027
Professional fees	2,673
Commissions	98,952
Insurance	3,564
Licenses and permits	560
Accounting fees	24,850
Legal fees	17,701
Travel	37,066
Office and miscellaneous	49,598
Lease expense	12,500
Amortization expense	<u>6,582</u>
Total operating expenses	<u>1,021,353</u>
Operating income	<u>1,867,852</u>
OTHER INCOME	
Interest income	<u>1,496</u>
Total other income	<u>1,496</u>
Income before income taxes	1,869,348
INCOME TAXES	<u>76,390</u>
NET INCOME	<u>\$ 1,792,958</u>
MEMBERS' EQUITY, BEGINNING OF YEAR	\$ 637,345
Net income	1,792,958
Distributions	<u>(1,778,095)</u>
MEMBERS' EQUITY, END OF YEAR	<u>\$ 652,208</u>

See accompanying notes to consolidated financial statements.

ROSATI'S FRANCHISE & DEVELOPMENT, LLC AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	<u>\$ 1,792,958</u>
Adjustments to reconcile net income to net cash flows from operating activities	
Depreciation and amortization	6,582
(Increase) decrease in	
Accounts receivable	13,294
Prepaid expenses	1,195
Advances	(641)
Increase (decrease) in	
Deferred franchise fees	(105,000)
Deferred advertising fees	171,666
Other liabilities	<u>13,056</u>
Total adjustments	<u>100,152</u>
Net cash from operating activities	<u>1,893,110</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Distributions	<u>(1,778,095)</u>
Net cash from financing activities	<u>(1,778,095)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 115,015

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 1,557,004

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 1,672,019

See accompanying notes to consolidated financial statements.

ROSATI'S FRANCHISE & DEVELOPMENT, LLC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

1. DESCRIPTION OF BUSINESS

Rosati's Franchise & Development, LLC and Subsidiary (the Company) based in Warrenville, Illinois is an Illinois limited liability company that was organized May 1, 2006 to develop and franchise pizza delivery and carryout restaurants under the trademark "Rosati's Pizza". The name and trademark are not exclusive to this entity as there is at least one other entity that is franchising the Rosati's concept along with other individuals related to some of the 190 restaurants across the United States operating as "Rosati's Pizza". At the end of 2022, the Company had 54 restaurants operated by franchisees with three restaurants that opened in 2022. Three restaurants closed in 2022. Rosati's Advertising Co-op, Inc. provides various advertising services to the franchisees, ranging from printing materials to managing social media contents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by the Company:

Principles of Consolidation

The consolidated financial statements include accounts of Rosati's Franchise & Development, LLC and its wholly owned subsidiary, Rosati's Advertising Co-op, Inc., (together, the Company). All material intercompany accounts and transactions have been eliminated in the consolidation.

Basis of Accounting

The Company prepares its consolidated financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (USGAAP).

Use of Estimates

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

Cash and Cash Equivalents

Cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable consist of franchise royalties and fees and other miscellaneous receivables. Accounts are considered delinquent when the account is not paid within the terms specified for each franchisee. To reduce credit risk with accounts receivable, the Company performs ongoing evaluations of its franchisees' financial condition. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. At December 31, 2022, the Company has recorded an allowance of \$30,000. Actual write-offs may exceed this amount.

Intangible Assets

Intangible assets subject to amortization consist of the license agreement, which is stated at cost and amortized over its estimated useful life of ten years using the straight-line method. Intangible assets subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. There were no impairments made during 2022.

Revenue Recognition

The Company derives its revenues from contracts with customers. The Company earns an initial franchise fee and ongoing royalty fees and advertising fees under the Company's franchise agreements.

A franchise includes, but is not necessarily limited to, territorial rights, management training and a license to use specified trade names, trademarks and a proprietary system. The system features a distinctive exterior and interior design, decor, color scheme, fixtures and furnishings for the franchised business, as well as uniform standards, specifications, methods, policies and procedures for the restaurant operations, inventory and management control, training and assistance, and advertising and promotional programs.

The Company receives franchise fees for new market development activities, such as initial business, real estate and store development planning, as well as providing training for opening new licensed retail markets. Franchise fees for licensed franchise restaurants are recognized in accordance with ASU No. 2021-02, *Franchisors - Revenue from Contracts with Customers* using the practical expedient to make a policy election to account for the pre-opening services as a single performance obligation. Accordingly, the Company records franchise fees as a contract liability. The contract liability is recognized as revenue upon the opening of the location. Royalty fees are based on a percentage of weekly sales, thus considered variable consideration, and recorded as revenue at a point in time on a weekly basis. Advertising fees are collected from franchisees based on a percentage of sales and are recorded as a contract liability. Funds are maintained in a separate account until the underlying advertising expenses are incurred. Accordingly, advertising revenue is recognized at a point in time when advertising expenses are incurred.

ROSATI'S FRANCHISE & DEVELOPMENT, LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

During 2022, the Company received commitments from one prospective franchise placing deposits for additional restaurants to open in Illinois. The operating franchises are in Arizona, Colorado, Georgia, Florida, Iowa, Illinois, Indiana, Kansas, Maryland, North Carolina, Nevada, Tennessee, Texas, and Wisconsin.

Contract Assets and Liabilities

Contract assets represent franchise royalties and fees and other miscellaneous receivables. Contract assets at January 1, 2022 were \$154,558. The Company records contract liabilities for upfront franchise fees and advertising fees collected. There are no other contract liabilities or contract assets recorded by the Company. During the year ended December 31, 2022, the Company recognized \$459,924 of revenue from obligations satisfied (or partially satisfied) that were contract liabilities at January 1, 2022. Contract liabilities for deferred franchise fees and deferred advertising fees at January 1, 2022 were \$305,375 and \$805,790, respectively.

Disaggregation of Revenue

The following reflects the disaggregation of revenue by region and the timing of revenue recognition for the year ended December 31, 2022:

Revenue Stream - Royalty Revenues

Midwest	\$ 1,728,982
West	479,026
East	<u>165,648</u>
Subtotal	2,373,656
Franchise fees	160,625
Advertising fees	<u>354,924</u>
TOTAL REVENUE	<u><u>\$ 2,889,205</u></u>

Timing of Revenue Recognition

Goods and services transferred at a point in time	<u>\$ 2,889,205</u>
TOTAL REVENUE	<u><u>\$ 2,889,205</u></u>

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Significant Judgments and Estimates

There are no significant judgments involved in the recognition of revenue. Various economic factors could affect the recognition of revenues and cash flows, including the success of the franchisees.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016 02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires that a lessee recognize assets and liabilities for virtually all lease contracts. Lessee recognition, presentation and measurement in the financial statements depends on classification as a finance or operating lease. The new guidance also requires certain disclosures about leasing arrangements. ASU No. 2016 02, as amended by ASU No. 2019-10 and ASU No. 2020-05, is effective for nonpublic entities for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company adopted the requirements of Topic 842 as of January 1, 2022, utilizing the modified retrospective method of transition. The Company elected the package of practical expedients permitted under the transition guidance within the new standard which does not require reassessment of prior conclusions related to contracts containing a lease, lease classification and initial direct lease costs. As an accounting policy election, the Company chose to not apply the standard to short-term leases (term of 12 months or less) from the balance sheet date, and accounts for non-lease and lease components in a contract as a single component for all asset classes. The adoption of the new guidance did not have a material impact on the Company's balance sheet, statement of operations, or statement of cash flows.

Leases

The Company determines whether an arrangement is a lease at the inception of the arrangement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset and the Company has the right to control the asset.

Right-of-use (ROU) assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date or adoption date based on the present value of lease payments over the remaining lease term.

Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company only has one short-term lease disclosed in Note 5. Accordingly, no right-of-use asset or lease liability is recorded.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Expenses

The Company expenses advertising costs as incurred. Total advertising expense for 2022 was \$323,487.

Income Taxes

Rosati's Franchise & Development, LLC is not a taxpaying entity for federal income tax purposes, and thus no provision or liability for income taxes is reflected in these consolidated financial statements. Income is taxed to the members in their respective returns.

Rosati's Advertising Co-op, Inc. is a C-corporation, and as such, is subject to a provision for income taxes. Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes arise from the different basis of assets and liabilities recorded for financial statements and income tax reporting purposes. The deferred assets and liabilities represent future tax return consequences of those differences, which will be either taxable or deductible when the assets and liabilities are recovered or settled. As of December 31, 2022, the Company does not have any deferred taxes, but has taxable income, therefore provision for income taxes is recorded.

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before consolidated financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing consolidated financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date (that is, nonrecognized subsequent events).

Management has evaluated subsequent events through March 30, 2023, which was the date that these consolidated financial statements were available for issuance, and determined that there were no significant nonrecognized subsequent events through that date.

3. CONCENTRATION OF CREDIT RISK

The Company has deposits at a financial institution in excess of federally insured limits of approximately \$1,400,000 at December 31, 2022.

ROSATI'S FRANCHISE & DEVELOPMENT, LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. INTANGIBLE ASSETS

At December 31, 2022, the Company had the following intangible asset:

	Gross Carrying Amount	Accumulated Amortization
License agreement	\$ 65,820	\$ 52,656

The aggregate amortization expense for the succeeding years relating to intangible assets is as follows:

<u>Year Ending</u>	
2023	\$ 6,582
2024	<u>6,582</u>
TOTAL	<u>\$ 13,164</u>

5. RELATED PARTY LEASE

As discussed in Note 2, the Company has one lease with a related party under the terms of a short-term operating leases. The Company is not responsible for real estate taxes, insurance, and common area maintenance under the lease. The Company has a lease for office space with a related party owned by one of the members of the Company. The lease commenced on October 1, 2022 for a period of seven months through April 2023. Monthly lease payments under the current agreement is \$4,167. Rent expense amounted to \$12,501 in 2022.

6. CONTINGENCIES

The Company is involved in litigation brought upon them during the normal course of business. Although the outcome of the lawsuits are not determinable, the Company vigorously defends their positions. In the opinion of management, any losses that may occur would not be material to the consolidated financial statements.



**ROSATI'S FRANCHISE &
DEVELOPMENT, LLC AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Year Ended December 31, 2021



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ROSATI'S FRANCHISE & DEVELOPMENT, LLC AND SUBSIDIARY
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INDEPENDENT AUDITOR'S REPORT

To the Members
Rosati's Franchise & Development, LLC and Subsidiary
Warrenville, Illinois

Opinion

We have audited the accompanying consolidated financial statements of Rosati's Franchise & Development, LLC and Subsidiary (the Company), which comprise the consolidated balance sheet as of December 31, 2021 and the related consolidated statements of income and members' equity and cash flows for the year then ended and the related notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Notes 2 to the consolidated financial statements, the Company adopted the provisions of Accounting Standards Update (ASU) No. 2021-02, *Franchisor - Revenue from Contracts with Customers*, which introduces a new practical expedient that simplifies the application of Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). The adoption of this ASU did not result in a change to the accounting for any of the Company's revenue streams; as such, no cumulative effect adjustment was recorded. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

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

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

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

Sikich LLP

Naperville, Illinois
April 27, 2022

CONSOLIDATED FINANCIAL STATEMENTS

ROSATI'S FRANCHISE & DEVELOPMENT, LLC AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

December 31, 2021

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,557,004
Accounts receivable, net of allowance for doubtful accounts of \$18,000	154,558
Prepaid expenses	12,431
Advances	215
	<hr/>
Total current assets	1,724,208
	<hr/>
OTHER ASSETS	
Security deposit	5,000
Intangible assets, net of accumulated amortization of \$46,074	19,746
	<hr/>
Total other assets	24,746
	<hr/>
TOTAL ASSETS	\$ 1,748,954
	<hr/> <hr/>
LIABILITIES AND MEMBERS' EQUITY	
CURRENT LIABILITIES	
Deferred franchise fees	\$ 305,375
Deferred advertising fees	805,790
Other liabilities	444
	<hr/>
Total current liabilities	1,111,609
	<hr/>
Total liabilities	1,111,609
	<hr/>
MEMBERS' EQUITY	637,345
	<hr/>
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 1,748,954
	<hr/> <hr/>

See accompanying notes to consolidated financial statements.

ROSATI'S FRANCHISE & DEVELOPMENT, LLC AND SUBSIDIARY**CONSOLIDATED STATEMENT OF INCOME AND MEMBERS' EQUITY**

For the Year Ended December 31, 2021

REVENUES	
Franchise fees	\$ 205,000
Advertising fees	276,602
Royalties	<u>2,322,267</u>
Total revenues	<u>2,803,869</u>
OPERATING EXPENSES	
Franchisee training	428,682
Uncollectible accounts	19,434
Professional fees	3,444
Commissions	139,981
Insurance	7,177
Licenses and permits	360
Accounting fees	15,450
Legal fees	382,766
Travel	24,663
Office and miscellaneous	287,345
Rent	48,000
Trade shows	186
Amortization expense	<u>6,582</u>
Total operating expenses	<u>1,364,070</u>
Operating income	<u>1,439,799</u>
OTHER INCOME	
Forgiveness of PPP loan	<u>89,612</u>
Total other income	<u>89,612</u>
Income before income taxes	1,529,411
INCOME TAXES	<u>8,531</u>
NET INCOME	<u>\$ 1,520,880</u>
MEMBERS' EQUITY, BEGINNING OF YEAR	
	\$ 699,675
Net income	1,520,880
Distributions	<u>(1,583,210)</u>
MEMBERS' EQUITY, END OF YEAR	<u>\$ 637,345</u>

See accompanying notes to consolidated financial statements.

ROSATI'S FRANCHISE & DEVELOPMENT, LLC AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	<u>\$ 1,520,880</u>
Adjustments to reconcile net income to net cash flows from operating activities	
Depreciation and amortization	6,582
Bad debt	1,434
Forgiveness of PPP loan	(89,612)
(Increase) decrease in	
Accounts receivable	(23,677)
Prepaid expenses	(4,935)
Advances	(202)
Increase (decrease) in	
Deferred franchise fees	15,000
Deferred advertising fees	805,790
Other liabilities	<u>444</u>
Total adjustments	<u>710,824</u>
Net cash from operating activities	<u>2,231,704</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Distributions	<u>(1,583,210)</u>
Net cash from financing activities	<u>(1,583,210)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 648,494

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 908,510

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 1,557,004

See accompanying notes to consolidated financial statements.

ROSATI'S FRANCHISE & DEVELOPMENT, LLC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

1. DESCRIPTION OF BUSINESS

Rosati's Franchise & Development, LLC and Subsidiary (the Company) based in Warrenville, Illinois is an Illinois limited liability company that was organized May 1, 2006 to develop and franchise pizza delivery and carryout restaurants under the trademark "Rosati's Pizza". The name and trademark are not exclusive to this entity as there is at least one other entity that is franchising the Rosati's concept along with other individuals related to some of the 190 restaurants across the United States operating as "Rosati's Pizza". At the end of 2021, the Company had 54 restaurants operated by franchisees with two restaurants that opened in 2021. No restaurants closed in 2021. Rosati's Advertising Co-op, Inc. provides various advertising services to the franchisees, ranging from printing materials to managing social media contents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by the Company:

Principles of Consolidation

The consolidated financial statements include accounts of Rosati's Franchise & Development, LLC and its wholly owned subsidiary, Rosati's Advertising Co-op, Inc., (together, the Company). All material intercompany accounts and transactions have been eliminated in the consolidation.

Basis of Accounting

The Company prepares its consolidated financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (USGAAP).

Use of Estimates

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes.

The Company held \$50,100 of cash in an unclaimed property escrow account with the State of Illinois as of December 31, 2021, which was subsequently released to the Company in March 2022.

Accounts Receivable

Accounts receivable consist of franchise royalties and fees and other miscellaneous receivables. Accounts are considered delinquent when the account is not paid within the terms specified for each franchisee. To reduce credit risk with accounts receivable, the Company performs ongoing evaluations of its franchisees' financial condition. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. At December 31, 2021, the Company has recorded an allowance of \$18,000. Actual write-offs may exceed this amount.

Intangible Assets

Intangible assets subject to amortization consist of the license agreement, which is stated at cost and amortized over its estimated useful life of ten years using the straight-line method. Intangible assets subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. There were no impairments made during 2021.

Revenue Recognition

The Company derives its revenues from contracts with customers. The Company earns an initial franchise fee and ongoing royalty fees and advertising fees under the Company's franchise agreements.

A franchise includes, but is not necessarily limited to, territorial rights, management training and a license to use specified trade names, trademarks and a proprietary system. The system features a distinctive exterior and interior design, decor, color scheme, fixtures and furnishings for the franchised business, as well as uniform standards, specifications, methods, policies and procedures for the restaurant operations, inventory and management control, training and assistance, and advertising and promotional programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

The Company receives franchise fees for new market development activities, such as initial business, real estate and store development planning, as well as providing training for opening new licensed retail markets. Franchise fees for licensed franchise restaurants are recognized in accordance with ASU No. 2021-02, *Franchisors - Revenue from Contracts with Customers* using the practical expedient to make a policy election to account for the pre-opening services as a single performance obligation. Accordingly, the Company records franchise fees as a contract liability. The contract liability is recognized as revenue upon the opening of the location. Royalty fees are based on a percentage of weekly sales, thus considered variable consideration, and recorded as revenue at a point in time on a weekly basis. Advertising fees are collected from franchisees based on a percentage of sales and are recorded as a contract liability. Funds are maintained in a separate account until the underlying advertising expenses are incurred. Accordingly, advertising revenue is recognized at a point in time when advertising expenses are incurred.

During 2021, the Company received commitments from prospective franchises placing deposits for additional restaurants to open in the next 84 months. The operating franchises are in Arizona, Colorado, Georgia, Florida, Iowa, Illinois, Indiana, Maryland, North Carolina, Nevada, Tennessee, Texas, and Wisconsin. Additional prospective restaurants will be opening in Kansas and Texas.

Contract Assets and Liabilities

Contract assets represent franchise royalties and fees and other miscellaneous receivables. Contract assets at January 1, 2021 were \$132,315. The Company records contract liabilities for upfront franchise fees and advertising fees collected. There are no other contract liabilities or contract assets recorded by the Company. During the year ended December 31, 2021, the Company recognized \$55,000 of revenue from obligations satisfied (or partially satisfied) that were contract liabilities at January 1, 2021. Contract liabilities for deferred franchise fees and deferred advertising fees at January 1, 2021 were \$290,375 and \$529,632, respectively.

ROSATI'S FRANCHISE & DEVELOPMENT, LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Disaggregation of Revenue

The following reflects the disaggregation of revenue by region and the timing of revenue recognition for the year ended December 31, 2021:

Revenue Stream - Royalty Revenues

Midwest	\$ 1,667,062
West	467,101
East	<u>188,104</u>
Subtotal	<u>2,322,267</u>
Franchise fees	205,000
Advertising fees	<u>276,602</u>
TOTAL REVENUE	<u><u>\$ 2,803,869</u></u>

Timing of Revenue Recognition

Goods and services transferred at a point in time	<u>\$ 2,803,869</u>
TOTAL REVENUE	<u><u>\$ 2,803,869</u></u>

Significant Judgments and Estimates

There are no significant judgments involved in the recognition of revenue. Various economic factors could affect the recognition of revenues and cash flows, including the success of the franchisees.

Adoption of New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2021-02, *Franchisors - Revenue from Contracts with Customers*, which introduces a new practical expedient that simplifies the application of Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). The practical expedient permits franchisors that are not public business entities to account for pre-opening services provided to a franchisees as distinct from the franchise license and as one single performance obligation rather than identifying multiple distinct performance obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Pronouncements (Continued)

The Company adopted the requirements of the new guidance as of January 1, 2020 (the date of Topic 606 adoption), utilizing the modified retrospective method of transition. Results for reporting periods beginning after January 1, 2020 are presented under ASC 606. The adoption of this ASU did not result in a change to the accounting for any of the in-scope revenue streams due to the limited number of stores in progress at the beginning of the year; as such, no cumulative effect adjustment was recorded.

Lease Accounting Standards Update

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU No. 2016-02, as amended by ASU No. 2019-10 is effective for nonpublic entities for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the consolidated financial statements.

In July 2018, FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption.

In June 2020, FASB issued ASU No. 2020-05, *Leases (Topic 842): Effective Dates for Certain Entities*, for private companies, to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company is currently assessing the impacts of this new standard, including the two optional transition methods.

Advertising Expenses

The Company expenses advertising costs as incurred. Total advertising expense for 2021 was \$235,104.

Income Taxes

Rosati's Franchise & Development, LLC is not a taxpaying entity for federal income tax purposes, and thus no provision or liability for income taxes is reflected in these consolidated financial statements. Income is taxed to the members in their respective returns.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

Rosati's Advertising Co-op, Inc. is a C-corporation, and as such, is subject to a provision for income taxes. Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes arise from the different basis of assets and liabilities recorded for financial statements and income tax reporting purposes. The deferred assets and liabilities represent future tax return consequences of those differences, which will be either taxable or deductible when the assets and liabilities are recovered or settled. As of December 31, 2021, the Company does not have any deferred taxes and does not have taxable income. Accordingly, no provision for income taxes is recorded.

Uncertainty

The pandemic continues to have significant effects on supply chains, the labor force, business and communities. COVID may impact various operations and financial results of the Company due the industry in which we operate. Management believes that Company is taking appropriate actions to mitigate the impact. However, the full impact on the Company cannot be reasonably estimated. No adjustments have been made to these financial statements as a result of this uncertainty.

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before consolidated financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing consolidated financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date (that is, nonrecognized subsequent events).

Management has evaluated subsequent events through April 27, 2022, which was the date that these consolidated financial statements were available for issuance, and determined that there were no significant nonrecognized subsequent events through that date.

3. CONCENTRATION OF CREDIT RISK

The Company has deposits at a financial institution in excess of federally insured limits of approximately \$740,000 at December 31, 2021.

ROSATI'S FRANCHISE & DEVELOPMENT, LLC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. INTANGIBLE ASSETS

At December 31, 2021, the Company had the following intangible asset:

	Gross Carrying Amount	Accumulated Amortization
License agreement	\$ 65,820	\$ 46,074

The aggregate amortization expense for the succeeding years relating to intangible assets is as follows:

<u>Year Ending</u>	
2022	\$ 6,582
2023	6,582
2024	<u>6,582</u>
TOTAL	<u><u>\$ 19,746</u></u>

5. RELATED PARTY LEASE

The Company has a lease for office space with a related party owned by one of the members of the Company. The lease commenced January 1, 2015 and is for a period of five years with an option to extend for an additional five-year term. The lease amount is \$6,000 per month. The option has not yet been formally exercised; however, the lease has continued on a month-to-month basis under mutually agreed-upon rent terms. Rent expense amounted to \$48,000 in 2021.

6. CONTINGENCIES

The Company is involved in litigation brought upon them during the normal course of business. Although the outcome of the lawsuits are not determinable, the Company vigorously defends their positions. In the opinion of management, any losses that may occur would not be material to the consolidated financial statements.

7. PAYCHECK PROTECTION PROGRAM LOAN

On April 9, 2020, the Company received a loan in the amount of \$89,612 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Company has elected to treat the PPP Loan proceeds under FASB ASC 470. Under the guidance in FASB ASC 470, the proceeds from the loans will remain recorded as a liability under either (1) the loan is, in part or wholly, forgiven and the debtor has legally released, or (2) the Company pays off the loan to the creditor. During the 2021 year, the Company received a written forgiveness notice from the Small Business Administration for \$89,612, and recorded this amount in other income in the statement of income and members' equity for the year ended December 31, 2021.

EXHIBIT L

STATE EFFECTIVE DATES

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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	
Indiana	
Wisconsin	

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.

EXHIBIT M
RECEIPTS

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 Rosati’s Franchise & Development, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant. New York State Law requires a franchisor to provide the franchise disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Rosati’s Franchise & Development, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed in **Exhibit B**.

The franchisor is Rosati’s Franchise & Development, LLC, located at 28381 Davis Pkwy #701, Warrenville, IL 60555. Its telephone number is (630) 393-2280.

Date of Issuance: April 25, 2023

The franchise seller for this offering is: *[Check all that apply.]*

<input type="checkbox"/> Jeffrey Rosati 28381 Davis Parkway Warrenville, Illinois 60555 (630) 393-2280	<input type="checkbox"/> Dan Perillo 28381 Davis Parkway Warrenville, Illinois 60555 (630) 393-2280
<input type="checkbox"/> _____ (write in name) 28381 Davis Parkway Warrenville, Illinois 60555 (630) 393-2280	<input type="checkbox"/> _____ (write in name) 28381 Davis Parkway Warrenville, Illinois 60555 (630) 393-2280

Rosati’s Franchise & Development, LLC authorizes the respective state agencies identified on **Exhibit B** to receive service of process for it in the particular state.

I have received a disclosure document dated April 25, 2023 that included the following Exhibits:

- Exhibit A State Specific Addenda
- Exhibit B State Administrators and Agents for Service of Process
- Exhibit C Franchise Agreement
- Exhibit D Multi-Unit Development
- Exhibit E Affiliated Restaurants
- Exhibit F Manual Table of Contents
- Exhibit G Confidentiality Agreement
- Exhibit H Listing of our Current Franchisees
- Exhibit I Listing of our Former Franchisees
- Exhibit J-1 Franchisee Organizations We Have Created, Sponsored, or Endorsed
- Exhibit J-2 Independent Franchisee Associations

Exhibit K Our Financial Statements
Exhibit L State Effective Dates
Exhibit M Receipt

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

KEEP THIS COPY FOR YOUR RECORDS.

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- Exhibit M Receipt

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Please sign this copy of the receipt, date your signature, and return it to Rosati's Franchise & Development, LLC, located at 28381 Davis Pkwy #701, Warrenville, IL 60555.