



**FRANCHISE DISCLOSURE DOCUMENT
TOSU, INC.**

Franchisor: TOSU, Inc., a Michigan corporation
98 E. Genesee Street
Iron River, Michigan 49935
(906) 265-9944
info@riverside-pizza.com

FRANCHISE DISCLOSURE DOCUMENT¹

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TOSU, Inc. (“TOSU”) operates restaurants providing on-premises and carry-out dining services and features gourmet pizza and other permitted food and beverage products under the name “Riverside Pizzeria”. The total investment necessary to begin operation of a Riverside Pizzeria franchise is \$350,000 to \$650,000. This includes the initial franchise fee of \$50,000 that must be paid to franchisor or affiliate. The total investment also includes the Opening Kit, which will consist of all of the Operations Manual, proprietary supplies, equipment and other items Franchise-specific items needed to operate the Franchised Business (“Opening Kit”).

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

You may wish to receive your Disclosure Document in another format that is more convenient to you. To discuss the availability of disclosures in different forms, contact the Franchisor at TOSU at 98 E. Genesee Street, Iron River, Michigan 49935 and (906) 265-9944.

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

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

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

Issued: March 31, 2023

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising Generally

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

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

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

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

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

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

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

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Item 1.

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

Special Risks to Consider About *This* Franchise

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

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

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

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EXHIBITS

- A. LIST OF REGISTERED AGENTS FOR SERVICE OF PROCESS
- B. LIST OF STATE ADMINISTRATORS
- C. FINANCIAL STATEMENTS
- D. FRANCHISE AGREEMENT
- E. STATE SPECIFIC ADDENDA
- F. OPERATIONS MANUAL TABLE OF CONTENTS
- G. LIST OF FRANCHISEES
- H. DISCLOSURE DOCUMENT RECEIPTS

Item 1: THE FRANCHISOR, PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language, this disclosure document (the "Disclosure Document") uses "we," "us" and "Riverside Pizzeria Restaurants" to mean TOSU, the franchisor. "You" means either the individual or the entity considering the purchase of a TOSU franchise (the "Franchised Business").

Franchisor, Parent, and Affiliates

We are a Michigan corporation that was organized on August 4, 1988. We conduct business under the name Riverside Pizzeria. We do not conduct business under any other name. Our principal business address is 98 E. Genesee Street, Iron River, Michigan 49935. We have no parent. We have no affiliates at this time.

Agent for Service of Process

Our agent for service of process is Thomas E. Fritz. The principal business address is 98 E. Genesee Street, Iron River, Michigan 49935.

Prior Experience

We started our first restaurant and we organized TOSU in August of 1988. We started to sell Riverside Pizzeria franchises in March 2023. We currently own and operate 1 Riverside Pizzerias located 98 E. Genesee Street, Iron River, Michigan 49935.

The Business We Offer

We have developed a system for the operation of restaurants operating under the "Riverside Pizzeria" name providing on-premises and carry-out dining services and featuring gourmet pizza and other permitted food and beverage products (collectively, "Menu Items"). Most Menu Items are prepared according to Franchisor's specified recipes, standards and procedures and incorporate high-quality ingredients, including its specially formulated and/or specially produced proprietary lines of dough, meats and other food products (collectively, "Trade Secret Food Products"), as well as other food products (not constituting Trade Secret Food Products) that are branded and/or packaged exclusively for its system and franchisees (collectively, "Branded Products"), which include non-food products that are branded and/or packaged exclusively for Franchisor's system and franchisees.

The market for pizzeria restaurants is fully developed but such related food and beverage products differ from the Menu Items we provide. Your competitors include other dine-in and carry-out restaurants.

Applicable Regulations

You must comply with federal, state, and local health and environmental safety regulations concerning the proper handling of food products. You should investigate the application of these laws further. We are available to assist you in that regard.

Item 2: BUSINESS EXPERIENCE

Owner, President, Treasurer and Director: Tom Fritz

The Fritz Family has been the owner of Riverside Pizzeria since 1988. Mr. Fritz has been in the restaurant and pizzeria business since 1992.

Owner and Secretary: Susan Fritz

Mrs. Fritz has been in the restaurant and pizzeria business since 2016.

Item 3: LITIGATION

Pending Actions

We are not currently involved in any pending litigation actions.

Prior Actions

We have no lawsuits involving the franchise relationship to disclose in this Disclosure Document.

Governmental Actions.

There are no government injunctive or restrictive actions to disclose in this Disclosure Document.

Item 4: BANKRUPTCY

No person previously identified in Items 1 or 2 of this Disclosure Document has been involved as a debtor in proceedings under the U.S. Bankruptcy Code or the laws of any foreign nations relating to bankruptcy required to be disclosed in this Item.

Item 5: INITIAL FEES

Upon signing the franchise agreement (the "Franchise Agreement"), you must pay us an initial franchise fee (the "Initial Franchise Fee") of \$50,000 in a lump sum. There are no refunds of the Initial Franchise Fee under any circumstances.

We reserve the right to alter the Initial Franchise Fee periodically as business circumstances warrant.

Item 6: OTHER FEES

| Type of fee | Amount | Due Date | Remarks |
|-----------------------------------|--|--|--|
| Additional Franchise Fee (Note 1) | \$50,000 | Payable upon execution of a leased space or as otherwise agreed between us | Payable for each additional Franchise |
| Royalty (Note 1) (Note 2) | 4% of monthly gross revenues unless yearly grossly revenue surpasses \$700,000 then 5% of monthly gross revenues | Payable monthly on the 10 th day of the next month | Gross revenues are defined in Section 6.4 of the Franchise Agreement |
| Marketing (Note 1) | An amount agreed to be agreed to by the parties | Same as royalty fee | |
| Transfer | No fee | | |
| Renewal | No fee | | |

Notes:

1. All fees are imposed by and are paid to TOSU. Those fees are nonrefundable.
2. If payment of Royalty Fees is overdue, you must pay interest on such amounts from the date it was due until paid, at the lesser of either the rate of eighteen (18%) percent per annum or the maximum rate permitted by law.

Item 7: ESTIMATED INITIAL INVESTMENT

| Type of expenditure | Amount | Method of payment | When Due | To Whom Payment is to be Made |
|--|------------------|--------------------------|-----------------------------------|---|
| Initial franchise fee (Note 1) | \$50,000 | Lump sum | At signing of franchise agreement | Us |
| Initial training expenses while training | \$5,000 | As incurred | During training | Us or payable to franchisee conducting the training |
| Miscellaneous opening costs (Note 2) | \$350,000 | As incurred | As incurred | Suppliers, utilities, etc. |
| Computer Costs/Accounting Training | \$20,000 | As incurred | Before opening | Suppliers |
| Insurance (Note 3) | \$3500 | As incurred | Before and after opening | Insurance company |
| TOTAL (Note 4) | \$428,000 | | | |

Notes:

- (1) This amount includes the cost for the Opening Kit. We do not finance this or any other fee. No fees are refundable.
- (2) This estimates your start-up expenses. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our services; the prevailing wage rate; competition; and the sales level reached during the initial period.
- (3) Insurance premiums vary and while we provide an estimate you should obtain quotes for insurance from insurance companies of your choice before proceeding.
- (4) You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not finance this or any other fee. No fees are refundable.

Item 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Operations Manual (the "Operations Manual")

All forms, marketing materials, graphics, products, supplies and other materials used in the operation of the Franchised Business shall comply with our specifications and System Standards and, if required by us, shall be purchased only from approved suppliers designated by us, all of which is set out in our Operations Manual.

Required purchases; required and approved suppliers

We may require that you purchase from us, or Approved Suppliers, the Proprietary Supplies, at then prevailing prices, plus freight, taxes and delivery costs. We have no obligation to evaluate or consider alternative suppliers of Proprietary Supplies. You may not purchase and sell Products and services or other items or services that have not been previously approved for sale.

We may negotiate group or volume purchasing arrangements with Approved Suppliers. We will be entitled to all rebates, bonuses and promotional benefits associated with those programs. You must not, without our prior written consent, sell, dispense, give away or otherwise provide Products or other items except by means of retail sales to customers at the Franchised Business. You must immediately implement changes to the Service and Products or other items requested by us. You must maintain an inventory of Products and capacity to perform the Services sufficient to meet the daily demands of the Franchised Business.

Approval of alternative suppliers

TOSU may approve other suppliers who demonstrate to our continuing reasonable satisfaction the ability to meet our standards and specifications; who possess adequate quality controls and capacity to supply your needs promptly and reliably; and who have been approved in writing by

us and not thereafter disapproved. We will furnish to you a list of Approved Suppliers. If you desire to purchase or lease any unapproved product, supplies, service or equipment or purchase or lease any approved product, supplies, service or equipment from an unapproved supplier, you must notify us in writing and request approval. We have the right to require that our representatives be permitted to inspect the proposed supplier's facilities and test or evaluate the proposed supplier's product, supplies, service or equipment. We have the right to request that samples be delivered to us or to an independent testing facility chosen by us. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test will be paid by you or the supplier. We will, within ten (10) days of receipt of a completed request and completion of the evaluation and testing, notify you in writing of our approval or disapproval of the supplier and/or the proposed product, supplies, service or equipment. We reserve the right, at our option, to reinspect the facilities of any such approved supplier and to re-test or re-evaluate any previously approved Products, supplies, service or equipment and to revoke our approval upon the supplier's failure to continue to meet any of our then-existing supplier, product, equipment or service criteria, or as otherwise reasonably determined by us.

Cooperatives

We do not have any purchasing or distribution cooperatives and we do not know of purchasing or distribution cooperative associated with us or our franchisees.

Item 9: FRANCHISEE'S OBLIGATIONS

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

| Obligation | Section in agreement | Disclosure document item |
|---|---|--------------------------|
| (a) Site selection and acquisition / lease | Section 2.2 | Item 12 |
| (b) Pre-opening purchases/leases | NA | NA |
| (c) Site development and other pre-opening requirements | NA | NA |
| (d) Initial and ongoing training | Section 4.2 of Franchise Agreement | Item 11 |
| (e) Opening | Sections 4.1 and 5.2 of Franchise Agreement | Item 11 |
| (f) Fees | Section 6 of Franchise Agreement | Items 5, 6 and 7 |

| Obligation | Section in agreement | Disclosure document item |
|--|--|---------------------------------|
| (g) Compliance with standards and policies/Operations Manual | Sections 5.3.2 and 9.1 of Franchise Agreement | Items 8 and 11 |
| (h) Trademarks and proprietary information | Sections 7 and 9.2 of Franchise Agreement | Items 13 and 14 |
| (i) Restrictions on products/services offered | Sections 2.4, 5.3.5 and 5.3.6 of Franchise Agreement | Items 8 and 16 |
| (j) Warranty and customer service requirements | Section 5.3.2.6 of Franchise Agreement | Item 1 |
| (k) Territorial development and sales quotas | NA | NA |
| (l) On-going product/service purchases | Sections 5.3.4 and 5.3.5 of Franchise Agreement | Item 8 |
| (m) Maintenance, appearance and remodeling requirements | NA | NA |
| (n) Insurance | Section 5.5 of Franchise Agreement | Item 7 |
| (o) Advertising and Marketing Fees | Sections 8.3 of Franchise Agreement | Items 6 and 11 |
| (p) Indemnification | Section 16.2 of Franchise Agreement | NA |
| (q) Owner's participation management/staffing | Section 5.4 of Franchise Agreement | Items 11 and 15 |
| (r) Records and reports | Sections 5.3.9 and 10 of Franchise Agreement | Item 11 |
| (s) Inspections and audits | Section 10 of Franchise Agreement | Item 11 |
| (t) Transfer | Section 12 of Franchise Agreement | Items 6 and 17 |
| (u) Renewal | Section 3.2 of Franchise Agreement | Item 17 |
| (v) Post-termination obligations | Sections 10.3 and 15 of Franchise Agreement | Item 17 |
| (w) Non-competition covenants | Section 11 of Franchise Agreement | Item 17 |

| Obligation | Section in agreement | Disclosure document item |
|------------------------|-----------------------------------|--------------------------|
| (x) Dispute resolution | Section 18 of Franchise Agreement | Item 17 |
| (y) Other (describe) | NA | NA |

Item 10: FINANCING

We do not provide, directly or indirectly, any financing for you. We have no control over and cannot predict whether you will be able to obtain financing for all or part of your investment or, if you do obtain financing, the terms of that financing. We do not place financing with any lender and, therefore, do not receive any payment for the placement of financing. We do not guarantee any note, lease or other of your obligations.

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

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

Pre-Opening Assistance

Before you open your business, TOSU will:

- (1) Designate your "Designated Territory" within which you will operate your Franchised Business. See Item 12 for additional information on the Designated Territory (Franchise Agreement, Section 2.3).
- (2) Provide an initial training program to you (Franchise Agreement, Section 4.2);
- (3) Provide the confidential Operations Manual to you (Franchise Agreement, Section 4.3);
- (4) Provide advertising and marketing assistance to you (Franchise Agreement, Sections 4.4 and 8); and
- (5) To the extent necessary and in addition to the Operations Manual, provide specifications for products and services required for operations (including, but not limited to, information regarding approved suppliers).

Continuing Assistance

During the operation of the franchised business, TOSU will:

- (1) Provide you with operating assistance and guidance (Franchise Agreement, Section 4.4);

(2) Develop new products and methods and provide you with information about developments. (Franchise Agreement, Section 4.5);

(3) Provide additional training as needed (Franchise Agreement, Section 4.2.1); and

(4) Continually evaluate approved supplier relationships and review potential alternative suppliers (Franchise Agreement, Section 5.3.6).

Advertising

We may prepare, produce, conduct and place advertising and promotional programs in any media they or we select, including any Internet-like system or protocol, and any joint marketing with any Affiliates. We have the sole discretion to determine the nature and type of media placement, the allocation of advertising in each market, and the content of any advertising copy or other materials and programs.

We may also conduct market research, public relations and customer surveys. We and our Affiliates may hire and pay from any advertising agency, public relations firm and similar source to formulate, develop, produce, conduct and place the advertising, promotional programs and materials.

We may provide to you newspaper mats, television and radio commercial tapes, merchandising materials and other items. See Section 8.1 of the Franchise Agreement.

TOSU reserves the right to prepare, produce and place advertising and promotional programs in any regional or national media and seek monthly marketing fees from you.

In the event of a brand crisis that brings media attention to TOSU, you must direct all inquiries to us.

Allocation of Production and Administrative Expenses

TOSU may require payment of Marketing Fees in the future per Section 8.3 of the Franchise Agreement.

Computer, Point of Sale and Website/Internet Requirements

(1) Computer System

TOSU requires you to have a computer system for use in operating the business in accordance with our specifications. We specify specific computer hardware and software, so you have enough functionality to carry out ordinary business functions, as provided in the Operations Manual. The franchisee bears the cost of installation, maintenance, repair, upgrades and updates to the computer system, which may be reasonably required from time to time. TOSU does not have independent access to franchisee's computer system but

reserves the right to conduct periodic audits of any records contained in such computer systems.

(2) Point of Sale System

Upon reasonable notice by TOSU, we may require you to install and use such pre-authorized payment and computerized point of sales systems, credit verification systems, automatic payment systems, electronic funds transfer systems, or automatic banking system.

(3) Website and Internet

TOSU is permitted, but not required to establish and maintain one or more websites using any domain name containing the words "Riverside Pizzeria" or any variation thereof, including any domain name, URL or Internet address, or as a hidden search term used by Internet search engines (for example, as a "metatag"), or install a hyperlink to any other Web Site on the World Wide Web, without our prior written consent. You may use the Marks on your Web Site provided you identify your Designated Territory in conjunction with your use of the Marks. We retain the right to pre-approve your use of linking and framing between your Web pages, if any, and all other Web sites on the Internet. You will, within five (5) days, dismantle any frames and links between your Web pages and any other Web sites, if we request.

Operations Manual

You will be allowed to review the Operations Manual before signing the Franchise Agreement on the condition that you agree that the Operations Manual is confidential and remains our property. We may, from time to time, modify the Operations Manual, but any modification will not alter your status and rights under the Franchise Agreement (Franchise Agreement, Section 9). The table of contents for the Operations Manual is attached as Exhibit F.

Training

We will provide both classroom and on-the-job training. We will train you at such location as we may designate. This training will cover marketing, budgeting, understanding the programs and systems that we have in place, methods and suggestions for servicing and supporting your customers, quality control measures and preparation and use of forms.

| TRAINING PROGRAM | | | |
|-------------------------|-----------------------------|------------------------------|------------------|
| Subject | Hours of Classroom Training | Hours of Training On-the-Job | Location |
| Administration | 5 hours | 40 hours | On-Site Training |
| Operations Training | 5 hours | 40 hours | On-Site Training |

We conduct training as needed, realizing that the experience levels of our franchisees differ from franchisee to franchisee. You are responsible for all travel and associated expenses associated

with the training program. You and your manager must complete the training program to our satisfaction. We have the right to require that any subsequent manager complete our training program to our satisfaction. See Section 4.2.3 of the Franchise Agreement. Any additional employee may be trained, at your option and expense.

Item 12: TERRITORY

We grant you the right to operate one Franchised Business within a geographic area (“Designated Territory”) specified in your Franchise Agreement. The Designated Territory is an exclusive territory, which is the area you are allowed to market and actively solicit business. You will operate within your Designated Territory and must receive our permission before relocating. You may face competition Competing Business or from other franchisees outside of your Designated Territory, although we require that franchisees not actively solicit business outside of their Designated Territory without our prior written permission. See Section 2.3 of the Franchise Agreement.

We retain the right to offer or sell all services which relate to the Franchised Business including the right to solicit or accept orders within your Designated Territory, the right to operate itself or grant others the right to operate a Franchised Business outside of the Territory regardless of proximity and the right to use alternative channels of distribution (such as mail order solicitations, Internet, catalog sales, telemarketing or radio solicitation programs or use any other advertising media) within or outside of the Designated Territory.

You maintain rights to your area even if the population increases so long as you can handle the work. However, we retain the right, in our sole discretion, to reevaluate your ability to do the work in that area annually. There is no minimum sales quota, however, the Franchise Agreement requires you to agree that, at all times, you will faithfully, industriously and to the best of your ability, experience and talent perform all of the duties required under the terms and conditions of the Franchise Agreement.

Item 13: SERVICE MARK

We grant you the right to operate your Franchised Business under the name “Riverside Pizzeria.”

You must follow our rules when you use the Mark. You cannot use the Mark as part of a corporate name or with modifying words, designs, or symbols, except for those which we license to you. You may not use the Mark in connection with the sale of any unauthorized product or service, or in a manner that we have not authorized in writing. No agreements limit our right to use or license the use of the Mark. You must notify us immediately when you learn about an infringement of, or challenge to, your use of the Mark. We will then take the action we think appropriate. While we are not required to defend you against a claim against your use of the Mark, we will reimburse you for your liability and reasonable costs in connection with defending the Mark. To receive reimbursement, you must have notified us immediately when you learned about the alleged infringement or challenge. You must modify or discontinue the use of the Mark if we modify or discontinue using it. If this happens, we will reimburse you for your tangible costs of compliance (for example, changing signage). You must not directly or indirectly contest our right to the Mark

or any other trademarks, service marks, trade secrets, or business techniques that are part of our business.

Item 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents are material to the franchise. We own certain copyrights in the Operations Manual, marketing materials and other copyright protected items that we use. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Copyright Office but need not do so to protect them. You may use these items as we specify while Operating your Franchised Business and must stop using them if we direct you to do so. Our right to use or license Riverside Pizzeria items is not materially limited by any other agreement or any known infringing use.

The Franchise Agreement provides that the Operations Manual, our trade secrets, copyrighted materials, methods, techniques and other know-how are proprietary to us and are provided to you in confidence (the "Confidential Information"). You may use the Confidential Information only for the purposes of Operations of your Franchised Business. You may not contest our ownership of the Confidential Information.

You must also promptly tell us when you learn about the unauthorized use of the Confidential Information. We are not obligated to take any action, but we will respond to your notification of unauthorized use as we think appropriate. We will indemnify you for any loss you sustain as a result of any action brought by a third party concerning your use of this Confidential Information

Item 15: OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Except as we otherwise permit, you (or, if you are an entity, a principal, managing member, or general partner of the entity) must devote full-time and best efforts to the management and operation of the Franchised Business. You must successfully complete the initial training program and you must operate the Franchised Business. You may also request approval of a Manager who has completed the initial training program to whom you are permitted to delegate your obligation to manage and operate the Franchised Business.

Each Principal Owner of a Franchised Business and spouse must personally guarantee all of the obligations of the "Franchisee" under the Franchise Agreement in the form of Exhibit A of the Franchise Agreement. A "Principal Owner" means a general partner in you or any owner which has a direct or indirect interest in you of 5% or more or as designated as a Principal Owner in Exhibit A.

Item 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only sell Products and services or other items or services that were previously approved for sale. You must refrain from using or permitting the use of the Franchised Business for any other purpose or activity at any time without first obtaining our written consent; and must operate the Franchised Business in strict conformity with the methods, standards and specifications in the Operations Manual and as we may require otherwise in writing. Our system may be supplemented,

improved and otherwise modified by us at anytime and you must comply with all of our reasonable requirements in that regard.

Item 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

| Provision | Section in Franchise Agreement | Summary |
|---|---------------------------------------|---|
| a. Length of the franchise term | Section 3.1 | 5 years |
| b. Renewal or extension of the franchise ² | Section 3.2 | Additional 5-year terms if you meet certain requirements |
| c. Requirements for you to renew or extend | Section 3.2 | Written notice to us; not in default; have timely satisfied monetary obligations to us; execution of then current form of Franchise Agreement; you and Manager to attend any retraining required. |
| d. Termination by you | None | You may terminate upon grounds available by law |
| e. Termination by us without cause | None | N/A |
| f. Termination by us with cause | Section 14 | We can terminate only if you default |

² **Reinstatement and Extensions.** If any termination or expiration of the Term would violate any applicable law, we may reinstate or extend the Term for the purpose of complying with the laws, for the duration we provide in written notice to you, without waiving any of our rights under, or otherwise modifying, the Franchise Agreement.

| Provision | Section in Franchise Agreement | Summary |
|--|--------------------------------|---|
| g. "Cause" defined – curable defaults | Section. 14.2 | <p>Unless state law gives you more time, we may give you an option to cure such default. Defaults include: insolvency, appointment of receiver, assignment for benefit of creditors, unsatisfied judgment, levy or foreclosure against you, you cease to operate the Franchised Business, convicted of a felony or other crime that is reasonably likely to adversely affect us or the Marks, you transfer any rights or obligations contrary to the terms in the Franchise Agreement, you fail to comply with the covenants set forth in this Agreement, you in any 12 month period fail to make timely payments of fees.</p> <p>Other defaults of any term of Franchise Agreement will have 60 days after receipt of written notice of default to cure.</p> |
| h. "Cause" defined – non-curable defaults ³ | Section 14.1 | Non-curable default is bankruptcy; |
| i. Your obligations on termination/nonrenewal | Section 15 | Cease to operate franchise business; cease use of service marks; return materials including Operations Manual; discontinue use of Marks on materials including websites displaying the Marks; pay all sums owing to us and continue to comply with continuing obligations in Franchise Agreement; see also "r" below |
| j. Assignment of contract by us | Section 12.6 | We may assign or transfer Agreement without your written permission |

³ **Termination on Bankruptcy.** A provision in your Franchise Agreement that terminates your Franchise upon your bankruptcy may not be enforceable under Title 11, United States Code Section 101 *et seq.*

| Provision | Section in Franchise Agreement | Summary |
|---|---------------------------------------|--|
| k. "Transfer" by you – definition | Section 12.1 | Includes transfer of any interest in franchise, agreement or ownership interests held by you |
| l. Our approval of transfer by you | Section 12.2 | Any transfer is subject to our approval |
| m. Conditions for our approval of transfer | Sections 12.2, 12.5 and 12.7 | All obligations paid in full; release signed by you; transferee qualifies; transferee signs written assignment; transferee must demonstrate qualifications standard we determine; transferee executes franchise agreement; may be assigned to an entity (see also "r" below) |
| n. Our right of first refusal to acquire your business | Section 13 | We have the right to match any offer |
| o. Our option to purchase your business | Section 15.2 | Upon termination, we may purchase the assets of the franchise |
| p. Your death or disability | Section 12.8 | Franchise must be assigned to approved party within 180 days |
| q. Non-competition covenants during the term of the franchise | Section 11.1 | No interest in a competitive business anywhere |
| r. Non-competition covenants after the franchise is terminated or expires | Section 11.1 | For 18 months cannot have any interest in a competitive business; cannot solicit customers or employees |
| s. Modification of the agreement | Section 18.7 | No modifications generally unless written, but Operations Manual subject to change |
| t. Integration/merger clause | N/A | N/A |
| u. Dispute resolution by arbitration or mediation | N/A | N/A – Section 18.3 waives jury trial |
| v. Choice of forum | Sections 18.2 | Subject to state law |
| w. Choice of law | Section 18.1 | Michigan law applies |

Item 18: PUBLIC FIGURES

No public figures are associated with or used to promote the Franchised Business.

Item 19: FINANCIAL PERFORMANCE REPRESENTATION

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

We do not make any representations about a franchisee's future financial or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Tom Fritz at 98 E. Genesee Street, Iron River, Michigan 49935, (906) 265-9944, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20: OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1: Systemwide Outlet Summary
for Years 2020 to 2022**

| (Column 1) Outlet Type | (Column 2) Year | (Column 3) Outlets at the Start of the Year | (Column 4) Outlets at the End of the Year | (Column 5) Net Change |
|-----------------------------------|----------------------------|--|--|----------------------------------|
| Franchised | 2020 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 |
| Franchisor-Owned | 2020 | 1 | 0 | 1 |
| | 2021 | 1 | 0 | 1 |
| | 2022 | 1 | 0 | 1 |
| Total Outlets | 2020 | 1 | 0 | 1 |
| | 2021 | 1 | 0 | 1 |
| | 2022 | 1 | 0 | 1 |

**Table No. 2: Transfers of Outlets From Franchisees to New Owners
for Years 2019-2022**

| (Column 1) State | (Column 2) Year | (Column 3) Number of Transfers |
|---------------------|--------------------|-----------------------------------|
| Michigan | 2020 | 0 |
| | 2021 | 0 |
| | 2022 | 0 |
| Wisconsin | 2020 | 0 |
| | 2021 | 0 |
| | 2022 | 0 |
| TOTAL | | 0 |

**Table No. 3: Status of Franchised Outlets
for Years 2019 to 2022**

| (Col. 1) State | (Col. 2) Year | (Col. 3) Outlets at Start of Year | (Col. 4) Outlets Opened | (Col. 5) Termina- tions | (Col. 6) Non- Renewal s | (Col. 7) Reacquire d by Franchisor | (Col. 8) Ceased Operation s, Other Reasons | (Col. 9) Outlet s at End of the Year |
|-------------------|------------------|---|-------------------------------|-------------------------------|----------------------------------|---|--|---|
| Michigan | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Wisconsin | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |

**Table No. 4: Status of Franchisor-Owned Outlets
for Years 2019 to 2022**

| (Col. 1) State | (Col. 2) Year | (Col. 3) Outlets at Start of Year | (Col. 4) Outlets Opened | (Col. 5) Outlets Reacquired From Franchisees | (Col. 6) Outlets Closed | (Col. 7) Outlets sold to Franchisees | (Col. 8) Outlets at End of Year |
|-------------------|------------------|--|-------------------------------|--|-------------------------------|---|--|
| TOTAL | 2020 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 1 |

Table No. 5: Projected Openings as of December 31, 2022

| (Column 1) State | (Column 2) Franchise Agreements Signed But Outlet Not Opened | (Column 3) Projected New Franchised Outlets in the Next Fiscal Year | (Column 4) Projected New Company-Owned Outlets in the Current Fiscal Year |
|---------------------|---|--|---|
| Michigan | 0 | 0 | 0 |
| Wisconsin | 0 | 1-2 | 1-2 |
| TOTAL | 0 | 1-2 | 1-2 |

Exhibit G lists the names of all our current franchisees and the addresses and telephone numbers of their outlets as of December 31, 2022.

Below is a list of the franchisees that have left the franchise during the last fiscal year. Note that if you buy this franchise, your contact information may be disclosed to other buys when you leave the franchise system.

No franchisees left the franchise during the last fiscal year.

Item 21: FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit C please find our audited financial statements for 2020, 2021, and 2022.

Item 22: CONTRACTS

The Franchise Agreement is attached as Exhibit D to this Disclosure Document.

Item 23: RECEIPTS

You will find copies of a detachable receipt in Exhibit H at the very end of the Disclosure Document.

TOSU

EXHIBIT A TO THE DISCLOSURE DOCUMENT

LIST OF STATE AGENTS FOR SERVICE OF PROCESS

| | |
|---|---|
| <p>CALIFORNIA Commissioner of Financial Protection and Innovation Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500</p> | <p>NEW YORK Secretary of State One Commerce Plaza 99 Washington Avenue Albany, New York 12231 (518) 473-2492</p> |
| <p>HAWAII Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division, Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722</p> | <p>NORTH DAKOTA Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor Bismarck, ND 58505-0510 (701) 328-4712</p> |
| <p>ILLINOIS Attorney General of the State of Illinois 500 South Second Street Springfield, IL 62706 (217) 782-4465</p> | <p>RHODE ISLAND Department of Business Regulation, Securities Division 1511 Pontiac Avenue John O. Pastore Complex-Building 68-2 Cranston, RI 02920 (401) 222-3048</p> |
| <p>INDIANA Secretary of State Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681</p> | <p>SOUTH DAKOTA Director of Division of Securities 124 S. Euclid Avenue, Suite 104 Pierre, SD 57501 (605) 773-4823</p> |
| <p>MARYLAND Maryland Securities Commissioner 200 St. Paul Place, 20th Floor Baltimore, MD 21202 (410) 576-7042</p> | <p>VIRGINIA Clerk of the State Corporate Commission 1300 E. Main Street, 1st Floor Richmond, VA 23219 (804) 371-9051</p> |
| <p>MICHIGAN Department of Attorney General Consumer Protection Division Franchise Section 670 G. Mennen Williams Building, 1st Floor 525 West Ottawa Street Lansing, MI 48913 (517) 373-7117</p> | <p>WASHINGTON Director of Department of Financial Institutions 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760</p> |
| <p>MINNESOTA Commissioner of Commerce Department of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101 (651) 296-6328</p> | <p>WISCONSIN Administrator, Division of Securities Department of Financial Institutions 201 West Washington Avenue, Suite 300 Madison, WI 53703 (608) 266-1046</p> |

TOSU, INC.

EXHIBIT B TO THE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS

| | |
|---|---|
| CALIFORNIA Commissioner of Business Oversight Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 Effective Date: | NEW YORK New York State Department of Law Bureau of Investor Protection and Securities 120 Broadway, 23 rd Floor New York, NY 10271 (212) 416-8211 Effective Date: |
| HAWAII Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division, Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722 Effective Date: | NORTH DAKOTA North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712 Effective Date: _____ |
| ILLINOIS Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465 Effective Date: | RHODE ISLAND Director of Department of Business Regulation 1511 Pontiac Avenue John O. Pastore Complex, Building 69-1 Cranston, RI 02920 (401) 462-9500 Effective Date: |
| INDIANA Indiana Secretary of State Franchise Section 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681 Effective Date: | SOUTH DAKOTA Department of Labor and Regulation Division of Securities 124 S. Euclid Avenue, Suite 104 Pierre, SD 57501 (605) 773-4823 Effective Date: |
| MARYLAND Office of the Attorney General, Securities Division 200 St. Paul Place, 20 th Floor Baltimore, MD 21202 (410) 576-6360 Effective Date: _____ | VIRGINIA State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9 th Floor Richmond, VA 23219 (804) 371-9051 Effective Date: |
| MICHIGAN Department of Attorney General Consumer Protection Division, Franchise Section 670 G. Mennen Williams Building, 1 st Floor 525 West Ottawa Street Lansing, MI 48913 (517) 373-7117 Effective Date: | WASHINGTON Department of Financial Institutions Securities Division PO Box 9033 Olympia, WA 98501 (360) 902-8760 Effective Date: _____ |

MINNESOTA

Department of Commerce
Securities Unit
85 7th Place East, Suite 500
St. Paul, MN 55101
(651) 296-4973
Effective Date:

WISCONSIN

Department of Financial Institutions
Division of Securities
201 West Washington Avenue, Suite 300
Madison, WI 53703
(608) 266-1064
Effective Date:

TOSU

EXHIBIT C TO THE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

**TOSU, INC. Financial Statements
for the years ended December 31, 2020, December 31, 2021, and
December 31, 2022.**

Tosu Inc
Profit & Loss Prev Year Comparison
January through December 2022

| | Jan - Dec 22 | Jan - Dec 21 | \$ Change |
|--------------------------------------|-------------------|-------------------|------------------|
| Ordinary Income/Expense | | | |
| Income | | | |
| 9500 · Rent Income | 1,500.00 | 2,700.00 | -1,200.00 |
| Employee Charges | 4,304.50 | 3,774.62 | 529.88 |
| Gift Certificates | 10,445.00 | 11,074.90 | -629.90 |
| Sales-Bar | 40,594.90 | 29,132.60 | 11,462.30 |
| Sales-Food | 568,601.23 | 542,184.62 | 26,416.61 |
| Sales-Liquor | 87,341.62 | 53,462.82 | 33,878.80 |
| Total Income | 712,787.25 | 642,329.56 | 70,457.69 |
| Cost of Goods Sold | | | |
| 4305 · Cost of Sales-Bar | 20,448.65 | 14,878.63 | 5,570.02 |
| 4300 · Cost of Sales-BW&L | 33,513.66 | 22,721.11 | 10,792.55 |
| 4310 · Cost of Sales-Food | 197,539.15 | 162,886.93 | 34,652.22 |
| 4320 · Cost of Sales-Other | 12,102.80 | 10,186.92 | 1,915.88 |
| Total COGS | 263,604.26 | 210,673.59 | 52,930.67 |
| Gross Profit | 449,182.99 | 431,655.97 | 17,527.02 |
| Expense | | | |
| CoVid 19 | 0.00 | 1,011.45 | -1,011.45 |
| Food/Beverage | 0.00 | 169.78 | -169.78 |
| VFW | 0.00 | -364.37 | 364.37 |
| Sub Chapter S Distribution | 0.00 | 40,000.00 | -40,000.00 |
| 6788 · Supplies | | | |
| 6782 · Kitchen Supplies | 5,034.79 | 3,850.41 | 1,184.38 |
| 6780 · Office Supplies | 1,366.56 | 457.02 | 909.54 |
| 6781 · Building Supplies | 790.97 | 227.31 | 563.66 |
| 6788 · Supplies - Other | 668.68 | 430.54 | 238.14 |
| Total 6788 · Supplies | 7,861.00 | 4,965.28 | 2,895.72 |
| 7005 · Memorabilia | 827.26 | 0.00 | 827.26 |
| 6731 · Vehicle Expense Plow Truck | 0.00 | 37.46 | -37.46 |
| 6734 · Parking Lot Maintenance/Snow | 754.72 | 1,609.57 | -854.85 |
| 6935 · Mistake Pizzas | -297.23 | -337.78 | 40.55 |
| 6995 · Insurance-Umbrella | 698.30 | 234.00 | 464.30 |
| 6751 · Rent Expense | 10,800.00 | 10,800.00 | 0.00 |
| 8500 · Membership Fee | 377.98 | 133.14 | 244.84 |
| 6705 · Pest Control | 923.00 | 906.22 | 16.78 |
| Michigan Business Tax | 0.00 | -26.16 | 26.16 |
| Bad Debt | 0.00 | 62.24 | -62.24 |
| Co. Sep. Expense | 1,170.31 | 2,074.12 | -903.81 |
| Employer Social Security | 12,570.23 | 11,943.61 | 626.62 |
| Salary Regular | 73,499.92 | 73,499.92 | 0.00 |
| Wages-cooks | 72,365.69 | 66,674.09 | 5,691.60 |
| Wages-waitresses | 27,864.73 | 29,109.08 | -1,244.35 |
| 6560 · Payroll Expenses | | | |
| Employer Medicare | 2,939.80 | 2,793.30 | 146.50 |
| FUTA Expense | 624.05 | 559.12 | 64.93 |
| 6561 · SUTA Expense | 84.04 | 78.54 | 5.50 |
| 6560 · Payroll Expenses - Other | 13,203.63 | 13,625.64 | -422.01 |
| Total 6560 · Payroll Expenses | 16,851.52 | 17,056.60 | -205.08 |
| 6700 · Operating Supplies | 8,138.09 | 7,297.97 | 840.12 |
| 6710 · Utilities | | | |
| 6712 · Security System | 1,284.40 | 264.00 | 1,020.40 |
| 6708 · Water & Sewer | 2,134.48 | 1,390.00 | 744.48 |
| 6709 · Iron River Cable | 1,632.00 | 1,360.00 | 272.00 |
| 6710 · Utilities - Other | 18,582.27 | 16,184.93 | 2,397.34 |
| Total 6710 · Utilities | 23,633.15 | 19,198.93 | 4,434.22 |
| 6720 · Verizon | 1,912.99 | 2,993.07 | -1,080.08 |
| 6730 · Vehicle Expense | 15,830.68 | 6,393.52 | 9,437.16 |
| 6740 · Advertising | 18,895.96 | 20,149.74 | -1,253.78 |

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Cash Basis

Tosu Inc
Profit & Loss Prev Year Comparison
January through December 2022

| | Jan - Dec 22 | Jan - Dec 21 | \$ Change |
|--------------------------------------|-------------------|-------------------|-------------------|
| 6750 · Repairs & Maintenance | 7,654.60 | 10,526.05 | -2,871.45 |
| 6760 · Postage, Dues & Subscriptions | 75.20 | 239.02 | -163.82 |
| 6770 · Waste Removal | 1,136.59 | 1,064.55 | 72.04 |
| 6790 · 1120 Taxes | 0.00 | -3.70 | 3.70 |
| 6800 · Property Taxes | 6,737.40 | 6,571.73 | 165.67 |
| 6830 · Miscellaneous Expense | 14,635.40 | 7,562.20 | 7,073.20 |
| 6870 · Freight | 577.67 | 639.72 | -62.05 |
| 6910 · Travel Expense | 236.79 | 0.00 | 236.79 |
| 6920 · Professional Fees | 4,259.80 | 9,137.20 | -4,877.40 |
| 6930 · Donations | 4,825.65 | -532.25 | 5,357.90 |
| 6940 · Licenses & Permits | 531.00 | 355.00 | 176.00 |
| 6950 · Insurance-Workmen's Comp. | 1,183.09 | 893.00 | 290.09 |
| 6970 · Insurance-Gneral Liability | 7,598.66 | 2,822.04 | 4,776.62 |
| 6980 · Insurance-Auto | 2,371.20 | 1,942.86 | 428.34 |
| 6990 · Insurance-Liquor Liability | 603.00 | 603.00 | 0.00 |
| Total Expense | 347,104.35 | 357,411.90 | -10,307.55 |
| Net Ordinary Income | 102,078.64 | 74,244.07 | 27,834.57 |
| Other Income/Expense | | | |
| Other Income | | | |
| 7025 · Management Fee Income | 12,000.00 | 11,000.00 | 1,000.00 |
| 7050 · Other income ATM | 4,554.80 | 3,604.50 | 950.30 |
| 7000 · Interest Income | 61.26 | 39.75 | 21.51 |
| 7040 · Misc. Income | 843.00 | 555.00 | 288.00 |
| Total Other Income | 17,459.06 | 15,199.25 | 2,259.81 |
| Net Other Income | 17,459.06 | 15,199.25 | 2,259.81 |
| Net Income | 119,537.70 | 89,443.32 | 30,094.38 |

Tosu Inc
Profit & Loss Prev Year Comparison
January through December 2022

| | % Change |
|--------------------------------------|--------------|
| Ordinary Income/Expense | |
| Income | |
| 9500 · Rent Income | -44.4% |
| Employee Charges | 14.0% |
| Gift Certificates | -5.7% |
| Sales-Bar | 39.4% |
| Sales-Food | 4.9% |
| Sales-Liquor | 63.4% |
| Total Income | 11.0% |
| Cost of Goods Sold | |
| 4305 · Cost of Sales-Bar | 37.4% |
| 4300 · Cost of Sales-BW&L | 47.5% |
| 4310 · Cost of Sales-Food | 21.3% |
| 4320 · Cost of Sales-Other | 18.8% |
| Total COGS | 25.1% |
| Gross Profit | 4.1% |
| Expense | |
| CoVid 19 | -100.0% |
| Food/Beverage | -100.0% |
| VFW | 100.0% |
| Sub Chapter S Distribution | -100.0% |
| 6788 · Supplies | |
| 6782 · Kitchen Supplies | 30.8% |
| 6780 · Office Supplies | 199.0% |
| 6781 · Building Supplies | 248.0% |
| 6788 · Supplies - Other | 55.3% |
| Total 6788 · Supplies | 58.3% |
| 7005 · Memorabilia | 100.0% |
| 6731 · Vehicle Expense Plow Truck | -100.0% |
| 6734 · Parking Lot Maintenance/Snow | -53.1% |
| 6935 · Mistake Pizzas | 12.0% |
| 6995 · Insurance-Umbrella | 198.4% |
| 6751 · Rent Expense | 0.0% |
| 8500 · Membership Fee | 183.9% |
| 6705 · Pest Control | 1.9% |
| Michigan Business Tax | 100.0% |
| Bad Debt | -100.0% |
| Co. Sep. Expense | -43.6% |
| Employer Social Security | 5.3% |
| Salary Regular | 0.0% |
| Wages-cooks | 8.5% |
| Wages-waitresses | -4.3% |
| 6560 · Payroll Expenses | |
| Employer Medicare | 5.2% |
| FUTA Expense | 11.6% |
| 6561 · SUTA Expense | 7.0% |
| 6560 · Payroll Expenses - Other | -3.1% |
| Total 6560 · Payroll Expenses | -1.2% |
| 6700 · Operating Supplies | 11.5% |
| 6710 · Utilities | |
| 6712 · Security System | 386.5% |
| 6708 · Water & Sewer | 53.6% |
| 6709 · Iron River Cable | 20.0% |
| 6710 · Utilities - Other | 14.8% |
| Total 6710 · Utilities | 23.1% |
| 6720 · Verizon | -36.1% |
| 6730 · Vehicle Expense | 147.6% |
| 6740 · Advertising | -6.2% |

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Cash Basis

Tosu Inc
Profit & Loss Prev Year Comparison
January through December 2022

| | <u>% Change</u> |
|--------------------------------------|---------------------|
| 6750 · Repairs & Maintenance | -27.3% |
| 6760 · Postage, Dues & Subscriptions | -68.5% |
| 6770 · Waste Removal | 6.8% |
| 6790 · 1120 Taxes | 100.0% |
| 6800 · Property Taxes | 2.5% |
| 6830 · Miscellaneous Expense | 93.5% |
| 6870 · Freight | -9.7% |
| 6910 · Travel Expense | 100.0% |
| 6920 · Professional Fees | -53.4% |
| 6930 · Donations | 1,006.7% |
| 6940 · Licenses & Permits | 49.6% |
| 6950 · Insurance-Workmen's Comp. | 32.5% |
| 6970 · Insurance-Gneral Liability | 169.3% |
| 6980 · Insurance-Auto | 22.1% |
| 6990 · Insurance-Liquor Liability | 0.0% |
| Total Expense | <u>-2.9%</u> |
| Net Ordinary Income | <u>37.5%</u> |
| Other Income/Expense | |
| Other Income | |
| 7025 · Management Fee Income | 9.1% |
| 7050 · Other income ATM | 26.4% |
| 7000 · Interest Income | 54.1% |
| 7040 · Misc. Income | 51.9% |
| Total Other Income | <u>14.9%</u> |
| Net Other Income | <u>14.9%</u> |
| Net Income | <u><u>33.7%</u></u> |

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Cash Basis

Tosu Inc
Profit & Loss Prev Year Comparison
October 2021 through September 2022

| | Oct '21 - Sep 22 | Oct '20 - Sep 21 | \$ Change |
|--------------------------------------|-------------------|-------------------|-------------------|
| Ordinary Income/Expense | | | |
| Income | | | |
| 9500 · Rent Income | 1,500.00 | 2,700.00 | -1,200.00 |
| Employee Charges | 4,428.23 | 3,672.73 | 755.50 |
| Gift Certificates | 11,015.00 | 10,681.25 | 333.75 |
| Sales-Bar | 39,256.19 | 21,680.68 | 17,575.51 |
| Sales-Food | 567,836.20 | 512,887.50 | 54,948.70 |
| Sales-Liquor | 84,084.68 | 38,020.37 | 46,064.31 |
| Total Income | 708,120.30 | 589,642.53 | 118,477.77 |
| Cost of Goods Sold | | | |
| 4305 · Cost of Sales-Bar | 11,055.05 | 13,172.02 | -2,116.97 |
| 4300 · Cost of Sales-BW&L | 32,181.01 | 17,028.19 | 15,152.82 |
| 4310 · Cost of Sales-Food | 190,031.99 | 156,766.21 | 33,265.78 |
| 4320 · Cost of Sales-Other | 11,803.57 | 10,169.70 | 1,633.87 |
| Total COGS | 245,071.62 | 197,136.12 | 47,935.50 |
| Gross Profit | 463,048.68 | 392,506.41 | 70,542.27 |
| Expense | | | |
| CoVid 19 | 0.00 | 1,642.58 | -1,642.58 |
| Food/Beverage | 0.00 | 307.23 | -307.23 |
| VFW | 0.00 | -313.08 | 313.08 |
| Sub Chapter S Distribution | 40,000.00 | 0.00 | 40,000.00 |
| 6788 · Supplies | | | |
| 6782 · Kitchen Supplies | 4,074.17 | 3,191.34 | 882.83 |
| 6780 · Office Supplies | 560.01 | 1,059.34 | -499.33 |
| 6781 · Building Supplies | 610.47 | 3,119.21 | -2,508.74 |
| 6788 · Supplies - Other | 668.68 | 446.54 | 222.14 |
| Total 6788 · Supplies | 5,913.33 | 7,816.43 | -1,903.10 |
| 7005 · Memorabilia | 827.26 | 0.00 | 827.26 |
| 6731 · Vehicle Expense Plow Truck | 0.00 | 718.30 | -718.30 |
| 6734 · Parking Lot Maintenance/Snow | 787.57 | 1,611.54 | -823.97 |
| 6935 · Mistake Pizzas | -337.78 | -345.09 | 7.31 |
| 6995 · Insurance-Umbrella | 698.30 | 234.00 | 464.30 |
| 6751 · Rent Expense | 9,000.00 | 9,600.00 | -600.00 |
| 8500 · Membership Fee | 377.98 | 1,573.14 | -1,195.16 |
| 6705 · Pest Control | 603.00 | 906.22 | -303.22 |
| Michigan Business Tax | 0.00 | -26.16 | 26.16 |
| Bad Debt | 38.00 | -87.33 | 125.33 |
| Co. Sep. Expense | 1,158.41 | 2,638.80 | -1,480.39 |
| Employer Social Security | 12,505.22 | 11,631.72 | 873.50 |
| Federal Unemployment | 0.00 | 5.07 | -5.07 |
| Officers Salaries | 0.00 | 19,756.08 | -19,756.08 |
| Salary Regular | 73,499.92 | 76,326.84 | -2,826.92 |
| State Unemployment | 0.00 | -140.16 | 140.16 |
| Wages-cooks | 70,594.47 | 63,706.59 | 6,887.88 |
| Wages-Other | 0.00 | 191.36 | -191.36 |
| Wages-waitresses | 28,206.04 | 26,683.87 | 1,522.17 |
| 6560 · Payroll Expenses | | | |
| Employer Medicare | 2,924.65 | 2,720.35 | 204.30 |
| FUTA Expense | 638.81 | 521.49 | 117.32 |
| 6561 · SUTA Expense | 86.14 | 76.74 | 9.40 |
| 6560 · Payroll Expenses - Other | 13,532.63 | 12,649.95 | 882.68 |
| Total 6560 · Payroll Expenses | 17,182.23 | 15,968.53 | 1,213.70 |
| 6700 · Operating Supplies | 7,375.32 | 5,703.73 | 1,671.59 |
| 6710 · Utilities | | | |
| 6712 · Security System | 1,284.40 | 264.00 | 1,020.40 |
| 6708 · Water & Sewer | 1,938.35 | 843.85 | 1,094.50 |
| 6709 · Iron/River Cable | 1,496.00 | 1,481.00 | 15.00 |
| 6710 · Utilities - Other | 18,152.91 | 15,637.47 | 2,515.44 |

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11/04/22

Cash Basis

Tosu Inc
Profit & Loss Prev Year Comparison
October 2021 through September 2022

| | Oct '21 - Sep 22 | Oct '20 - Sep 21 | \$ Change |
|--------------------------------------|-------------------|-------------------|-------------------|
| Total 6710 · Utilities | 22,871.66 | 18,226.32 | 4,645.34 |
| 6720 · Verizon | 1,708.50 | 3,243.53 | -1,535.03 |
| 6730 · Vehicle Expense | 9,461.04 | 5,041.12 | 4,419.92 |
| 6740 · Advertising | 19,648.58 | 14,976.67 | 4,671.91 |
| 6760 · Repairs & Maintenance | 9,881.95 | 10,845.24 | -963.29 |
| 6760 · Postage, Dues & Subscriptions | 211.00 | 136.22 | 74.78 |
| 6770 · Waste Removal | 2,285.86 | 1,005.08 | 1,280.78 |
| 6790 · 1120 Taxes | 0.00 | -71.06 | 71.06 |
| 6800 · Property Taxes | 6,737.40 | 6,571.73 | 165.67 |
| 6830 · Miscellaneous Expense | 12,416.55 | 5,636.44 | 6,780.11 |
| 6850 · Sales Tax | 0.00 | 1,523.85 | -1,523.85 |
| 6870 · Freight | 678.02 | 704.90 | -26.88 |
| 6920 · Professional Fees | 3,490.60 | 9,473.00 | -5,982.40 |
| 6930 · Donations | 4,112.55 | 30.48 | 4,082.07 |
| 6940 · Licenses & Permits | 506.00 | 786.00 | -280.00 |
| 6950 · Insurance-Workmen's Comp. | 1,225.09 | 851.00 | 374.09 |
| 6970 · Insurance-General Liability | 7,598.66 | 2,822.04 | 4,776.62 |
| 6980 · Insurance-Auto | 2,336.20 | 1,942.86 | 393.34 |
| 6990 · Insurance-Liquor Liability | 603.00 | 603.00 | 0.00 |
| Total Expense | 374,201.93 | 330,458.63 | 43,743.30 |
| Net Ordinary Income | 88,846.75 | 62,047.78 | 26,798.97 |
| Other Income/Expense | | | |
| Other Income | | | |
| 7025 · Management Fee Income | 12,000.00 | 12,000.00 | 0.00 |
| 7050 · Other Income ATM | 3,673.30 | 3,064.40 | 608.90 |
| 7000 · Interest Income | 58.27 | 36.07 | 22.20 |
| 7040 · Misc. Income | 555.00 | 720.00 | -165.00 |
| Total Other Income | 16,286.57 | 15,820.47 | 466.10 |
| Other Expense | | | |
| 6900 · Depreciation Expense | 0.00 | 36,614.00 | -36,614.00 |
| Total Other Expense | 0.00 | 36,614.00 | -36,614.00 |
| Net Other Income | 16,286.57 | -20,793.53 | 37,080.10 |
| Net Income | 105,133.32 | 41,254.25 | 63,879.07 |

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11/04/22

Cash Basis

Tosu Inc
Profit & Loss Prev Year Comparison
October 2021 through September 2022

| | <u>% Change</u> |
|--------------------------------------|-----------------|
| Ordinary Income/Expense | |
| Income | |
| 9600 · Rent Income | -44.4% |
| Employee Charges | 20.6% |
| Gift Certificates | 3.1% |
| Sales-Bar | 81.1% |
| Sales-Food | 10.7% |
| Sales-Liquor | 121.2% |
| Total Income | 20.1% |
| Cost of Goods Sold | |
| 4306 · Cost of Sales-Bar | -16.1% |
| 4300 · Cost of Sales-BW&L | 89.0% |
| 4310 · Cost of Sales-Food | 21.2% |
| 4320 · Cost of Sales-Other | 16.1% |
| Total COGS | 24.3% |
| Gross Profit | 18.0% |
| Expense | |
| CoVid 19 | -100.0% |
| Food/Beverage | -100.0% |
| VFW | 100.0% |
| Sub Chapter S Distribution | 100.0% |
| 6788 · Supplies | |
| 6782 · Kitchen Supplies | 27.7% |
| 6780 · Office Supplies | -47.1% |
| 6781 · Building Supplies | -80.4% |
| 6788 · Supplies - Other | 49.8% |
| Total 6788 · Supplies | -24.4% |
| 7006 · Memorabilia | 100.0% |
| 6731 · Vehicle Expense Plow Truck | -100.0% |
| 6734 · Parking Lot Maintenance/Snow | -51.1% |
| 6936 · Mistake Pizzas | 2.1% |
| 6996 · Insurance-Umbrella | 198.4% |
| 6761 · Rent Expense | -6.3% |
| 8600 · Membership Fee | -76.0% |
| 6706 · Pest Control | -33.5% |
| Michigan Business Tax | 100.0% |
| Bad Debt | 143.5% |
| Co. Sep. Expense | -56.1% |
| Employer Social Security | 7.5% |
| Federal Unemployment | -100.0% |
| Officers Salaries | -100.0% |
| Salary Regular | -3.7% |
| State Unemployment | 100.0% |
| Wages-cooks | 10.8% |
| Wages-Other | -100.0% |
| Wages-waitresses | 5.7% |
| 6660 · Payroll Expenses | |
| Employer Medicare | 7.5% |
| FUTA Expense | 22.5% |
| 6661 · SUTA Expense | 12.3% |
| 6660 · Payroll Expenses - Other | 7.0% |
| Total 6660 · Payroll Expenses | 7.6% |
| 6700 · Operating Supplies | 29.3% |
| 6710 · Utilities | |
| 6712 · Security System | 386.5% |
| 6708 · Water & Sewer | 129.7% |
| 6709 · Iron River Cable | 1.0% |
| 6710 · Utilities - Other | 16.1% |

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11/04/22

Cash Basis

Tosu Inc
Profit & Loss Prev Year Comparison
October 2021 through September 2022

| | <u>% Change</u> |
|--------------------------------------|-----------------|
| Total 6710 · Utilities | 25.5% |
| 6720 · Verizon | -47.3% |
| 6730 · Vehicle Expense | 87.7% |
| 6740 · Advertising | 31.2% |
| 6760 · Repairs & Maintenance | -8.9% |
| 6780 · Postage, Dues & Subscriptions | 54.9% |
| 6770 · Waste Removal | 127.4% |
| 6790 · 1120 Taxes | 100.0% |
| 6800 · Property Taxes | 2.5% |
| 6830 · Miscellaneous Expenses | 120.3% |
| 6860 · Sales Tax | -100.0% |
| 6870 · Freight | -3.8% |
| 6920 · Professional Fees | -63.2% |
| 6990 · Donations | 13,392.6% |
| 6940 · Licenses & Permits | -35.6% |
| 6960 · Insurance-Workmen's Comp. | 41.0% |
| 6970 · Insurance-General Liability | 169.3% |
| 6980 · Insurance-Auto | 20.3% |
| 6990 · Insurance-Other Liability | 0.0% |
| Total Expense | 13.2% |
| Net Ordinary Income | 43.2% |
| Other Income/Expense | |
| Other Income | |
| 7025 · Management Fee Income | 0.0% |
| 7050 · Other Income AT&T | 19.6% |
| 7090 · Interest Income | 61.6% |
| 7040 · Misc. Income | -22.9% |
| Total Other Income | 3.0% |
| Other Expense | |
| 6900 · Depreciation Expense | -100.0% |
| Total Other Expense | -100.0% |
| Net Other Income | 178.3% |
| Net Income | 134.5% |

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11/21/22

Cash Basis

Tosu Inc
Profit & Loss
 January 2021

| | Jan 21 |
|--------------------------------------|-----------|
| Ordinary Income/Expense | |
| Income | |
| 9500 · Rent Income | 1,800.00 |
| Employee Charges | 272.22 |
| Gift Certificates | 275.00 |
| Sales-Bar | 170.75 |
| Sales-Food | 27,827.65 |
| Sales-Liquor | 175.00 |
| Total Income | 30,520.62 |
| Cost of Goods Sold | |
| 4305 · Cost of Sales-Bar | 59.55 |
| 4300 · Cost of Sales-BW&L | 148.30 |
| 4310 · Cost of Sales-Food | 12,161.06 |
| 4320 · Cost of Sales-Other | 343.57 |
| Total COGS | 12,712.48 |
| Gross Profit | 17,808.14 |
| Expense | |
| CoVid 19 | 144.76 |
| Food/Beverage | 84.89 |
| 6788 · Supplies | |
| 6782 · Kitchen Supplies | 60.10 |
| 6780 · Office Supplies | 10.61 |
| 6788 · Supplies - Other | 8.00 |
| Total 6788 · Supplies | 78.71 |
| 6731 · Vehicle Expense Plow Truck | 37.46 |
| 6751 · Rent Expense | 900.00 |
| Co. Sep. Expense | 216.81 |
| Employer Social Security | 663.40 |
| Salary Regular | 5,653.84 |
| Wages-cooks | 3,389.26 |
| Wages-waitresses | 882.75 |
| 6560 · Payroll Expenses | |
| Employer Medicare | 155.14 |
| FUTA Expense | 64.20 |
| 6561 · SUTA Expense | 8.56 |
| 6560 · Payroll Expenses - Other | 773.89 |
| Total 6560 · Payroll Expenses | 1,001.79 |
| 6700 · Operating Supplies | 14.61 |
| 6710 · Utilities | |
| 6709 · Iron River Cable | 136.00 |
| 6710 · Utilities - Other | 1,311.25 |
| Total 6710 · Utilities | 1,447.25 |
| 6720 · Verizon | 439.81 |
| 6730 · Vehicle Expense | 273.03 |
| 6740 · Advertising | 776.25 |
| 6750 · Repairs & Maintenance | 1,061.57 |
| 6760 · Postage, Dues & Subscriptions | 19.60 |
| 6770 · Waste Removal | 166.85 |
| 6800 · Property Taxes | 852.15 |
| 6830 · Miscellaneous Expense | 384.00 |
| 6870 · Freight | 22.00 |
| 6940 · Licenses & Permits | 25.00 |
| 6970 · Insurance-General Liability | 318.00 |
| 6980 · Insurance-Auto | 1,942.86 |
| Total Expense | 20,796.65 |

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11/21/22

Cash Basis

Tosu Inc
Profit & Loss
January 2021

| | <u>Jan 21</u> |
|------------------------------|-------------------------|
| Net Ordinary Income | -2,988.51 |
| Other Income/Expense | |
| Other Income | |
| 7025 - Management Fee Income | 1,000.00 |
| 7050 - Other income ATM | 84.00 |
| 7000 - Interest Income | 3.54 |
| Total Other Income | <u>1,087.54</u> |
| Net Other Income | <u>1,087.54</u> |
| Net Income | <u><u>-1,900.97</u></u> |

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11/21/22
Cash Basis

Tosu Inc
Profit & Loss
February 2021

| | <u>Feb 21</u> |
|--------------------------------------|------------------|
| Ordinary Income/Expense | |
| Income | |
| Employee Charges | 127.46 |
| Gift Certificates | 410.00 |
| Sales-Bar | 196.75 |
| Sales-Food | 24,662.19 |
| Sales-Liquor | 306.00 |
| Total Income | <u>25,702.40</u> |
| Cost of Goods Sold | |
| 4305 - Cost of Sales-Bar | -112.21 |
| 4300 - Cost of Sales-BW&L | 157.10 |
| 4310 - Cost of Sales-Food | 9,188.33 |
| 4320 - Cost of Sales-Other | 443.66 |
| Total COGS | <u>9,676.88</u> |
| Gross Profit | 16,025.52 |
| Expense | |
| CoVid 19 | 139.89 |
| VFW | 30.26 |
| 6788 - Supplies | |
| 6782 - Kitchen Supplies | 137.28 |
| 6780 - Office Supplies | 336.17 |
| 6781 - Building Supplies | 61.75 |
| Total 6788 - Supplies | <u>535.20</u> |
| 6734 - Parking Lot Maintenance/Snow | 554.82 |
| 6751 - Rent Expense | 900.00 |
| 6705 - Pest Control | 229.38 |
| Co. Sep. Expense | 217.26 |
| Employer Social Security | 651.89 |
| Salary Regular | 5,653.84 |
| Wages-cooks | 3,168.85 |
| Wages-waitresses | 1,367.07 |
| 6560 - Payroll Expenses | |
| Employer Medicare | 152.48 |
| FUTA Expense | 45.11 |
| 6561 - SUTA Expense | 5.62 |
| 6560 - Payroll Expenses - Other | 324.76 |
| Total 6560 - Payroll Expenses | <u>527.97</u> |
| 6700 - Operating Supplies | 175.99 |
| 6710 - Utilities | |
| 6708 - Water & Sewer | 77.55 |
| 6709 - Iron River Cable | 136.00 |
| 6710 - Utilities - Other | 1,330.91 |
| Total 6710 - Utilities | <u>1,544.46</u> |
| 6720 - Verizon | 355.89 |
| 6730 - Vehicle Expense | 442.43 |
| 6740 - Advertising | 445.00 |
| 6750 - Repairs & Maintenance | 202.07 |
| 6760 - Postage, Dues & Subscriptions | 0.00 |
| 6770 - Waste Removal | 166.85 |
| 6830 - Miscellaneous Expense | 324.09 |
| 6870 - Freight | 16.50 |
| 6920 - Professional Fees | 2,443.00 |
| Total Expense | <u>20,092.71</u> |
| Net Ordinary Income | -4,067.19 |
| Other Income/Expense | |

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11/21/22

Cash Basis

Tosu Inc
Profit & Loss
February 2021

| | <u>Feb 21</u> |
|------------------------------|-------------------------|
| Other Income | |
| 7025 · Management Fee Income | 1,000.00 |
| 7050 · Other Income ATM | 115.00 |
| 7000 · Interest Income | 3.43 |
| Total Other Income | <u>1,118.43</u> |
| Net Other Income | <u>1,118.43</u> |
| Net Income | <u><u>-2,948.76</u></u> |

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11/21/22
Cash Basis

Tosu Inc
Profit & Loss
March 2021

| | <u>Mar 21</u> |
|--------------------------------------|------------------|
| Ordinary Income/Expense | |
| Income | |
| Employee Charges | 120.06 |
| Gift Certificates | 1,045.00 |
| Sales-Bar | 233.40 |
| Sales-Food | 30,147.99 |
| Sales-Liquor | 317.25 |
| Total Income | <u>31,863.70</u> |
| Cost of Goods Sold | |
| 4305 · Cost of Sales-Bar | 33.60 |
| 4300 · Cost of Sales-BW&L | 835.05 |
| 4310 · Cost of Sales-Food | 3,778.29 |
| 4320 · Cost of Sales-Other | 452.27 |
| Total COGS | <u>5,099.21</u> |
| Gross Profit | 26,764.49 |
| Expense | |
| CoVid 19 | 95.97 |
| Food/Beverage | 84.89 |
| VFW | -81.55 |
| 6788 · Supplies | |
| 6782 · Kitchen Supplies | 193.30 |
| 6780 · Office Supplies | 0.00 |
| Total 6788 · Supplies | <u>193.30</u> |
| 6751 · Rent Expense | 900.00 |
| Michigan Business Tax | -26.16 |
| Co. Sep. Expense | 222.41 |
| Employer Social Security | 690.49 |
| Salary Regular | 5,653.84 |
| Wages-cooks | 3,672.96 |
| Wages-waitresses | 1,810.36 |
| 6560 · Payroll Expenses | |
| Employer Medicare | 161.48 |
| FUTA Expense | 36.81 |
| 6561 · SUTA Expense | 4.61 |
| 6560 · Payroll Expenses - Other | 0.00 |
| Total 6560 · Payroll Expenses | <u>202.90</u> |
| 6700 · Operating Supplies | 141.14 |
| 6710 · Utilities | |
| 6708 · Water & Sewer | 80.95 |
| 6709 · Iron River Cable | 136.00 |
| 6710 · Utilities - Other | 1,447.71 |
| Total 6710 · Utilities | <u>1,664.66</u> |
| 6720 · Verizon | 155.93 |
| 6730 · Vehicle Expense | 269.89 |
| 6740 · Advertising | 1,127.50 |
| 6750 · Repairs & Maintenance | 679.46 |
| 6760 · Postage, Dues & Subscriptions | 0.00 |
| 6770 · Waste Removal | 166.85 |
| 6830 · Miscellaneous Expense | 0.00 |
| 6870 · Freight | 24.00 |
| 6930 · Donations | 100.00 |
| Total Expense | <u>17,748.83</u> |
| Net Ordinary Income | 9,015.66 |
| Other Income/Expense | |
| Other Income | |

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11/21/22

Cash Basis

Tosu Inc
Profit & Loss
March 2021

| | <u>Mar 21</u> |
|------------------------------|-------------------------|
| 7025 · Management Fee Income | 1,000.00 |
| 7050 · Other income ATM | 210.00 |
| 7000 · Interest Income | 3.65 |
| Total Other Income | <u>1,213.65</u> |
| Net Other Income | <u>1,213.65</u> |
| Net Income | <u><u>10,229.31</u></u> |

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11/21/22
Cash Basis

Tosu Inc
Profit & Loss
April 2021

| | Apr 21 |
|--------------------------------------|-----------|
| Ordinary Income/Expense | |
| Income | |
| Employee Charges | 195.65 |
| Gift Certificates | 420.00 |
| Sales-Bar | 284.30 |
| Sales-Food | 31,792.88 |
| Sales-Liquor | 467.50 |
| Total Income | 33,160.33 |
| Cost of Goods Sold | |
| 4305 · Cost of Sales-Bar | 629.00 |
| 4300 · Cost of Sales-BW&L | 869.85 |
| 4310 · Cost of Sales-Food | 9,230.12 |
| 4320 · Cost of Sales-Other | 723.23 |
| Total COGS | 11,452.20 |
| Gross Profit | 21,708.13 |
| Expense | |
| CoVid 19 | 591.32 |
| VFW | 766.58 |
| 6788 · Supplies | |
| 6782 · Kitchen Supplies | 29.99 |
| 6780 · Office Supplies | 0.00 |
| 6788 · Supplies - Other | 104.83 |
| Total 6788 · Supplies | 134.82 |
| 6734 · Parking Lot Maintenance/Snow | 21.90 |
| 6751 · Rent Expense | 900.00 |
| 8500 · Membership Fee | 44.84 |
| 6705 · Pest Control | 676.84 |
| Bad Debt | 24.24 |
| Co. Sep. Expense | 346.11 |
| Employer Social Security | 1,033.29 |
| Salary Regular | 8,480.76 |
| Wages-cooks | 5,490.81 |
| Wages-waitresses | 2,694.36 |
| 6560 · Payroll Expenses | |
| Employer Medicare | 241.66 |
| FUTA Expense | 54.99 |
| 6561 · SUTA Expense | 6.43 |
| 6560 · Payroll Expenses - Other | 0.00 |
| Total 6560 · Payroll Expenses | 303.08 |
| 6700 · Operating Supplies | 56.34 |
| 6710 · Utilities | |
| 6708 · Water & Sewer | 65.90 |
| 6709 · Iron River Cable | 136.00 |
| 6710 · Utilities - Other | 1,246.23 |
| Total 6710 · Utilities | 1,448.13 |
| 6720 · Verizon | 341.85 |
| 6730 · Vehicle Expense | 614.91 |
| 6740 · Advertising | 1,179.39 |
| 6760 · Repairs & Maintenance | -271.06 |
| 6760 · Postage, Dues & Subscriptions | 0.00 |
| 6770 · Waste Removal | 166.85 |
| 6830 · Miscellaneous Expense | 284.99 |
| 6870 · Freight | 30.00 |
| 6920 · Professional Fees | 407.80 |
| 6940 · Licenses & Permits | 305.00 |
| Total Expense | 26,073.15 |

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11/21/22

Cash Basis

Tosu Inc
Profit & Loss
April 2021

| | <u>Apr 21</u> |
|------------------------------|-------------------------|
| Net Ordinary Income | -4,365.02 |
| Other Income/Expense | |
| Other Income | |
| 7025 · Management Fee Income | 1,000.00 |
| 7050 · Other income ATM | 555.00 |
| Total Other Income | <u>1,555.00</u> |
| Net Other Income | <u>1,555.00</u> |
| Net Income | <u><u>-2,810.02</u></u> |

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11/21/22
Cash Basis

Tosu Inc
Profit & Loss
May 2021

| | May 21 |
|-------------------------------------|-----------|
| Ordinary Income/Expense | |
| Income | |
| Employee Charges | 253.74 |
| Gift Certificates | 370.00 |
| Sales-Bar | 763.55 |
| Sales-Food | 46,539.27 |
| Sales-Liquor | 1,867.77 |
| Total Income | 49,794.33 |
| Cost of Goods Sold | |
| 4305 · Cost of Sales-Bar | 105.80 |
| 4300 · Cost of Sales-BW&L | 2,973.67 |
| 4310 · Cost of Sales-Food | 9,474.14 |
| 4320 · Cost of Sales-Other | 702.88 |
| Total COGS | 13,256.49 |
| Gross Profit | 36,537.84 |
| Expense | |
| VFW | -766.58 |
| 6788 · Supplies | |
| 6782 · Kitchen Supplies | 592.49 |
| 6788 · Supplies - Other | 240.01 |
| Total 6788 · Supplies | 832.50 |
| 6734 · Parking Lot Maintenance/Snow | 1,000.00 |
| Co. Sep. Expense | 232.62 |
| Employer Social Security | 783.82 |
| Salary Regular | 5,653.84 |
| Wages-cooks | 4,629.91 |
| Wages-waitresses | 2,358.32 |
| 6560 · Payroll Expenses | |
| Employer Medicare | 183.32 |
| FUTA Expense | 42.69 |
| 6561 · SUTA Expense | 5.35 |
| 6560 · Payroll Expenses - Other | 0.00 |
| Total 6560 · Payroll Expenses | 231.36 |
| 6700 · Operating Supplies | 393.15 |
| 6710 · Utilities | |
| 6712 · Security System | 264.00 |
| 6708 · Water & Sewer | 66.00 |
| 6709 · Iron River Cable | 136.00 |
| 6710 · Utilities - Other | 1,402.31 |
| Total 6710 · Utilities | 1,868.31 |
| 6720 · Verizon | 70.01 |
| 6740 · Advertising | 522.20 |
| 6750 · Repairs & Maintenance | 3,661.21 |
| 6770 · Waste Removal | 166.85 |
| 6830 · Miscellaneous Expense | 28.01 |
| 6870 · Freight | 26.00 |
| 6920 · Professional Fees | 3,196.00 |
| 6930 · Donations | 100.00 |
| 6940 · Licenses & Permits | 25.00 |
| Total Expense | 25,012.53 |
| Net Ordinary Income | 11,525.31 |
| Other Income/Expense | |
| Other Income | |
| 7025 · Management Fee Income | 1,000.00 |
| 7050 · Other Income ATM | 185.00 |

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11/21/22
Cash Basis

Tosu Inc
Profit & Loss
May 2021

| | <u>May 21</u> |
|--------------------|-------------------------|
| Total Other Income | <u>1,185.00</u> |
| Net Other Income | <u>1,185.00</u> |
| Net Income | <u><u>12,710.31</u></u> |

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11/21/22
Cash Basis

Tosu Inc
Profit & Loss
June 2021

| | <u>Jun 21</u> |
|--------------------------------------|------------------|
| Ordinary Income/Expense | |
| Income | |
| 9500 · Rent Income | 900.00 |
| Employee Charges | 189.25 |
| Gift Certificates | 804.30 |
| Sales-Bar | 3,299.90 |
| Sales-Food | 57,713.55 |
| Sales-Liquor | 7,392.25 |
| Total Income | <u>70,299.25</u> |
| Cost of Goods Sold | |
| 4305 · Cost of Sales-Bar | 5,125.81 |
| 4300 · Cost of Sales-BW&L | 3,111.56 |
| 4310 · Cost of Sales-Food | 13,293.34 |
| 4320 · Cost of Sales-Other | 1,023.93 |
| Total COGS | <u>22,554.64</u> |
| Gross Profit | 47,744.61 |
| Expense | |
| CoVid 19 | 39.51 |
| VFW | 385.12 |
| 6788 · Supplies | |
| 6782 · Kitchen Supplies | 655.42 |
| 6780 · Office Supplies | 63.68 |
| 6786 · Supplies - Other | -335.00 |
| Total 6788 · Supplies | <u>384.10</u> |
| 6751 · Rent Expense | 1,800.00 |
| 8500 · Membership Fee | 0.00 |
| Co. Sep. Expense | 242.84 |
| Employer Social Security | 1,019.43 |
| Salary Regular | 5,653.84 |
| Wages-cooks | 6,544.78 |
| Wages-waitresses | 4,243.72 |
| 6560 · Payroll Expenses | |
| Employer Medicare | 238.41 |
| FUTA Expense | 56.81 |
| 6561 · SUTA Expense | 8.01 |
| 6560 · Payroll Expenses - Other | 215.15 |
| Total 6560 · Payroll Expenses | <u>518.38</u> |
| 6700 · Operating Supplies | 1,444.23 |
| 6710 · Utilities | |
| 6708 · Water & Sewer | 97.35 |
| 6709 · Iron River Cable | 136.00 |
| 6710 · Utilities - Other | 925.00 |
| Total 6710 · Utilities | <u>1,158.35</u> |
| 6720 · Verizon | 255.93 |
| 6730 · Vehicle Expense | 911.34 |
| 6740 · Advertising | 959.84 |
| 6750 · Repairs & Maintenance | 976.73 |
| 6760 · Postage, Dues & Subscriptions | 0.00 |
| 6770 · Waste Removal | 166.85 |
| 6790 · 1120 Taxes | -3.70 |
| 6830 · Miscellaneous Expense | 0.00 |
| 6870 · Freight | 75.69 |
| 6920 · Professional Fees | 1,468.00 |
| 6930 · Donations | 29.56 |
| Total Expense | <u>28,274.54</u> |

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11/24/22
Cash Basis

Tosu Inc
Profit & Loss
June 2021

| | <u>Jun 21</u> |
|------------------------------|-------------------------|
| Net Ordinary Income | 19,470.07 |
| Other Income/Expense | |
| Other Income | |
| 7025 - Management Fee Income | <u>1,000.00</u> |
| Total Other Income | <u>1,000.00</u> |
| Net Other Income | <u>1,000.00</u> |
| Net Income | <u>20,470.07</u> |

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11/21/22
Cash Basis

Tosu Inc
Profit & Loss
July 2021

| | Jul 21 |
|--------------------------------------|------------|
| Ordinary Income/Expense | |
| Income | |
| Employee Charges | 444.53 |
| Gift Certificates | 626.50 |
| Sales-Bar | 7,803.43 |
| Sales-Food | 84,650.46 |
| Sales-Liquor | 11,369.05 |
| Total Income | 104,893.97 |
| Cost of Goods Sold | |
| 4305 · Cost of Sales-Bar | 706.22 |
| 4300 · Cost of Sales-BW&L | 2,622.98 |
| 4310 · Cost of Sales-Food | 18,086.23 |
| 4320 · Cost of Sales-Other | 1,200.53 |
| Total COGS | 22,615.96 |
| Gross Profit | 82,278.01 |
| Expense | |
| VFW | 98.04 |
| 6788 · Supplies | |
| 6782 · Kitchen Supplies | 475.57 |
| 6780 · Office Supplies | 46.56 |
| 6788 · Supplies - Other | 297.80 |
| Total 6788 · Supplies | 819.93 |
| 8500 · Membership Fee | 63.30 |
| Co. Sep. Expense | 112.31 |
| Employer Social Security | 1,261.65 |
| Salary Regular | 5,653.84 |
| Wages-cooks | 8,154.76 |
| Wages-waitresses | 3,114.85 |
| 6560 · Payroll Expenses | |
| Employer Medicare | 295.08 |
| FUTA Expense | 74.44 |
| 6561 · SUTA Expense | 9.08 |
| 6560 · Payroll Expenses - Other | 650.27 |
| Total 6560 · Payroll Expenses | 1,028.87 |
| 6700 · Operating Supplies | 237.43 |
| 6710 · Utilities | |
| 6708 · Water & Sewer | 248.20 |
| 6710 · Utilities - Other | 1,691.22 |
| Total 6710 · Utilities | 1,939.42 |
| 6720 · Verizon | 262.14 |
| 6730 · Vehicle Expense | 444.50 |
| 6740 · Advertising | 749.50 |
| 6750 · Repairs & Maintenance | 596.15 |
| 6760 · Postage, Dues & Subscriptions | 4.13 |
| 6770 · Waste Removal | 166.85 |
| 6830 · Miscellaneous Expense | 10.76 |
| 6870 · Freight | 39.00 |
| 6930 · Donations | 600.00 |
| Total Expense | 25,357.43 |
| Net Ordinary Income | 56,920.58 |
| Other Income/Expense | |
| Other Income | |
| 7050 · Other Income ATM | 547.50 |
| 7000 · Interest Income | 7.60 |

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11/21/22
Cash Basis

Tosu Inc
Profit & Loss
July 2021

| | <u>Jul 21</u> |
|--------------------|-------------------------|
| Total Other Income | <u>555.10</u> |
| Net Other Income | <u>555.10</u> |
| Net Income | <u><u>57,475.68</u></u> |

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11/21/22
Cash Basis

Tosu Inc
Profit & Loss
August 2021

| | <u>Aug 21</u> |
|--------------------------------------|------------------|
| Ordinary Income/Expense | |
| Income | |
| Employee Charges | 661.86 |
| Gift Certificates | 560.00 |
| Sales-Bar | 4,833.80 |
| Sales-Food | 60,117.05 |
| Sales-Liquor | 8,042.55 |
| Total Income | <u>74,215.26</u> |
| Cost of Goods Sold | |
| 4305 · Cost of Sales-Bar | 2,265.73 |
| 4300 · Cost of Sales-BW&L | 3,996.73 |
| 4310 · Cost of Sales-Food | 35,224.88 |
| 4320 · Cost of Sales-Other | 2,595.29 |
| Total COGS | <u>44,082.63</u> |
| Gross Profit | 30,132.63 |
| Expense | |
| CoVid 19 | 0.00 |
| VFW | -796.24 |
| 6788 · Supplies | |
| 6782 · Kitchen Supplies | 790.88 |
| 6780 · Office Supplies | 0.00 |
| 6781 · Building Supplies | 47.59 |
| 6788 · Supplies - Other | 87.34 |
| Total 6788 · Supplies | <u>925.81</u> |
| 6751 · Rent Expense | 1,800.00 |
| 6500 · Membership Fee | 0.00 |
| Co. Sep. Expense | 103.56 |
| Employer Social Security | 1,165.04 |
| Salary Regular | 5,653.84 |
| Wages-cooks | 7,763.57 |
| Wages-waitresses | 2,809.60 |
| 6560 · Payroll Expenses | |
| Employer Medicare | 272.47 |
| FUTA Expense | 54.83 |
| 6561 · SUTA Expense | 8.00 |
| 6560 · Payroll Expenses - Other | 490.97 |
| Total 6560 · Payroll Expenses | <u>826.27</u> |
| 6700 · Operating Supplies | 2,736.01 |
| 6710 · Utilities | |
| 6709 · Iron River Cable | 136.00 |
| 6710 · Utilities - Other | 1,357.90 |
| Total 6710 · Utilities | <u>1,493.90</u> |
| 6720 · Verizon | 249.78 |
| 6730 · Vehicle Expense | 691.38 |
| 6740 · Advertising | 413.50 |
| 6750 · Repairs & Maintenance | 414.36 |
| 6760 · Postage, Dues & Subscriptions | 79.49 |
| 6770 · Waste Removal | 166.85 |
| 6800 · Property Taxes | 5,719.58 |
| 6830 · Miscellaneous Expense | 259.35 |
| 8870 · Freight | 58.50 |
| 6920 · Professional Fees | 144.00 |
| 6930 · Donations | 150.00 |
| Total Expense | <u>32,828.15</u> |
| Net Ordinary Income | -2,695.52 |

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Cash Basis

Tosu Inc
Profit & Loss
August 2021

| | <u>Aug 21</u> |
|------------------------------|-----------------------|
| Other Income/Expense | |
| Other Income | |
| 7025 - Management Fee Income | 2,000.00 |
| 7050 - Other Income ATM | 447.50 |
| 7000 - Interest Income | 4.10 |
| Total Other Income | <u>2,451.60</u> |
| Net Other Income | <u>2,451.60</u> |
| Net Income | <u><u>-243.92</u></u> |

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11/21/22
Cash Basis

Tosu Inc
Profit & Loss
September 2021

| | Sep 21 |
|--------------------------------------|-----------|
| Ordinary Income/Expense | |
| Income | |
| Employee Charges | 493.48 |
| Gift Certificates | 534.10 |
| Sales-Bar | 3,506.38 |
| Sales-Food | 49,157.35 |
| Sales-Liquor | 6,882.95 |
| Total Income | 60,574.26 |
| Cost of Goods Sold | |
| 4305 · Cost of Sales-Bar | 4,150.83 |
| 4300 · Cost of Sales-BW&L | 1,161.60 |
| 4310 · Cost of Sales-Food | 14,945.74 |
| 4320 · Cost of Sales-Other | 323.48 |
| Total COGS | 20,581.65 |
| Gross Profit | 39,992.61 |
| Expense | |
| CoVid 19 | 0.00 |
| 6788 · Supplies | |
| 6782 · Kitchen Supplies | 7.50 |
| 6780 · Office Supplies | 0.00 |
| 6781 · Building Supplies | 76.53 |
| 6788 · Supplies - Other | 27.56 |
| Total 6788 · Supplies | 111.59 |
| 6995 · Insurance-Umbrella | 234.00 |
| 8500 · Membership Fee | 0.00 |
| Co. Sep. Expense | 139.11 |
| Employer Social Security | 1,917.22 |
| Salary Regular | 8,480.76 |
| Wages-cooks | 9,241.13 |
| Wages-waitresses | 3,559.00 |
| 6560 · Payroll Expenses | |
| Employer Medicare | 448.37 |
| FUTA Expense | 54.13 |
| 6561 · SUTA Expense | 11.15 |
| 6560 · Payroll Expenses - Other | 7,725.00 |
| Total 6560 · Payroll Expenses | 8,238.65 |
| 6710 · Utilities | |
| 6708 · Water & Sewer | 207.90 |
| 6709 · Iron River Cable | 136.00 |
| 6710 · Utilities - Other | 1,387.07 |
| Total 6710 · Utilities | 1,730.97 |
| 6720 · Verizon | 353.23 |
| 6730 · Vehicle Expense | 631.27 |
| 6740 · Advertising | 632.95 |
| 6750 · Repairs & Maintenance | 39.30 |
| 6760 · Postage, Dues & Subscriptions | 0.00 |
| 6770 · Waste Removal | -804.17 |
| 6830 · Miscellaneous Expense | 0.00 |
| 6920 · Professional Fees | 1,200.00 |
| 6930 · Donations | 75.00 |
| 6950 · Insurance-Workmen's Comp. | 851.00 |
| 6970 · Insurance-Gneral Liability | 2,504.04 |
| 6990 · Insurance-Liquor Liability | 603.00 |
| Total Expense | 39,738.05 |
| Net Ordinary Income | 254.56 |

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11/21/22
Cash Basis

Tosu Inc
Profit & Loss
September 2021

| | <u>Sep 21</u> |
|------------------------------|------------------------|
| Other Income/Expense | |
| Other Income | |
| 7025 · Management Fee Income | 1,000.00 |
| 7050 · Other income ATM | 410.00 |
| 7000 · Interest Income | 4.05 |
| Total Other Income | <u>1,414.05</u> |
| Net Other Income | <u>1,414.05</u> |
| Net Income | <u><u>1,668.61</u></u> |

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11/21/22
Cash Basis

Tosu Inc
Profit & Loss
October 2021

| | Oct 21 |
|--------------------------------------|-----------|
| Ordinary Income/Expense | |
| Income | |
| Employee Charges | 330.79 |
| Gift Certificates | 1,037.00 |
| Sales-Bar | 3,235.75 |
| Sales-Food | 50,073.46 |
| Sales-Liquor | 7,387.70 |
| Total Income | 62,064.70 |
| Cost of Goods Sold | |
| 4305 · Cost of Sales-Bar | 614.58 |
| 4300 · Cost of Sales-BW&L | 2,701.89 |
| 4310 · Cost of Sales-Food | 8,610.63 |
| 4320 · Cost of Sales-Other | 711.51 |
| Total COGS | 12,638.61 |
| Gross Profit | 49,426.09 |
| Expense | |
| CoVid 19 | 0.00 |
| 6788 · Supplies | |
| 6782 · Kitchen Supplies | 306.51 |
| 6780 · Office Supplies | 0.00 |
| 6788 · Supplies - Other | 0.00 |
| Total 6788 · Supplies | 306.51 |
| 8500 · Membership Fee | 0.00 |
| Co. Sep. Expense | 77.32 |
| Employer Social Security | 1,013.06 |
| Salary Regular | 5,653.84 |
| Wages-cooks | 5,450.92 |
| Wages-waitresses | 2,408.05 |
| 6560 · Payroll Expenses | |
| Employer Medicare | 236.91 |
| FUTA Expense | 33.76 |
| 6561 · SUTA Expense | 5.40 |
| 6560 · Payroll Expenses - Other | 1,458.00 |
| Total 6560 · Payroll Expenses | 1,734.07 |
| 6700 · Operating Supplies | 535.20 |
| 6710 · Utilities | |
| 6708 · Water & Sewer | 155.10 |
| 6710 · Utilities - Other | 1,367.93 |
| Total 6710 · Utilities | 1,523.03 |
| 6720 · Verizon | 165.78 |
| 6730 · Vehicle Expense | 546.89 |
| 6740 · Advertising | 318.00 |
| 6750 · Repairs & Maintenance | 476.27 |
| 6760 · Postage, Dues & Subscriptions | 10.14 |
| 6770 · Waste Removal | 175.19 |
| 6830 · Miscellaneous Expense | 0.00 |
| 6870 · Freight | 216.81 |
| 6920 · Professional Fees | 153.60 |
| 6930 · Donations | 100.00 |
| Total Expense | 20,864.68 |
| Net Ordinary Income | 28,561.41 |
| Other Income/Expense | |
| Other Income | |
| 7050 · Other income ATM | 400.00 |
| 7000 · Interest Income | 4.38 |

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11/21/22
Cash Basis

Tosu Inc
Profit & Loss
October 2021

| | <u>Oct 21</u> |
|--------------------|-------------------------|
| Total Other Income | <u>404.38</u> |
| Net Other Income | <u>404.38</u> |
| Net Income | <u><u>28,965.79</u></u> |

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11/21/22
Cash Basis

Tosu Inc
Profit & Loss
November 2021

| | Nov 21 |
|--------------------------------------|-----------|
| Ordinary Income/Expense | |
| Income | |
| Employee Charges | 307.35 |
| Gift Certificates | 990.00 |
| Sales-Bar | 2,040.35 |
| Sales-Food | 42,695.81 |
| Sales-Liquor | 5,058.95 |
| Total Income | 51,092.46 |
| Cost of Goods Sold | |
| 4305 · Cost of Sales-Bar | 642.96 |
| 4300 · Cost of Sales-BW&L | 2,112.70 |
| 4310 · Cost of Sales-Food | 9,768.59 |
| 4320 · Cost of Sales-Other | 261.26 |
| Total COGS | 12,785.51 |
| Gross Profit | 38,306.95 |
| Expense | |
| CoVid 19 | 0.00 |
| 6788 · Supplies | |
| 6782 · Kitchen Supplies | 571.39 |
| 6780 · Office Supplies | 0.00 |
| 6781 · Building Supplies | 41.44 |
| 6788 · Supplies - Other | 0.00 |
| Total 6788 · Supplies | 612.83 |
| 6751 · Rent Expense | 1,800.00 |
| 8500 · Membership Fee | 25.00 |
| Bad Debt | 38.00 |
| Co. Sep. Expense | 85.32 |
| Employer Social Security | 916.10 |
| Salary Regular | 5,653.84 |
| Wages-cooks | 4,858.62 |
| Wages-waitresses | 2,094.95 |
| 6560 · Payroll Expenses | |
| Employer Medicare | 214.26 |
| FUTA Expense | 25.04 |
| 8561 · SUTA Expense | 3.76 |
| 6560 · Payroll Expenses - Other | 1,228.40 |
| Total 6560 · Payroll Expenses | 1,471.46 |
| 6710 · Utilities | |
| 6708 · Water & Sewer | 165.00 |
| 6709 · Iron River Cable | 136.00 |
| 6710 · Utilities - Other | 1,278.03 |
| Total 6710 · Utilities | 1,579.03 |
| 6720 · Verizon | 242.72 |
| 6730 · Vehicle Expense | 1,010.44 |
| 6740 · Advertising | 7,715.86 |
| 6750 · Repairs & Maintenance | 655.40 |
| 6760 · Postage, Dues & Subscriptions | 77.86 |
| 6770 · Waste Removal | 175.19 |
| 6830 · Miscellaneous Expense | 0.00 |
| 6920 · Professional Fees | 76.80 |
| 6930 · Donations | 50.00 |
| Total Expense | 29,139.42 |
| Net Ordinary Income | 9,167.53 |
| Other Income/Expense | |
| Other Income | |

12:59 PM
11/21/22
Cash Basis

Tosu Inc
Profit & Loss
November 2021

| | <u>Nov 21</u> |
|------------------------------|-------------------------|
| 7025 · Management Fee Income | 2,000.00 |
| 7050 · Other income ATM | 305.00 |
| 7000 · Interest Income | 4.40 |
| Total Other Income | <u>2,309.40</u> |
| Net Other Income | <u>2,309.40</u> |
| Net Income | <u><u>11,476.93</u></u> |

12:59 PM
11/21/22
Cash Basis

Tosu Inc
Profit & Loss
December 2021

| | Dec 21 |
|--------------------------------------|------------------|
| Ordinary Income/Expense | |
| Income | |
| Employee Charges | 378.23 |
| Gift Certificates | 4,003.00 |
| Sales-Bar | 2,764.24 |
| Sales-Food | 36,806.96 |
| Sales-Liquor | 4,195.85 |
| Total Income | 48,148.28 |
| Cost of Goods Sold | |
| 4305 · Cost of Sales-Bar | 656.76 |
| 4300 · Cost of Sales-BW&L | 2,029.68 |
| 4310 · Cost of Sales-Food | 19,125.58 |
| 4320 · Cost of Sales-Other | 1,405.31 |
| Total COGS | 23,217.33 |
| Gross Profit | 24,930.95 |
| Expense | |
| CoVid 19 | 0.00 |
| Sub Chapter S Distribution | 40,000.00 |
| 6788 · Supplies | |
| 6782 · Kitchen Supplies | 29.98 |
| 6780 · Office Supplies | 0.00 |
| 6788 · Supplies - Other | 0.00 |
| Total 6788 · Supplies | 29.98 |
| 6734 · Parking Lot Maintenance/Snow | 32.85 |
| 6935 · Mistake Pizzas | -337.78 |
| 6751 · Rent Expense | 1,800.00 |
| 8500 · Membership Fee | 0.00 |
| Co. Sep. Expense | 78.45 |
| Employer Social Security | 828.22 |
| Salary Regular | 5,653.84 |
| Wages-cooks | 4,308.52 |
| Wages-waitresses | 1,766.05 |
| 6560 · Payroll Expenses | |
| Employer Medicare | 193.72 |
| FUTA Expense | 16.31 |
| 6561 · SUTA Expense | 2.57 |
| 6560 · Payroll Expenses - Other | 759.20 |
| Total 6560 · Payroll Expenses | 971.80 |
| 6700 · Operating Supplies | 1,563.87 |
| 6710 · Utilities | |
| 6708 · Water & Sewer | 226.05 |
| 6709 · Iron River Cable | 136.00 |
| 6710 · Utilities - Other | 1,439.37 |
| Total 6710 · Utilities | 1,801.42 |
| 6720 · Verizon | 100.00 |
| 6730 · Vehicle Expense | 557.44 |
| 6740 · Advertising | 5,309.75 |
| 6760 · Repairs & Maintenance | 2,034.60 |
| 6760 · Postage, Dues & Subscriptions | 47.80 |
| 6770 · Waste Removal | 183.54 |
| 6830 · Miscellaneous Expense | 6,271.00 |
| 6870 · Freight | 131.22 |
| 6920 · Professional Fees | 48.00 |
| 6930 · Donations | -1,736.81 |
| 6950 · Insurance-Workmen's Comp. | 42.00 |
| Total Expense | 71,485.76 |

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11/21/22
Cash Basis

Tosu Inc
Profit & Loss
December 2021

| | <u>Dec 21</u> |
|-------------------------|--------------------------|
| Net Ordinary Income | -46,554.81 |
| Other Income/Expense | |
| Other Income | |
| 7050 - Other Income ATM | 345.50 |
| 7000 - Interest Income | 4.60 |
| 7040 - Misc. Income | 555.00 |
| Total Other Income | <u>905.10</u> |
| Net Other Income | <u>905.10</u> |
| Net Income | <u><u>-45,649.71</u></u> |

Tosu Inc
Balance Sheet
 As of December 31, 2020

| | Dec 31, 20 |
|---|-------------|
| ASSETS | |
| Current Assets | |
| Checking/Savings | |
| 1000 · Fritz LLC | 1,318.46 |
| 1035 · Checking-ATM Machine | 34,700.05 |
| 1025 · Cash on Hand | 15.58 |
| 1010 · Checking-The Miners State Bank | 92,418.47 |
| 1020 · Cash in Bank-Money Market | 38,279.75 |
| Total Checking/Savings | 166,732.31 |
| Other Current Assets | |
| 1201 · Inventories | 8,200.00 |
| 1499 · Undeposited Funds | 6,071.44 |
| Total Other Current Assets | 14,271.44 |
| Total Current Assets | 181,003.75 |
| Fixed Assets | |
| 2019 Lincoln Navigator | 70,527.00 |
| 1510 · Land | 10,400.00 |
| 6500 · Riverside Land and Building | 36,924.77 |
| 1520 · Equipment | 219,698.43 |
| 1580 · Accumulated Depreciation | -238,893.00 |
| Total Fixed Assets | 98,657.20 |
| TOTAL ASSETS | 279,660.95 |
| LIABILITIES & EQUITY | |
| Liabilities | |
| Current Liabilities | |
| Other Current Liabilities | |
| Sep. Co. Payable | 530.87 |
| Sep. Employee Payable | 1,705.00 |
| 2100 · Payroll Liabilities | |
| Federal Withholding | 477.00 |
| FUTA Payable | 37.48 |
| Medicare Payable | 300.68 |
| Social Security Payable | 1,285.80 |
| SUTA Payable | 10.00 |
| 2100 · Payroll Liabilities - Other | 345.65 |
| Total 2100 · Payroll Liabilities | 2,456.61 |
| 2560 · Sales Tax Payable | 1,860.40 |
| Total Other Current Liabilities | 6,552.88 |
| Total Current Liabilities | 6,552.88 |
| Long Term Liabilities | |
| 6600 · Note Payable Fritz | 123,612.74 |
| Total Long Term Liabilities | 123,612.74 |
| Total Liabilities | 130,165.62 |
| Equity | |
| 3901 · Retained Earnings. | 516,267.00 |
| 3003 · Treasury Stock | -462,404.00 |
| 3002 · Capital Stock | 2,000.00 |
| 3900 · Retained Earnings | 110,888.22 |
| Net Income | -17,255.89 |
| Total Equity | 149,495.33 |
| TOTAL LIABILITIES & EQUITY | 279,660.95 |

10:45 AM

11/10/22

Cash Basis

Tosu Inc
Profit & Loss Prev Year Comparison
 October 2019 through September 2020

| | Oct '19 - Sep 20 | Oct '18 - Sep 19 | \$ Change |
|--------------------------------------|------------------|------------------|------------|
| Ordinary Income/Expense | | | |
| Income | | | |
| 9500 · Rent Income | 2,700.00 | 1,200.00 | 1,500.00 |
| Employee Charges | 3,843.40 | 5,004.75 | -1,161.35 |
| Gift Certificates | 9,472.94 | 9,322.15 | 150.79 |
| Sales-Bar | 17,425.64 | 39,512.49 | -22,086.85 |
| Sales-Food | 468,640.35 | 486,908.18 | -18,267.83 |
| Sales-Liquor | 32,313.25 | 77,778.21 | -45,464.96 |
| Total Income | 534,395.58 | 619,725.78 | -85,330.20 |
| Cost of Goods Sold | | | |
| 4305 · Cost of Sales-Bar | 5,071.55 | 18,393.58 | -13,322.03 |
| 4300 · Cost of Sales-BW&L | 14,900.73 | 24,841.22 | -9,940.49 |
| 4310 · Cost of Sales-Food | 158,872.31 | 145,553.43 | 13,318.88 |
| 4320 · Cost of Sales-Other | 8,452.24 | 11,147.69 | -2,695.45 |
| Total COGS | 187,296.83 | 199,935.92 | -12,639.09 |
| Gross Profit | 347,098.75 | 419,789.86 | -72,691.11 |
| Expense | | | |
| CoVid 19 | 2,288.94 | 0.00 | 2,288.94 |
| Food/Beverage | 51.79 | 0.00 | 51.79 |
| VFW | 232.62 | 160.26 | 72.36 |
| Tear down of Green House | 1,070.00 | 3,922.00 | -2,852.00 |
| 7060 · Management | 1,000.00 | -1,000.00 | 2,000.00 |
| Sub Chapter S Distribution | 76,000.00 | 41,536.00 | 34,464.00 |
| 6788 · Supplies | | | |
| 6782 · Kitchen Supplies | 1,541.44 | 2,496.01 | -954.57 |
| 6780 · Office Supplies | 1,188.21 | 835.55 | 352.66 |
| 6781 · Building Supplies | 423.11 | 4,541.36 | -4,118.25 |
| 6788 · Supplies - Other | -258.56 | 21.77 | -280.33 |
| Total 6788 · Supplies | 2,894.20 | 7,894.69 | -5,000.49 |
| 7005 · Memorabilia | 0.00 | 180.20 | -180.20 |
| 6731 · Vehicle Expense Plow Truck | 3,118.82 | 3,578.19 | -459.37 |
| 6734 · Parking Lot Maintenance/Snow | 2,745.07 | 420.00 | 2,325.07 |
| 6935 · Mistake Pizzas | -44.41 | -422.12 | 377.71 |
| 6995 · Insurance-Umbrella | 484.00 | 445.00 | 39.00 |
| 6751 · Rent Expense | 10,200.00 | 7,950.00 | 2,250.00 |
| 8600 · Membership Fee | 114.67 | 1,403.30 | -1,288.63 |
| 6705 · Pest Control | 0.00 | 566.94 | -566.94 |
| Michigan Business Tax | -124.51 | 124.51 | -249.02 |
| Bad Debt | 113.78 | 96.18 | 17.60 |
| 6180 · Interest Expense | 847.70 | 0.00 | 847.70 |
| Co. Sep. Expense | 3,557.79 | 3,149.34 | 408.45 |
| Employer Social Security | 11,507.77 | 11,983.52 | -475.75 |
| management fees | 17,000.00 | -8,000.00 | 25,000.00 |
| Officers Salaries | 27,999.92 | 27,999.92 | 0.00 |
| Salary Regular | 71,211.48 | 65,000.00 | 6,211.48 |
| Wages-cooks | 59,098.72 | 59,950.70 | -851.98 |
| Wages-Other | 2,266.25 | 8,417.50 | -6,151.25 |
| Wages-waitresses | 9,409.72 | 14,500.98 | -5,091.26 |
| 6660 · Payroll Expenses | | | |
| Employer Medicare | 2,691.33 | 2,802.61 | -111.28 |
| FUTA Expense | 504.64 | 555.73 | -51.09 |
| 6661 · SUTA Expense | 974.08 | 175.57 | 798.51 |
| 6660 · Payroll Expenses - Other | 8,127.56 | 1,688.50 | 6,439.06 |
| Total 6660 · Payroll Expenses | 12,297.61 | 5,222.41 | 7,075.20 |
| 6700 · Operating Supplies | 6,927.40 | 1,161.84 | 5,765.56 |
| 6710 · Utilities | | | |
| 6709 · Iron River Cable | 1,735.60 | 560.00 | 1,175.60 |
| 6710 · Utilities - Other | 16,863.21 | 18,468.21 | -1,605.00 |

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11/10/22

Cash Basis

Tosu Inc
Profit & Loss Prev Year Comparison
October 2019 through September 2020

| | Oct '19 - Sep 20 | Oct '18 - Sep 19 | \$ Change |
|--------------------------------------|-------------------|-------------------|--------------------|
| Total 6710 · Utilities | 18,598.81 | 19,028.21 | -429.40 |
| 6720 · Verizon | 3,758.42 | 5,549.74 | -1,791.32 |
| 6730 · Vehicle Expense | 7,079.53 | 8,996.35 | -1,916.82 |
| 6740 · Advertising | 13,826.91 | 15,570.48 | -1,743.57 |
| 6750 · Repairs & Maintenance | 13,333.60 | 13,110.49 | 223.11 |
| 6760 · Postage, Dues & Subscriptions | 422.45 | 280.35 | 142.10 |
| 6770 · Waste Removal | 1,161.45 | 903.65 | 257.80 |
| 6800 · Property Taxes | 6,360.80 | 5,547.07 | 813.73 |
| 6830 · Miscellaneous Expense | 13,191.66 | 6,138.67 | 7,052.99 |
| 6850 · Sales Tax | 7,071.37 | 0.00 | 7,071.37 |
| 6870 · Freight | 517.32 | 679.56 | -162.24 |
| 6910 · Travel Expense | 1,000.00 | 887.45 | 112.55 |
| 6920 · Professional Fees | 2,463.90 | 2,964.70 | -500.80 |
| 6930 · Donations | 190.97 | 1,323.11 | -1,132.14 |
| 6940 · Licenses & Permits | 696.50 | 2,464.92 | -1,768.42 |
| 6950 · Insurance-Workmen's Comp. | 1,055.00 | 1,210.00 | -155.00 |
| 6970 · Insurance-General Liability | 5,077.87 | 4,785.63 | 292.24 |
| 6980 · Insurance-Auto | 1,627.30 | 2,703.85 | -1,076.55 |
| 6990 · Insurance-Liquor Liability | 603.00 | 603.00 | 0.00 |
| Total Expense | 420,306.19 | 348,988.59 | 71,317.60 |
| Net Ordinary Income | -73,207.44 | 70,801.27 | -144,008.71 |
| Other Income/Expense | | | |
| Other Income | | | |
| 7025 · Management Fee Income | 31,000.00 | 12,000.00 | 19,000.00 |
| 7050 · Other income ATM | 2,692.80 | 3,657.60 | -964.80 |
| 7000 · Interest Income | 76.67 | 62.57 | 14.10 |
| 7020 · Gain on Sale of Assets | 23,385.00 | 0.00 | 23,385.00 |
| 7040 · Misc. Income | 1,313.00 | 1,333.03 | -20.03 |
| Total Other Income | 58,467.47 | 17,053.20 | 41,414.27 |
| Other Expense | | | |
| 6900 · Depreciation Expense | 28,537.00 | 17,215.00 | 11,322.00 |
| Total Other Expense | 28,537.00 | 17,215.00 | 11,322.00 |
| Net Other Income | 29,930.47 | -161.80 | 30,092.27 |
| Net Income | -43,276.97 | 70,639.47 | -113,916.44 |

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11/10/22

Cash Basis

Tosu Inc
Profit & Loss Prev Year Comparison
October 2019 through September 2020

| | <u>% Change</u> |
|--------------------------------------|-----------------|
| Ordinary Income/Expense | |
| Income | |
| 9500 · Rent Income | 125.0% |
| Employee Charges | -23.2% |
| Gift Certificates | 1.6% |
| Sales-Bar | -55.9% |
| Sales-Food | -3.8% |
| Sales-Liquor | -58.5% |
| Total Income | -13.8% |
| Cost of Goods Sold | |
| 4305 · Cost of Sales-Bar | -72.4% |
| 4300 · Cost of Sales-BW&L | -40.0% |
| 4310 · Cost of Sales-Food | 9.2% |
| 4320 · Cost of Sales-Other | -24.2% |
| Total COGS | -6.3% |
| Gross Profit | -17.3% |
| Expense | |
| CoVid 19 | 100.0% |
| Food/Beverage | 100.0% |
| VFW | 45.2% |
| Tear down of Green House | -72.7% |
| 7060 · Management | 200.0% |
| Sub Chapter S Distribution | 83.0% |
| 6788 · Supplies | |
| 6782 · Kitchen Supplies | -38.2% |
| 6780 · Office Supplies | 42.2% |
| 6781 · Building Supplies | -90.7% |
| 6788 · Supplies - Other | -1,287.7% |
| Total 6788 · Supplies | -63.3% |
| 7005 · Memorabilia | -100.0% |
| 6731 · Vehicle Expense Plow Truck | -12.8% |
| 6734 · Parking Lot Maintenance/Snow | 553.6% |
| 6935 · Mistake Pizzas | 89.5% |
| 6995 · Insurance-Umbrella | 8.8% |
| 6751 · Rent Expense | 28.3% |
| 8500 · Membership Fee | -91.8% |
| 6705 · Pest Control | -100.0% |
| Michigan Business Tax | -200.0% |
| Bad Debt | 18.3% |
| 6180 · Interest Expense | 100.0% |
| Co. Sep. Expense | 13.0% |
| Employer Social Security | -4.0% |
| management fees | 312.5% |
| Officers Salaries | 0.0% |
| Salary Regular | 9.6% |
| Wages-cooks | -1.4% |
| Wages-Other | -73.1% |
| Wages-waitresses | -35.1% |
| 6560 · Payroll Expenses | |
| Employer Medicare | -4.0% |
| FUTA Expense | -9.2% |
| 6561 · SUTA Expense | 454.8% |
| 6560 · Payroll Expenses - Other | 381.4% |
| Total 6560 · Payroll Expenses | 135.5% |
| 6700 · Operating Supplies | 496.2% |
| 6710 · Utilities | |
| 6709 · Iron River Cable | 209.9% |
| 6710 · Utilities - Other | -8.7% |

10:45 AM

11/10/22

Cash Basis

Tosu Inc
Profit & Loss Prev Year Comparison
October 2019 through September 2020

| | <u>% Change</u> |
|--------------------------------------|-----------------------|
| Total 6710 · Utilities | -2.3% |
| 6720 · Verizon | -32.3% |
| 6730 · Vehicle Expense | -21.3% |
| 6740 · Advertising | -11.2% |
| 6750 · Repairs & Maintenance | 1.7% |
| 6760 · Postage, Dues & Subscriptions | 50.7% |
| 6770 · Waste Removal | 28.5% |
| 6800 · Property Taxes | 14.7% |
| 6830 · Miscellaneous Expense | 114.9% |
| 6850 · Sales Tax | 100.0% |
| 6870 · Freight | -23.9% |
| 6910 · Travel Expense | 12.7% |
| 6920 · Professional Fees | -16.9% |
| 6930 · Donations | -85.6% |
| 6940 · Licenses & Permits | -71.7% |
| 6950 · Insurance-Workmen's Comp. | -12.8% |
| 6970 · Insurance-General Liability | 6.1% |
| 6980 · Insurance-Auto | -39.8% |
| 6990 · Insurance-Liquor Liability | 0.0% |
| Total Expense | <u>20.4%</u> |
| Net Ordinary Income | -203.4% |
| Other Income/Expense | |
| Other Income | |
| 7026 · Management Fee Income | 158.3% |
| 7050 · Other income ATM | -26.4% |
| 7000 · Interest Income | 22.5% |
| 7020 · Gain on Sale of Assets | 100.0% |
| 7040 · Misc. Income | -1.5% |
| Total Other Income | <u>242.9%</u> |
| Other Expense | |
| 6900 · Depreciation Expense | <u>65.8%</u> |
| Total Other Expense | <u>65.8%</u> |
| Net Other Income | <u>18,598.4%</u> |
| Net Income | <u><u>-161.3%</u></u> |

TOSU, INC.

EXHIBIT D TO THE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

This **FRANCHISE AGREEMENT**, made and entered into this ____ day of _____, 2023, by and between TOSU, INC, a Corporation, with its principal offices at 98 E. Genesee Street, Iron River, MI 49935 ("**Franchisor**"), and _____, a [Business Entity], with its principal offices at _____ ("**Franchisee**"). For purposes of this Agreement, "we," "us" or "our" means Franchisor, and "you," "your" or "yourself" means Franchisee and any or all of its members, partners or principal owners.

Background

Franchisor has, over a considerable time and with considerable effort, developed, and continues to develop, a system and franchise opportunity for the operation of restaurants providing on-premises and carry-out dining services and featuring gourmet pizza and other permitted food and beverage products (collectively, "**Menu Items**"). Most Menu Items are prepared according to Franchisor's specified recipes, standards and procedures and incorporate high-quality ingredients, including its specially formulated and/or specially produced proprietary lines of dough, meats and other food products (collectively, "**Trade Secret Food Products**"), as well as other food products (not constituting Trade Secret Food Products) that are branded and/or packaged exclusively for its system and franchisees (collectively, "**Branded Products**"), which include non-food products that are branded and/or packaged exclusively for Franchisor's system and franchisees. The restaurants described above operate under the "Riverside Pizzeria" name and other trademarks ("**Riverside Pizzeria Restaurants**") and have distinctive business formats, methods, procedures, signs, designs, layouts, standards, and specifications, all of which Franchisor may improve, further develop, or otherwise modify from time to time.

Franchisor currently uses, promotes, and licenses certain trademarks, service marks and other commercial symbols in operating Riverside Pizzeria Restaurants, which have gained and will continue to gain public acceptance and goodwill, and it may create, use, and license new trademarks, service marks, and commercial symbols for Riverside Pizzeria Restaurants (collectively, the "**Marks**").

Franchisor grants to persons who meet its qualifications, and are willing to undertake the investment and effort, a franchise to own and operate a Riverside Pizzeria Restaurant offering the Menu Items and services it requires and authorizes and using its business formats, methods, procedures, signs, designs, layouts, standards, specifications, and Marks (the "**Franchise System**" or "**System**").

Franchisee desires to acquire from Franchisor, and Franchisor desires to grant a limited license to use the Franchise System solely in connection with the establishment and operation of a restaurant business using the Franchise System within a designated geographical area pursuant to the terms and provisions of this Agreement.

As a Riverside Pizzeria Restaurant franchisee, Franchisee must comply with this Agreement and all mandatory specifications, standards, operating procedures, and rules (collectively, "**System Standards**") that Franchisor periodically prescribes for Riverside Pizzeria

Restaurants in order to maintain the high and consistent quality that is critical to attracting and keeping customers for Riverside Pizzeria Restaurants.

NOW, THEREFORE, the parties hereto, in consideration of the mutual covenants and promises herein contained and for other good and valuable consideration, acknowledged by each of them to be satisfactory and adequate, and each of said parties intending to be legally bound hereby, agree as follows:

1. DEFINITIONS.

The following terms shall have the meanings set forth below when capitalized in this Agreement:

“**Approved Suppliers**” means those suppliers we designate or approve to sell products to you.

“**Assets**” means equipment, inventory, favorable rights and covenants (including customer lists, contract rights and other general intangibles) of the Franchised Business.

“**Competing Business**” means any business which offers or sells to the public hot/warm pizza in a sitdown style restaurant or take-out format.

“**Designated Territory**” means:.

“**Franchise Fees**” shall have the meaning described in Section 6.2.

“**Franchised Business**” means the business through which you will offer restaurant and related services using the Franchise System.

“**Gross Revenue**” shall have the meaning described in Section 6.4.

“**Initial Franchise Fees**” shall have the meaning described in Section 6.1.

“**Initial Training**” shall have the meaning described in Section 4.2.1.

“**Location**” means your business office, if any.

“**Manager**” means the designated Person in charge of substantially all operations of the Franchised Business. You may be designated as the Manager.

“**Operations Manual**” means the operational and business manuals and related materials in various mediums created for or approved for use in the operation of the Franchised Business.

“**Owner**” shall have the meaning described in Section 2.7.

“**Ownership Interest**” shall have the meaning described in Section 2.7.

“**Person**” means a natural person, corporation, partnership, limited liability company, sole proprietorship, joint venture, association, trust, estate, unincorporated organization, cooperative or other entity.

“**Principal Owner**” shall have the meaning described in Section 2.7.

“**Products**” means the proprietary supplies and other products, supplies, materials and equipment that we designate or approve for use by your Franchised Business. All Products must be purchased from Approved Suppliers.

Other terms will be specifically defined within this Agreement.

2. **GRANT OF FRANCHISE.**

2.1 Grant of Franchise. We hereby grant to you and you hereby accept, a limited license to use the Marks and the Operations Manual, and to establish and operate four (4) Franchised Business under the System, as it may be changed, improved, modified or further developed from time to time pursuant to the provisions of this Agreement. In order to maintain the goodwill associated with the Marks, all Franchised Businesses must operate as part of our System in accordance with our System standards. The Franchised Business granted to you under this Agreement, including the license to use the Marks, is non-exclusive. We, in our sole discretion, have the right to grant other licenses in and to the Marks, to grant other Franchised Businesses and to develop and license other names and marks, outside of your Designated Territory on any such terms and conditions as we deem appropriate.

2.2 Location. The Franchised Business may be based out of a Location within the Designated Territory.

2.3 Designated Territory. As long as you are in full compliance with this Agreement, including, but not limited to, the requirements set forth in this Section, and subject to Sections 2.5, 2.6 and 2.7 of this Agreement, we will not grant another Franchised Business or acquire or otherwise establish for ourselves a company-owned facility utilizing the System within the Designated Territory.

2.4 Product and Service Limitations. You are restricted solely to the offering of the System with the Franchised Business. Without our prior written consent, to be exercised in our sole discretion, you are expressly prohibited from engaging in the business of offering any other services using the Franchised Business. You agree that you will not use any aspect of the System, including the Marks, or the Operations Manual outside of your Designated Territory, without our prior written consent, to be exercised in our sole discretion.

2.5 Internet Advertising. You may establish a web site (“Web Site”) on the Internet using any domain name containing the words “Riverside Pizzeria” or any variation thereof, including any domain name, URL or Internet address, or as a hidden search term used by Internet search engines (for example, as a “metatag”), or install a hyperlink to any other Web Site on the World Wide Web, without our prior written consent. You may use the Marks on your Web Site provided you identify your Designated Territory in conjunction with your use of the Marks. We

retain the right to pre-approve your use of linking and framing between your Web pages, if any, and all other Web sites on the Internet. You will, within five (5) days, dismantle any frames and links between your Web pages and any other Web sites, if we request.

2.6 Rights Reserved by Us. Except as set forth in Section 2.3 of this Agreement, you understand and expressly acknowledge and agree that, outside of the Designated Territory, we reserve at our sole option the rights to offer or sell all services which comprise, or may in the future comprise, a part of the System and regardless of whether such services are authorized for sale as part of the System, under the Marks licensed hereunder, or otherwise, including without limitation:

2.6.1 the right to operate itself or grant others the right to operate facilities offering services or Products to the public anywhere outside the Designated Territory and on such terms and conditions as we, in our sole discretion, deem appropriate; and

2.6.2 through any channel of distribution including mail order catalogs, computerized (such as the Internet), telephone or other electronic ordering systems capable of accepting orders placed from within or outside the Designated Territory. We also expressly reserve for ourselves and our Affiliates the right to conduct in our or their sole discretion any promotion, function or activity within the Designated Territory.

2.7 Principal Owners Guaranty. An "Owner" for purposes of this Agreement is defined as each Person holding direct or indirect, legal or beneficial Ownership Interest in you, the Franchised Business, and each Person who has other direct or indirect property rights in you or this Agreement. "Ownership Interest" for purposes of this Agreement is defined to mean in relation to: (i) a corporation, the legal or beneficial ownership of shares in the corporation; (ii) a partnership, the legal or beneficial ownership of a general or limited partnership interest; (iii) a limited liability company, the legal or beneficial ownership of units or membership interests in the limited liability company; or (iv) a trust, the ownership of a beneficial interest of such trust. A "Principal Owner" for purposes of this Agreement is an owner which:

- (a) is a general partner in you; or
- (b) has a direct or indirect equity interest in you of five percent (5%) or more (regardless of whether such owner is entitled to vote therein); or
- (c) is designated as a Principal Owner in Exhibit A of this Agreement.

All of your Principal Owners must be disclosed on Exhibit A to this Agreement.

3. TERM AND RENEWAL.

3.1 Initial Term. Except as otherwise provided in this Agreement, the initial term of this Agreement will run for five (5) years from the date of execution of this Agreement (the "Term").

3.2 Renewal Term. You may, at your option, renew this Agreement, as set forth herein, for additional Terms of five (5) years each provided that all of the following conditions are met at the end of the initial Term or the renewal Terms, as the case may be:

3.2.1 Notice. You have given us written notice of your election to renew this Agreement, not less than one hundred eighty (180) days, nor more than one (1) year, prior to the expiration of the initial Term or the renewal Terms, as the case may be;

3.2.2 No Default. You are not in default of any provision of this Agreement, nor any other agreement between you and us, and have substantially complied with all of the terms and conditions of this Agreement during the Term hereof and such other agreements during the Terms thereof (including, without limitation, any additional Terms);

3.2.3 Satisfaction of Monetary Obligations. You have satisfied all monetary obligations owed by you to us and our Affiliates and have timely met these obligations throughout the Term of this Agreement (including, without limitation, any additional Terms);

3.2.4 Form of Franchise Agreement. You execute our then current form of franchise agreement, which terms, including monetary terms, may differ from this Agreement; provided, however, that the boundaries of the Designated Territory will remain the same and no renewal fee will be charged to you; and

3.2.5 Retraining. You and your Franchised Business Manager will, at your expense, attend and successfully complete to our satisfaction any retraining program we may require.

4. OUR ASSISTANCE

4.1 Opening Kit. In connection with the opening of the Franchised Business, you may receive an Opening Kit, which will consist of all of the Operations Manual, proprietary supplies, equipment and other items Franchise-specific items needed to operate the Franchised Business.

4.2 Initial Training.

4.2.1 Your Training. Each Franchised Business must have a designated Manager. Prior to opening of the Franchised Business, we will provide you and your Manager with seven (7) days of instruction at a location we designate ("Initial Training"). The Initial Training will cover marketing, budgeting, understanding the programs and systems that we have in place, methods and suggestions for servicing and supporting your customers, quality control measures and preparation and use of forms. We will provide, at our expense, instructors, facilities, training materials and technical training tools for Initial Training. The Initial Training has to be completed promptly, and you are expected to participate and satisfactorily complete your Initial Training following signing of this Agreement. You are solely responsible for all costs and expenses incurred on your own behalf and by your employees in connection with the Initial Training. Additional training is available to you at any time and at a cost to be determined.

4.2.2 Training Location. We reserve the right to request that your restaurant or facility be used to conduct Initial Trainings for new franchisees that are opening a Riverside Pizzeria Restaurant outside of the Designated Territory. We will compensate you \$5,000 for conducting the Initial Training, payable within thirty (30) days of completion.

4.2.3 New Manager. Any Person employed by you as a Manager subsequent to the opening of the Franchised Business will be required to attend our Initial Training. You will pay to us a training fee at the then-current rate imposed by us for the Initial Training of such manager subsequently employed by you.

4.3 Manuals. Before the start of Initial Training, we will provide you on loan one copy of the Operations Manual. Thereafter, we will provide confidential access to our Operations Manual by any method we select. The Operations Manual may be supplemented by periodic downloading, operating bulletins, e-mail, and similar communications that together with the Operations Manual contain the mandatory and suggested procedures, specifications and rules that we prescribe for the Franchised Business.

4.4 Operations and Advertising Assistance. We will assist you in the operation of your Franchised Business and in the development of sales promotion and advertising programs. This assistance will include advice about the recommended form and content of your advertising programs. We cannot guarantee and do not warrant any specific level of success from any particular advertising advice or program.

4.5 Additional Products and Services. Provided you are in full compliance with this Agreement and all collateral agreements, we will provide you with all of the Products and services then offered to the Franchised Business. We may establish fees for any new or for any additional Products or services. You acknowledge that we may introduce new Products or services or discontinue existing Products and Services, in our sole discretion, without incurring any liability to you.

5. YOUR DUTIES.

5.1 Computers and Software. You must, at your own expense:

5.1.1 Purchase or lease any computer software and hardware for use in operating the Franchised Business in accordance with our specifications. You must upgrade the computer software and hardware, from time to time, as we may reasonably require.

5.1.2 Upon our reasonable notice, install and use such pre-authorized payment and computerized point of sales systems, credit verification systems, automatic payment systems, electronic funds transfer systems, or automatic banking system as we may require. This requirement may be specified by us to fulfill any business purpose reasonably related to the operation of the Franchised Business or to permit you to make all required payments to us by automatic bank transfer. You further agree that all required payments, including Franchise Fees and Marketing Fees, must be made at the time automatic or electronic funds transfer is instituted and required by us. You must execute and deliver to us all documents necessary to effect the automatic or electronic funds transfer.

5.2 Opening. You must not open for business at the Franchised Business until you have met all of your pre-opening obligations as set forth in this Agreement. You must complete development of and have the Franchised Business ready to open for business within one hundred twenty (120) days of the date of this Agreement.

5.3 Operations of the Franchised Business.

5.3.1 Compliance with Applicable Laws. You must obtain all required government licenses and permits for the establishment and operation of the Franchised Business and maintain such licenses and permits in full force and effect throughout the Term of this Agreement. You must operate the Franchised Business in compliance with all applicable local, state and federal statutes, rules, ordinances and regulations and must take prompt and immediate action to correct any violation set forth in any notice issued by any governmental or municipal authority, with respect to the establishment and/or operation of the Franchised Business. You must promptly pay, when due, all taxes levied or assessed, including, without limitation, Federal and state income taxes, state sales taxes, if applicable, and all payroll taxes applicable to the Franchised Business.

5.3.2 Compliance with Standards. You acknowledge and agree that your advertising, operation and maintenance of the Franchised Business in accordance with Standards are essential to preserve our goodwill including the goodwill of the System and the Marks. Therefore, at all times during the Term, you agree to operate and maintain your Franchised Business in accordance with each and every System Standard, as we periodically modify and supplement them during the Term. You agree to comply with our System Standards prescribed from time to time in the Operations Manual, or otherwise communicated to you in writing or other tangible form. System Standards may regulate any one or more of the following with respect to the Franchised Business:

5.3.2.1 use and display of the Marks;

5.3.2.2 staffing levels for the Franchised Business and matters relating to managing the Franchised Business's communication to us of the identities of the Franchised Business's personnel; and qualifications, training, dress and appearance of the personnel;

5.3.2.3 days and hours of operation of the Franchised Business;

5.3.2.4 acceptance of or participation in credit cards, gift certificates, coupons, other payment systems and check verification services or contests, give-aways, and the like;

5.3.2.5 bookkeeping, accounting, data processing and record keeping systems, including software, and forms; methods, formats, content and frequency of reports to us of sales, revenue, financial performance and condition; and furnishing tax returns and other operating and financial information to us;

5.3.2.6 obtaining required licenses and permits; adhering to good business practices; observing high standards of honesty, integrity, fair dealing and ethical business conduct in all commercial dealings;

5.3.2.7 regulation of such other aspects of the operation and maintenance of the Franchised Business that we determine from time to time to be useful to

preserve or enhance the efficient operation, image or goodwill of the Marks and the Franchised Business.

5.3.3 Modification of System Standards. We may periodically modify System Standards, which may accommodate regional or local variations as we determine, and any such modifications may obligate you to invest additional capital in the Franchised Business and/or incur higher operating costs; provided, however, that such modifications will not alter your fundamental status and rights under this Agreement. You understand and acknowledge that our changes to System Standards may include, among other things, changes to the Marks and the services to be offered by the Franchised Business.

5.3.4 Proprietary Supplies. We may require that you purchase from us, or Approved Suppliers, the Proprietary Supplies, at then prevailing prices, plus freight, taxes and delivery costs. We have no obligation to evaluate or consider alternative suppliers of Proprietary Supplies.

5.3.5 Approved Products and Services. You must not sell Products and services or other items or services through the Franchised Business that we have not previously approved for sale. We may negotiate group or volume purchasing arrangements with Approved Suppliers. We will be entitled to all rebates, bonuses and promotional benefits associated with those programs. You must not, without our prior written consent, sell, dispense, give away or otherwise provide Products or other items except by means of retail sales to customers at the Franchised Business. You must immediately implement changes to the Service and Products or other items requested by us. You must maintain an inventory of Products and capacity to perform the Services sufficient to meet the daily demands of the Franchised Business.

5.3.6 Approved Suppliers. We will only approve suppliers who demonstrate to our continuing reasonable satisfaction the ability to meet our standards and specifications; who possess adequate quality controls and capacity to supply your needs promptly and reliably; and who have been approved in writing by us and not thereafter disapproved. We will furnish to you a list of Approved Suppliers. If you desire to purchase or lease any unapproved product, supplies, service or equipment or purchase or lease any approved product, supplies, service or equipment from an unapproved supplier, you must notify us in writing and request approval. We have the right to require that our representatives be permitted to inspect the proposed supplier's facilities and test or evaluate the proposed supplier's product, supplies, service or equipment. We have the right to request that samples be delivered to us or to an independent testing facility chosen by us. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test will be paid by you or the supplier. We will, within thirty (30) days of receipt of a completed request and completion of the evaluation and testing, notify you in writing of our approval or disapproval of the supplier and/or the proposed product, supplies, service or equipment. We reserve the right, at our option, to reinspect the facilities of any such approved supplier and to re-test or re-evaluate any previously approved Products, supplies, service or equipment and to revoke our approval upon the supplier's failure to continue to meet any of our then-existing supplier, product, equipment or service criteria, or as otherwise reasonably determined by us.

5.3.7 Hours of Operation. You must keep the Franchised Business open and in normal operation for a minimum of 45 hours a week or as we may from time to time reasonably require in writing.

5.3.8 Forms and Reports. You are required to use the forms and reports specified in the Operations Manual in the operation of your Franchise. These forms and reports must be submitted to us in the format and frequency, and by the means we specify in the Operations Manual and in this Agreement. You must submit to us a copy of the yearly Federal tax return filed by you for the Franchised Business, at the time you send the tax return to the Internal Revenue Service. In addition, by December 31st of each year, you must send us your business goals for the coming year, your existing employee payscale, benefits provided to employees and prices you charge for Services and Products.

5.3.9 Records. You must maintain for at least six (6) years from the date generated, the original, full and complete records, including but not limited to, copies of all prepared tax returns, computer records, bank statements, accounts, books, ledgers, data, licenses and contracts that reflect all aspects of your Franchise.

5.4 Full Time Manager. You agree that during the Term of this Agreement, except as otherwise approved in writing by us, you and/or your Manager with respect to the Franchised Business will personally devote full time, energy and best efforts to the management and operation of the Franchised Business. If you are not the Manager, you will supervise the operation of the Franchised Business but need not be engaged in the day-to-day operations of the Franchised Business.

5.5 Insurance

5.5.1 You agree to secure, prior to the opening of the Franchised Business and to maintain in full force and effect during the Term of this Agreement, at your expense, insurance policies protecting you and us as additional insureds, and our and their respective officers, directors, shareholders and employees, against any loss, liability, personal injury, death, property damage or expense whatsoever arising or occurring in connection with the Franchise and the operations of the Franchised Business, as well as such other insurance as we may reasonably require.

5.5.2 Such policies will include, at a minimum (except, as additional coverage and higher policy limits are reasonably specified for all franchisees from time to time by us in writing), the following:

5.5.2.1 Comprehensive general liability insurance, in the amount of One Million (\$1,000,000.00) Dollars with minimum limits of Five Hundred Thousand (\$500,000.00) Dollars per Person/per occurrence for bodily injury and Five Hundred Thousand (\$500,000.00) Dollars for property damages and such insurance, or such additional insurance amounts as may be applicable due to the contents of the Franchised Business.

5.5.2.2 Worker's compensation and employer's liability insurance, as well as such other insurance as may be required by the statutes or rules of the state or states in which the Franchised Business is located and operated.

5.5.2.3 Fire, vandalism and extended coverage insurance with primary and excess limits of not less than the full replacement value of the Franchised Business, including the Repair Unit and its equipment, supplies and inventory.

5.5.2.4 The coverage and policy limits required by this Agreement may be reasonably increased from time to time by us. You will, within ten (10) days of commencement of operation of the Franchised Business, submit to us verification of insurance coverage in accordance with the requirements hereof, and ten (10) days prior to each policy renewal thereafter, you will promptly submit evidence of insurance (and, upon request, copies of all policies and policy amendments) together with proof of payment therefore, to us. The evidence of insurance must include a statement by the insurer that the policy or policies will not be cancelled or materially altered without at least thirty (30) days prior written notice to you and us.

5.5.3 Your obligations to obtain and maintain the foregoing policy or policies of insurance in the amounts specified herein will not be limited in any way by reason of any insurance that may be maintained by us, nor will your performance of that obligation relieve you of any liability under the indemnity provision set forth in this Agreement.

5.5.4 Should you, for any reason, fail to procure or maintain the insurance required by this Agreement, we will have the right, at our option, to procure such insurance and charge that expense to you, which charge, together with a reasonable fee for our expense in so acting, will be payable by you immediately upon notice.

5.6 Telephone Numbers. You must obtain separate telephone numbers for the Franchised Business. Your procurement and use of your telephone numbers, listings, and any display advertisements must comply with the Operations Manual.

5.7 Conformance to Operations Manual. You will operate the Franchised Business and all activities in connection therewith in conformity with the standards, operating procedures and policies set forth in the Operations Manual, as reasonably modified from time to time by us, and as we may otherwise from time to time reasonably notify you in writing.

6. FEES.

6.1 Initial Franchise Fees. You must pay to us an Initial Franchise Fee of \$50,000, payable upon execution of this Agreement, or as otherwise agreed to between us. This Initial Franchise Fee is fully earned and non-refundable upon the execution of this Agreement.

6.2 Continuing Franchise Fees. You must pay to us continuing monthly franchise fees (herein the "Franchise Fees") during the Term of this Agreement in an amount equal to 5% of Gross Revenues.

6.3 Marketing Fees. You must pay to us continuing monthly marketing fees (hereinafter the "Marketing Fees") during the Term of the Agreement in an amount equal to 2% of Gross Revenues.

6.4 Gross Revenues. "Gross Revenues" as used herein will mean the amount of all revenue in the form of cash, credit, notes, consideration, services or property, directly or indirectly,

such as payment to third parties on your behalf, and all income of every kind and nature related to or derived from the operations of the Franchise, whether at the Franchised Business or elsewhere, including but not limited to, income from the sale of Products, goods, supplies, merchandise or services sold, rented or otherwise rendered or performed by you; provided, however, that Gross Revenues will not include any sales taxes or other taxes collected by you on behalf of appropriate taxing authorities. Each charge or sale upon installment or credit must be treated as having been received in full by you at the time such charge or sale is made, regardless of the time when you will receive payment therefore.

6.5 Payment of Fees. Payments of the Franchise Fees must be submitted to us or our designee by you together with report forms required by us, on or before the 10th day of the following month for Gross Revenues of the preceding month (each a "Reporting Period"). Any payment or report not received as required by this Section 6.5 will be deemed overdue. If any payment of Franchise Fees is overdue, you must pay us interest on such amounts from the date it was due until paid, at the lesser of either the rate of eighteen (18%) percent per annum or the maximum rate permitted by law. Entitlement to such interest will be in addition to any other remedies we may have including our rights under Section 14 of this Agreement. If your monthly Marketing Fees are overdue, you will be subject to a notice of default and subsequent termination as set forth in Section 14.3 of this Agreement. Notwithstanding any designation by you, we will have the sole discretion to apply any payments received from you to any past due indebtedness of yours, including Franchise Fees, Marketing Fees, purchases from us or our Affiliates, or interest due and owing to us.

7. MARKS.

7.1 Use of Marks. You must use only the Marks designated by us and must use them only in the manner authorized and permitted pursuant to this Agreement, as directed by us.

7.1.1 You must use the Marks only in conjunction with the operation of the Franchised Business and in accordance with the Operations Manual.

7.1.2 Your right to use the Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof will constitute an infringement of our rights.

7.1.3 You will not make use of the Marks, or any part thereof, in your corporate name or in any other business or legal entity.

7.1.4 Any application or filing by you to use the Marks, which may be required by the laws or statutes of any governmental body must specify that your use of the Marks is limited to the subject matter of this Agreement and upon termination of this Agreement, your right to use the Marks terminates. By virtue of such application or filing, no property rights in, or privileges to use, the Marks is created which will extend beyond the termination of this Agreement.

7.1.5 In the event that litigation by a third party involving the Marks is instituted or threatened against you, you will promptly notify us and will cooperate fully in defending or settling such litigation. In the event we undertake the defense or prosecution of any litigation pertaining to the Marks, you agree to execute any and all documents and do such acts and things as may, in the opinion of our counsel, be necessary or appropriate in the litigation. We will have

the sole right and discretion to take such action as we deem appropriate. Provided you are in compliance with this Agreement, we will defend you, at our expense, against any third party claim, suit or demand involving the Marks and arising out of your authorized use thereof.

7.2 Your Acknowledgement. You expressly acknowledge and agree that:

7.2.1 We have the sole and exclusive rights and interest in and to the Marks and the goodwill associated thereto.

7.2.2 You will not, directly or indirectly, contest the validity or the ownership of the Marks.

7.2.3 You acquire no right, title or interest in the Marks, except for the non-exclusive license to use the Marks pursuant to this Agreement.

7.2.4 Any and all goodwill arising from your use of the Marks pursuant to this Agreement will inure solely and exclusively to our benefit. Upon expiration or termination of this Agreement, no monetary amount will be assigned, for any reason or for any purpose whatsoever, to any goodwill in connection with your use of the Marks.

8. ADVERTISING AND MARKETING.

8.1 Advertising and Marketing Programs. We may use the Marketing Fees that you pay in accordance with Section 6.3 to prepare, produce, conduct and place advertising and promotional programs in any media they or we select, including any Internet-like system or protocol, and any joint marketing with any Affiliates. We have the sole discretion to determine the nature and type of media placement, the allocation of advertising in each market, and the content of any advertising copy or other materials and programs.

8.1.1 We may also use these funds to conduct market research, public relations, and for the costs of accounting for the advertising funds. All costs of the development, production and distribution of these programs, and the conduct of market research, public relations and customer surveys, and the proportionate share of overhead and compensation of the employees who devote time and render services in the development of advertising or the administration of the monies, and any direct or indirect costs will be paid from the Marketing Fees. We and our Affiliates may hire and pay from the Marketing Fees any advertising agency, public relations firm and similar source to formulate, develop, produce, conduct and place the advertising, promotional programs and materials. We are not obligated to segregate, separately account for, or conduct an audit of the Marketing Fees.

8.1.2 We spend the Marketing Fees in the manner, timing and placement that in our sole judgment promotes general public awareness of the Mark. You do not become a third party beneficiary to any contract we enter into with respect to advertising by paying the Marketing Fees.

8.1.3 We may spend in any fiscal year an amount greater or less than the aggregate contributions of the Marketing Fees for that fiscal year. We may carry over unexpended Marketing Fees from year to year and we are under no obligation to refund any unspent Marketing

Fees to you when this Agreement is terminated or expires. We do not ensure that you will benefit directly or on a pro rata basis from any advertising or marketing, or that any advertising will be conducted in your Designated Territory. We do not ensure that any expenditures made by us in any geographic area will be proportionate or equivalent to the contribution made from the Franchisees operating in that geographic area.

8.1.4 You and we agree that our rights and obligations with respect to the Marketing Fees and all related matters are governed solely by this Agreement, and that this Agreement and the Marketing Fees are not in the nature of a "trust," "fiduciary relationship" or similar special relationship, and is only an ordinary commercial relationship between independent Persons for their independent economic benefit.

8.1.5 All advertising, promotional, and marketing activities conducted by you in your local market area will be subject to our prior approval. You must send us specimens of all local advertising, promotional and marketing plans and samples of all local advertising materials not prepared or previously approved by us or our designated agents by certified mail, return receipt requested, facsimile, overnight delivery service or any other means of confirmed delivery for our prior review and approval (except with respect to prices to be charged). If you do not receive written disapproval thereof within fifteen (15) business days after the date of receipt by us, such plans and materials will be deemed approved. If any plans or materials previously approved by us are later disapproved, you will discontinue their use promptly upon notice from us.

8.2 **Available Advertising Material.** We may provide to you newspaper mats, television and radio commercial tapes, merchandising materials and other items.

8.3 **Promotional Payment.** If we receive any promotional allowance or rebate from any provider of goods or services, you hereby assign any interest in any such payment, rebate or promotional allowance to us.

9. **OPERATIONS MANUAL, CONFIDENTIAL INFORMATION AND NON-DISCLOSURE.**

9.1 **Operations Manual.** You must at all times treat the Operations Manual as confidential, and will use all reasonable efforts to maintain such information as secret and confidential. You must not, at any time, without our prior written consent, copy, duplicate, record or otherwise reproduce the Operations Manual, in whole or in part, nor otherwise make the same available to any unauthorized Person.

9.1.1 We have provided to you, for use during the Term of the Franchised Business, one copy of our Operations Manual. The Operations Manual contain mandatory specifications, standards, and operating procedures prescribed from time to time by us for Franchised Businesses.

9.1.2 You must conduct the operation of the Franchised Business in accordance with our methods and procedures as prescribed from time to time in the Operations Manual and in all supplemental bulletins and notices, which will be deemed a part thereof.

9.1.3 The Operations Manual may be modified from time to time to reflect changes in the image, decor, design, format, appearance, methods, standards and specifications and operating procedures approved or required for Franchised Businesses, and all such modifications will be binding upon you when delivered to you, as if originally set forth therein; provided, however, that such modifications will not impose any obligations that are materially more onerous or costly than those imposed by this Agreement.

9.1.4 You must keep your copy of the Operations Manual current and in the event of a dispute about the contents of the Operations Manual, the master copies maintained by us at our principal office will be controlling. You will maintain the Operations Manual strictly confidential and will not at any time copy any part of the Operations Manual, disclose any information contained in the Operations Manual to others (except to the extent such information is otherwise lawfully publicly known or available) or permit others access to the Operations Manual, except as may be required to your employees.

9.1.5 The Operations Manual must at all times remain our exclusive property and will be returned to us promptly upon termination or expiration of this Agreement for any reason whatsoever. You understand and agree that it is of substantial value and importance to us and other franchisees, as well as to you, that the System developed by us establish and maintain a common identity. You agree and acknowledge that compliance with the System and the Operations Manual are essential to preserve, maintain and enhance the reputation, trade demand and goodwill built up by the System, and the Marks used in connection therewith; and that your failure to operate the Franchised Business in accordance with the System and the Operations Manual will cause irreparable damage to us and our other franchisees, as well as to you.

9.2 Trade Secrets and Proprietary Information.

9.2.1 You agree that the following are our trade secrets, confidential and proprietary information: the identities of the customers served by the Franchised Business (including their names, addresses, phone numbers, social security numbers and financial and tax information), customer lists, mailing labels, program disks/media, bookkeeping files, any other documents related to services performed on behalf of customers, the contents of the Operations Manual and all of the operating procedures, specifications, standards and rules that we prescribe for the Franchised Business, our training materials, any and all software we provide to you, and any other or different items so designated in the Operations Manual. You must maintain, both during and after the Term of this Agreement, absolute confidentiality of such items. You may not use this information in any other business or in any other way not authorized by us in advance in writing. You may give this information to your employees only to the extent necessary for the operation of the Franchised Business in accordance with this Agreement.

9.2.2 You acknowledge that the unauthorized use or disclosure of our trade secrets, confidential and proprietary information will cause irreparable injury and that damages are not an adequate remedy. You promise that you will not at any time, without our prior written approval, disclose, use, permit the use of, copy, duplicate, record, transfer, transmit or otherwise reproduce our software or other trade secret, confidential or proprietary information, in any form or by any means, in whole or in part, or otherwise make it available to any unauthorized Person or source.

9.2.3 You acknowledge that after the termination, for any reason, including by approved or unapproved sale of any part of the Franchised Business, or expiration of this Agreement, we or our designee are free to contact and serve the customers from your former Franchised Business to offer or sell them dance instruction services and any other services we then offer.

10. AUDITS AND INSPECTIONS

10.1 Right to Audit. We have the right, but not the obligation, during business hours, without prior notice, to audit and inspect your Franchised Business and your business and financial records and information, including, but not limited to, computer databases and hard drives, other computer file data storage media, receipts, work in progress, bank statements, checks, checkbooks, deposit records, student contracts and other documents evidencing customer obligations, and your own tax returns in order to ensure the quality and uniformity of the services offered under the Marks, and to ensure you have met all obligations contained in this Agreement and all collateral agreements. We may perform all or part of an audit by asking you to send documents or items to us and you must send to us at your expense all documents and items we request within a reasonable time set forth in any such request.

10.2 Access to Information. You grant us permission to enter, access or electronically enter any computers found or used in your Franchised Business to conduct these audits and inspections, and you must assist us in any way we request. If we find any deficiencies, you agree to correct them immediately. Except as to mail audits, these audits and inspections will be made at our expense unless they are necessary because you fail to comply with this Agreement, you fail to allow us full access to all records that you are required to maintain, or we find that you underreported at any location your Gross Revenue by two percent (2%) or more during two or more Reporting Periods. These expenses may include, but are not limited to, travel expenses and room and board for the designees who conduct the audit.

10.3 Obligations Upon Termination or Expiration. Our right to audit and your obligation to cooperate with any audit does not end with the termination or expiration of this Agreement or the transfer or sale of the Franchise or the Franchised Business, but continues for the period for which records must be maintained in Section 5.3.10.

11. YOUR COVENANTS.

11.1 Covenant Not to Compete. For a period of eighteen (18) months after the earlier of (1) the effective date of termination for any reason, or (2) expiration of this Agreement, or (3) the date of the sale of the Franchise or a majority of its assets, you may not directly or indirectly own, engage in, operate, manage, purchase, invest in (except to purchase stock in a publicly traded company listed on a national stock exchange), franchise, lend money to, or lease or sublease to any Competing Business, within the Designated Territory, within an area twenty-five (25) miles from the Location of the Franchised Business, or within five (5) miles of any company-owned or other Franchise. We may assign this covenant to any transferee.

11.2 Covenant to Protect Trade Secrets. Both during and after the Term of this Agreement, you and the Owners will not, directly or indirectly, communicate or give to any other

Person, for your own or for the benefit of any other Person, without prior written approval, any of our proprietary trade secrets, knowledge or know-how that we consider confidential as provided in this Agreement.

11.3 Injunctive Relief. If you violate any of the covenants described above, we are entitled to preliminary and permanent injunctive relief and all monies and other consideration you received as a result of any violation of these covenants, as well as all other damages. These provisions are not exclusive remedies, but cumulative to any and all other remedies available to us in law or equity.

11.4 Reasonableness of Restrictions. You acknowledge that the restrictions contained in these covenants are reasonable and necessary to protect us and our System and that they will not impose any undue hardship on you.

11.5 Independence of Covenants. You agree that these covenants are independent of any other in this Agreement, and that you agree to be bound by an unappealed final decision of any court with jurisdiction upholding any part of these covenants, and that you will not raise as a defense to these covenants, any claim you may have against us.

12. CONDITIONS OF TRANSFER OF INTEREST.

12.1 Transfer by You. You understand and acknowledge that the rights and duties set forth in this Agreement are unique to you, and are granted in reliance upon the business skill, financial capacity and personal character of you and each of your Principal Owners. Therefore, neither you nor any immediate or remote successor to any part of your interest in this Agreement, nor any individual, partnership, corporation or other legal entity which directly or indirectly controls you, will sell, assign, transfer, convey, sublease, pledge, mortgage or otherwise encumber the following without our prior written consent:

12.1.1 any right or interest created by this Agreement;

12.1.2 the Franchised Business, including any portion of the assets therein;

12.1.3 any of your Ownership Interests including interests held by a Principal Owner; or

12.1.4 this Agreement.

12.2 Requirements of Transfer. The Franchised Business granted herein may not be divided or otherwise segregated and sold or transferred by you. If we have elected not to exercise any right of first refusal with respect to such transfer, we will not unreasonably withhold our consent to a transfer of this Franchise or any ownership interests in you provided that you will have complied with the provisions of this Section 12 and that all of the following conditions are met prior to the time of the proposed transfer:

12.2.1 All of your accrued monetary obligations to us must have been satisfied;

12.2.2 Your right to receive compensation will be subordinated and secondary to obligations owed to us or other outstanding obligations due to us from the transferor, or you;

12.2.3 You must have executed a general release, in a form satisfactory to us, of any and all claims against us, and our officers, directors, shareholders, affiliates, representatives, agents and employees, in their corporate and individual capacities;

12.2.4 The transferee must enter into a written assignment, in a form satisfactory to us, assuming and agreeing to discharge all of your obligations under this Agreement;

12.2.5 The transferee must demonstrate to our satisfaction that it meets our educational, managerial and business standards, possesses a good aptitude, moral character, business reputation and ability as may be evidenced by prior related business experience or otherwise; and has adequate financial resources and capital to own and operate the Franchise. You must provide us with such information as we may require in our then-current franchise application form, in order to make such determination concerning each proposed transferee, including by way of illustration and not limitation, a ten (10) year employment history, financial statements and tax returns for the most recent three (3) year period and three (3) references, one of which must be a bank reference. We may reasonably object to a proposed transferee if the proposed transfer would harm the System, the proposed transferee is operating any business which is a competitive business, or places us at a competitive disadvantage with respect to our proprietary information and the System;

12.2.6 The transferee must execute (and/or, upon our request, cause all interested parties to execute) our then-current standard form franchise agreement and other ancillary agreements as we may require for a Term ending on the date of expiration of this Agreement; and

12.2.7 You (or transferee) must pay us a transfer fee of Three Thousand Dollars (\$3,000.00) to cover administrative and other expenses, including training of transferee at our site, in connection with the transfer. In addition to this transfer fee, in the event transferee had contacted us or we have contacted transferee with respect to a franchise opportunity prior to the initial contact between you and transferee, then we will also receive ten (10%) percent of the gross sales price with respect to the transaction between you and transferee.

12.3 Our Written Consent. Any purported assignment, transfer, conveyance or encumbrance of the Franchised Business, any right or interest created herein, any ownership interests in you, or this Agreement, without our prior written consent, will be null and void, and will result in termination of this Agreement, as set forth below in Section 15 hereof.

12.4 Non-Waiver by Us. Our consent to a transfer of any interest granted herein will not constitute a waiver of any claims we may have against you, nor will it be deemed a waiver of our rights to demand exact compliance with any of the terms of this Agreement by the transferee.

12.5 Intra-Corporate Non-Controlling Transfer. Your principals, including your Principal Owners, may agree among themselves as to the purchase of a principal's interest in you. A transfer of a minority interest in you (whether voting stock, securities convertible thereto, partnership, membership units or proprietary interests) pursuant to such an agreement will not be subject to the terms and conditions applicable to an inter-vivos transfer set forth in this Section 12;

provided, however, that any Ownership Interests of the transferring principal of you is not to be transferred to a party not having any Ownership Interest in you immediately prior to the transfer.

12.6 Transfer by Us. We have the right in our absolute discretion to transfer or assign this Agreement, including all or any part of its rights and obligations hereunder, to any Person.

12.7 Your Assignment to an Entity. If you meet the following conditions, you may assign this Agreement without payment of an initial franchise fee to an entity in which you hold at least a 51% controlling interest in the entity if:

12.7.1 you actively manage the entity and the Franchise; and

12.7.2 the entity is newly organized and it is a single purpose entity whose activities are confined exclusively to acting as a Franchised Business under this Agreement; and

12.7.3 the entity submits the entity papers we request, and executes our required documentation and returns it to us within 30 days from the date we sent it; and

12.7.4 you are in full compliance with this Agreement and with all collateral agreements.

12.8 Death or Disability.

12.8.1 Interim Management. In the event of your death or disability of any kind which impairs the management, operation or service of the Franchised Business, we have the right at any time to install appropriate personnel of our choosing, even those of another franchisee, to manage or operate your Franchise and you agree to pay us or our designee reasonable compensation for such services.

12.8.2 Long-Term Disability. If you are unable to actively participate in the operation of the Franchise for a period of sixty (60) days, and such inability impairs the management, operation or service at the Franchised Business, you must, within one hundred eighty (180) days of the commencement of such disability either (1) engage and install appropriate management personnel who attend and pass our next available training program required at the time for new Franchised Businesses; or (2) assign this Agreement to a buyer subject to this Agreement; or else we have the right to terminate this Agreement at the conclusion of the one hundred eighty (180) day period.

12.8.3 Death. Within one hundred eighty (180) days of your death, your executor, administrator, or your other lawful successor in interest may transfer your interest in this Agreement by will, shareholder/membership agreement or other appropriate instrument, subject to the transfer provisions of this Section 12. No transfer fee need be paid on this transfer. If no such transfer has been approved by us within the one hundred eighty (180) day period, we have the right to terminate this Agreement at the conclusion of the one hundred eighty (180) day period.

13. RIGHT OF FIRST REFUSAL.

13.1 Notice. If any party holding any interest in you, including a Principal Owner thereof, in this Agreement, in your business, or in substantially all of the your assets (the transfer of which interest would have the effect of transferring this Agreement, a controlling interest in you, your business, or in substantially all of your assets), or if you desire to accept any *bona fide* offer from a third party to purchase such interest, you must notify us in writing of the terms of such offer, and must provide such information and documentation relating to the offer as we may require.

13.2 Right to Match Offer. We will have the right and option, exercisable within thirty (30) days after receipt of such written notification, to send written notice to you that we intend to purchase your interest on the same terms and conditions offered by the third party. In the event that we elect to purchase your interest, no material change in any offer and no other offers by a third party for such interest must be considered with respect to our right of first refusal. In the event that we elect to purchase the seller's interest, closing on such purchase must occur within ninety (90) days from the date of notice to the seller of the election to purchase by us.

13.3 New Offer. In the event that we have elected not to purchase the seller's interest, any material change in the terms of any offer prior to closing by any third party must constitute a new offer subject to the same rights of first refusal by us to exercise the option afforded by this Section 13.

13.4 Consideration and Appraisal. In the event the consideration, terms, and/or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms, and/or conditions, then we may purchase the interest in your business proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, an independent appraiser must be designated by mutual agreement of us and you, and his or her determination will be binding. If we and you cannot agree upon the selection of a single appraiser, then each party will designate one (1) such appraiser and the two (2) designated appraisers, in turn, will designate a third party appraiser and the determination of the three (3) appraisers will be binding.

14. DEFAULT AND TERMINATION.

14.1 No Cure Period. Except as otherwise provided by applicable law, you will be deemed to be in default under this Agreement, and this Agreement and all rights granted herein will automatically terminate without opportunity to cure and without notice by us to you, in the event that you file any voluntary petition in bankruptcy, or if involuntary, such petition is not dismissed within sixty (60) days of filing.

14.2 Optional Cure Period. Except as otherwise provided by applicable law, you will be deemed in default under this Agreement and we may, at our option, terminate this Agreement and all rights granted herein without affording you any opportunity to cure the default, with such termination to be effective immediately upon the sending of the notice of termination to you as set forth in the notice provisions of Section 17 hereof, or, we may, at our option, suspend all of our

support of you pursuant to this Agreement, or otherwise, including but not limited to marketing and advertising support, participation in advertising programs and activities and general operational support, upon the occurrence of any of the following events:

14.2.1 You become insolvent;

14.2.2 You make an assignment for the benefit of your creditors;

14.2.3 You admit in writing your inability to pay your debts generally as they become due;

14.2.4 You suffer temporary or permanently appointed receivership;

14.2.5 You have against you a final judgment which remains unsatisfied for thirty days or longer;

14.2.6 A suit is brought against you to foreclose any lien or mortgage against the Franchised Business or against any Products in connection with the Franchised Business, and such suit is not dismissed within sixty (60) days following service of notice thereof;

14.2.7 You cease to operate the Franchised Business or otherwise abandon the business for five (5) or more consecutive days unless the lack of operation is due to planned Franchised Business events approved by us or by traditional holidays, by force majeure or other such cause beyond your control;

14.2.8 You are convicted of a felony or any other crime or offense that is reasonably likely, in our sole opinion, to adversely affect us, the Marks, or the goodwill associated with the Marks;

14.2.9 You attempt to, or purport to, transfer any rights or obligations under this Agreement, or otherwise, to any third party, contrary to the terms and provisions of Section 12 hereof;

14.2.10 You fail to comply with any of the covenants set forth in this Agreement;

14.2.11 You, in any twelve month period (i) fail, in any three instances, to make timely payments of Franchise Fees or Marketing Fees, or (ii) underreport your Gross Revenues by more than two (2%) percent.

14.3 Cure Period and Termination. Except as set forth in Sections 14.1 and 14.2 hereof, and except as otherwise provided by applicable law, you will have sixty (60) days after your receipt in any manner set forth in Section 17 hereof from us of a written notice of default within which to remedy a default of any of the terms of this Agreement, as set forth in such written notice of default, and provide written evidence thereof to our satisfaction.

If any such default is not cured within said sixty (60) day period (or such longer period as applicable law may otherwise require), we may, at our option, terminate this Agreement and all rights granted herein without affording you any further opportunity to cure the default, with

such termination to be effective immediately upon the sending of the notice of termination to you in any manner set forth in Section 17 hereof, or, we may, at our option, suspend all of our support of you pursuant to this Agreement, or otherwise, including but not limited to, computer and software support, marketing and advertising support, advice, sending of materials, participation in advertising programs and activities and general operational support.

14.4 Cross-Default. Any default by you under the terms and conditions of this Agreement or any other agreement between us and you, which is so material as to permit us to terminate this Agreement or any other agreement, will be deemed to be a default of each and every agreement between us and you. Furthermore, in the event of termination, for any cause, of this Agreement or any other such agreement between the parties hereto, we may, at our option, terminate any or all other agreements.

15. OBLIGATIONS UPON TERMINATION

15.1 Your Obligations. Upon the termination of this Agreement by either you or us, by operation of law, or upon expiration of this Agreement because of lapse of time, this Agreement and all rights granted herein to you will automatically terminate; provided, however, that your obligations as set forth in this Section 15 and in Sections 16 and 17 hereof will survive the termination of the Franchise. Upon termination, your obligations are as follows:

15.1.1 You must immediately cease to operate the Franchised Business and are prohibited thereafter from either directly or indirectly representing yourself to the public, or to any Person, that you are a present or former Franchisee.

15.1.2 You must immediately and permanently cease to use, by advertising or any other manner, the trademarks, trade names, service marks, and other forms of advertising and indicia as a Franchisee, including all materials and articles displaying the Marks, or any portion of the Marks.

15.1.3 You must immediately return to us the Operations Manual furnished to you by us, including all copies thereof.

15.1.4 You must immediately discontinue all use of, and remove from the Franchised Business, all of the Marks, as well as all signs, structures and forms of promotion displaying the Marks.

15.1.5 You must immediately cease using any website displaying the Marks.

15.1.6 You must not use any reproduction, counterfeit, copy of other imitation of the Marks that are likely to cause confusion, mistake, or deception, or to dilute our exclusive rights in and to the Marks, nor utilize any designation of origin or description or representation falsely suggesting or representing an association or connection with us which constitutes unfair competition, in any business which it may thereafter engage. You will take such action as may be required to cancel all assumed names or equivalent fictitious name filings, relating to use of the Marks and any other related marks in connection with the Franchised Business.

15.1.7 You must promptly pay all sums owing to us. We will have the right to set off any or all amounts due to you under this Agreement. You must also pay all damages, costs and expenses, incurred by us, as a result of a default by you which resulted in termination of this Agreement, including all fees and costs and reasonable attorney's fees in obtaining injunctive or other relief for the enforcement of your obligations in this Section 15 and in Section 12 hereof.

15.1.8 You must continue to comply with the continuing obligations set forth in this Agreement, including the post-termination obligations set forth in Sections 11 and 15 of this Agreement.

15.1.9 You do hereby irrevocably authorize and empower us or any of our officers to execute, as your attorney-in-fact, coupled with an interest, all documents or orders as may be necessary for completion of the post-termination obligations set forth in this Agreement.

15.1.10 The covenants contained in this Section 15 will be construed as independent of any other provision of this Agreement and the existence of any claim or cause of action of you against us, whether predicated upon this Agreement or otherwise, will not constitute a defense to the enforcement by us of the covenants set forth in this Section 15.

15.2 Option to Purchase.

15.2.1 Option. Upon termination or expiration of this Agreement, we have the option, exercisable for thirty (30) days, to purchase the Assets of the Franchised Business.

15.2.2 Price. The purchase price for the Assets will be the fair market value as determined by an independent appraiser selected by both you and us. If you and we cannot agree on an independent appraiser, each party will select an independent appraiser who will select a third independent appraiser. If the appraisers cannot agree on an independent appraiser, then such appraiser will be selected as follows: we will choose a certified public accountant and you will choose a certified public accountant. Those two accountants shall, within ten (10) business days, select a mutually acceptable neutral certified public accountant, who shall make the appraisal. The independent appraiser so selected will determine the fair market value of the Assets without giving effect to goodwill, "going concern", or the Marks.

15.2.3 Deductions from Purchase Price. If we elect to purchase the Assets of the Franchised Business, the purchase price will be reduced by any current and long term liabilities of the Franchised Business assumed by us.

15.2.5 Payment of Purchase Price. The balance of the purchase price, after the deductions set forth in Section 15.2.3 hereof, is payable as follows: fifty (50%) percent of the balance at the time of closing and the remainder in eight (8) equal quarterly installments of principal plus interest at a rate of interest per annum equal to the prime lending rate charged by our bank determined as of the closing date with annual adjustments based on the prime rate charged on each anniversary date. The first payment will be due on the first day of the third succeeding calendar month following closing and the remaining payments on the first day of each quarter thereafter. On the first payment date, interest from the date of closing will also be paid.

15.2.6 Closing. The closing will occur within thirty (30) days after we notify you of our exercise of our option to purchase or such later date as may be necessary to comply with applicable bulk sales or similar laws. At the closing, the parties will execute and deliver all documents necessary to vest title in the purchased assets and leasehold interests in us, free and clear of all liens and encumbrances. You must provide us with all information necessary to close the transaction.

15.2.7 Assignment. We reserve the right to assign this option to purchase the Assets or to designate a substitute purchaser for the Assets.

16. INDEPENDENT CONTRACTOR AND INDEMNIFICATION.

16.1 Independent Contractor. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between or among us, that you will be an independent contractor, and that nothing in this Agreement is intended to constitute or construe you as an agent, legal representative, subsidiary, joint venturer, partner, affiliate, employee or servant of us or our affiliates for any purpose whatsoever. It is understood and agreed that nothing in this Agreement authorizes you to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other obligation in our name, and that we will 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 you, your employees or agents, in its conduct pursuant to this Agreement or the Franchised Business.

16.2 Your Indemnification. If we or any of our current or former affiliates, assigns, subsidiaries, officers, directors, employees, agents or successors are subject to any claim, demand, penalty, or become a party to any suit or other judicial or administrative proceeding or investigation (whether formal or informal), or enter into any settlement, by reason of any claimed act or omission by you, your customers, your current or former employees, your officers or directors, or agents, by reason of any act or omission occurring in the Franchised Business, or by any act or omission with respect to the Franchised Business, you shall indemnify, defend, and hold us, our current and former affiliates, assigns, subsidiaries, officers, directors, employees, agents and successors harmless against all judgments, pre-suit investigation costs, settlements, penalties and expenses, including attorneys' fees, court costs, and other expenses of the litigation or administrative proceeding. You must give us notice of any action, suit, proceeding, claim, demand, inquiry, or investigation as soon as possible. We may voluntarily, but under no circumstances are we obligated to, assume the defense or settlement of the proceeding or claim. We have the sole discretion to choose our own attorneys, and to consent to judgment or agree to settlement, if we so choose.

16.3 Our Indemnification. If you or any of your current or former affiliates, assigns, subsidiaries, officers, directors, employees, agents or successors are subject to any claim, demand, penalty, or become a party to any suit or other judicial or administrative proceeding or investigation (whether formal or informal), or enter into any settlement, by reason of any claimed act or omission by us, our current or former employees, our officers or directors, or our agents, by reason of any act or omission occurring with regard to the Franchised Business, or by any act or omission with respect to the Franchised Business, we shall indemnify, defend, and hold you, your current and former affiliates, assigns, subsidiaries, officers, directors, employees, agents and successors

harmless against all judgments, pre-suit investigation costs, settlements, penalties and expenses, including attorneys' fees, court costs, and other expenses of the litigation or administrative proceeding. We must give you notice of any action, suit, proceeding, claim, demand, inquiry, or investigation as soon as possible. You may voluntarily, but under no circumstances are you obligated to, assume the defense or settlement of the proceeding or claim. You have the sole discretion to choose your own attorneys, and to consent to judgment or agree to settlement, if you so choose.

17. **NOTICES.** Any and all notices required or permitted under this Agreement will be in writing and will be (a) personally delivered (and deemed received when delivered and acknowledgment of receipt is given), or (b) mailed by certified or registered mail, return receipt requested (and deemed received three (3) days after delivery to the U.S. Postal Service, whether or not accepted by addressee), or (c) by telecopy (and deemed received when sent and confirmation of receipt is made), or (d) by any recognized overnight courier service guaranteeing delivery within twenty four (24) hours (and deemed received on the scheduled date of delivery), and addressed 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 us:

Notices to you:

If you refuse to sign for or accept any notice as provided in this Agreement, or you have moved without giving us a good address, notice will be effective by any means described in this Section 17 to your address we have on the date of the attempted delivery.

18. **CONTRACT INTERPRETATION AND ENFORCEMENT.**

18.1 **Governing Law.** We accept this Agreement in the State of Michigan. In any action, suit, or claim by or against you or us (including our present or former agents and employees), which in any way arises out of or relates to your franchise relation with us, including, but not limited to, any and every aspect of the process of entering into the franchise relation, this Agreement, any guaranty or other collateral agreements with us, our performance in connection with the franchise relation, any termination, rescission, cancellation, or nonrenewal of the franchise relation, and conduct post-termination or post-expiration of this Agreement, only Michigan law, including Michigan statutes of limitation and repose, will apply to all claims asserted, whether sounding in tort, contract or otherwise.

18.2 Jurisdiction. You consent to venue and personal jurisdiction in all litigation brought by us against you, which in any way arises out of or relates to your franchise relation with us, including, but not limited to, any and every aspect of entering into the franchise relation, this Agreement, any guaranty or other collateral agreement with us, our performance in connection with the franchise relation, any termination, rescission, cancellation or nonrenewal of the franchise relation, and conduct post-termination or post-expiration of this Agreement, in the following courts: (a) the state or county court of any city or county where we have our principal place of business, and (b) the United States District Court nearest to our principal place of business. We consent to venue and personal jurisdiction in all litigation brought by you against us, which in any way arises out of or relates to your franchise relation with us, including, but not limited to, any and every aspect of entering into the franchise relation, this Agreement, any guaranty or other collateral agreement with us, our performance in connection with the franchise relation, any termination, rescission, cancellation or nonrenewal of the franchise relation, and conduct post-termination or post-expiration of this Agreement, in the following courts: (a) the state or county court of any city or county where you have your principal place of business, and (b) the United States District Court nearest to your principal place of business.

18.3 WAIVER OF JURY TRIAL. IN ANY ACTION OR SUIT BROUGHT BY OR AGAINST YOU OR US (INCLUDING OUR PRESENT OR FORMER AGENTS AND EMPLOYEES), THAT IN ANY WAY ARISES OUT OF OR RELATES TO YOUR FRANCHISE RELATION WITH US, INCLUDING BUT NOT LIMITED TO, ANY AND EVERY ASPECT OF THE PROCESS OF ENTERING INTO SUCH RELATION, THIS AGREEMENT, ANY GUARANTY OR OTHER COLLATERAL AGREEMENTS WITH US OR OUR AFFILIATES, OUR PERFORMANCE IN CONNECTION WITH THE FRANCHISE RELATION, ANY TERMINATION, RESCISSION, CANCELLATION OR NONRENEWAL OF THE FRANCHISE RELATION, AND CONDUCT POST-TERMINATION OR POST-EXPIRATION OF THIS AGREEMENT, YOU AND WE AGREE THAT IN THE EVENT THAT SUCH ACTION IS RESOLVED THROUGH A COURT PROCEEDING, SUCH ACTION WILL BE TRIED TO A COURT WITHOUT A JURY.

18.4 WAIVER OF PUNITIVE DAMAGES. YOU AND WE HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT OR CLAIM FOR PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER PARTY (INCLUDING ANY CLAIMS AGAINST OUR PRESENT OR FORMER AGENTS AND EMPLOYEES), AS TO ANY ACTION, SUIT OR CLAIM (WHETHER IN COURT OR BEFORE ANY OTHER TRIBUNAL) THAT ARISES OUT OF OR RELATES TO YOUR FRANCHISE RELATION, INCLUDING, BUT NOT LIMITED TO, ANY AND EVERY ASPECT OF THE PROCESS OF ENTERING INTO THE FRANCHISE RELATION, THIS AGREEMENT, ANY GUARANTY OR OTHER COLLATERAL AGREEMENTS WITH US, OUR PERFORMANCE IN CONNECTION WITH THE FRANCHISE RELATION, ANY TERMINATION, RESCISSION, CANCELLATION OR NONRENEWAL OF THIS FRANCHISE RELATION, AND CONDUCT POST-TERMINATION OR POST-EXPIRATION OF THIS AGREEMENT. NOTWITHSTANDING THE ABOVE, WE ARE ENTITLED TO PUNITIVE AND EXEMPLARY DAMAGES, AND ANY OTHER RIGHTS AND REMEDIES PROVIDED BY LAW, IF YOU INFRINGE ANY OF THE MARK.

18.5 No Class Actions. You agree that for our System to function properly, we cannot be burdened with the costs of litigating class action disputes. You agree that any dispute between you and us is unique as to its facts, and you will not institute, join or participate in any class action against us.

18.6 Construction and Severability.

18.6.1 All references in this Agreement to the singular will apply to the plural where it applies.

18.6.2 If any part of this Agreement is declared invalid, this decision will not affect the validity of any other part, which will remain in full force and effect.

18.7 Scope and Modification of this Agreement; No Third Party Beneficiaries. This Agreement constitutes the entire understanding and agreement between the parties and supersedes all earlier and contemporaneous representations, understandings, oral and written agreements about us, all of the subject matters in this Agreement, including, but not limited to, any and all oral or written representations concerning cost or profitability. No modification or change to this Agreement will have any effect unless it is in writing and signed by you and our authorized representative. This Agreement is not intended to confer upon any other Person any rights or remedies hereunder.

18.8 Exhibits. The Exhibits attached hereto are a part of this Agreement as if fully set forth herein.

18.9 Waiver. No waiver by either party of any breach or series of breaches of this Agreement will constitute a waiver of any additional breach or waiver of the performance of any of the other party's obligations under this Agreement, and no custom or practice of the parties that varies from this Agreement will prevent either party from demanding strict compliance with any term of this Agreement. A party's acceptance of any payment from the other party or a party's failure, refusal or neglect to exercise any right under this Agreement to insist upon full compliance with the other party's obligations under this Agreement, or with any specification, standard or operating procedure or rule, will not constitute a waiver of any provision of this Agreement.

18.10 Survival of Obligations. The obligations in this Agreement that by their terms require or may require performance after the expiration or termination of this Agreement, including contract interpretation and governing law, post-termination covenants, and indemnities, remain enforceable after the expiration or termination, for any reason, of this Agreement.

18.11 Damages for Mark Infringement and Other Violations.

18.11.1 If you violate our federal or common law trademark or service mark rights, our right to injunctive relief will not preclude our recovery of money damages from you as provided by federal, state or common law.

18.11.2 We or our designee may obtain without bond, temporary and permanent injunctions and orders of specific performance to enforce our exclusive rights in our Marks, to enforce your post-termination or expiration obligations, to prevent an unauthorized assignment or

transfer of your franchise, to prevent the unauthorized use or disclosure of our trade secrets, proprietary, confidential information, or Operations Manual, and to prohibit any act or omission by you or your employees that constitutes a violation of any law or regulation, is dishonest or misleading to any current or prospective customers of the Franchised Business, constitutes a danger to any other franchisees, employees, customers, or to the public, or that may impair the goodwill of our Marks.

18.12 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be considered an original.

18.13 Effective Date. This Agreement is effective on the date the parties indicate on the Signature Page, only after acceptance and execution by each party's authorized representative at its principal place of business.

18.14 Force Majeure. We will not be responsible or liable for delay or failure in the performance of this Agreement, if such delay or failure is due to any cause beyond our control, such as, but not limited to, third-party strikes, scarcity of labor, fires, floods, storms, earthquakes, explosions, accidents, breakage of computers, scarcity of materials, fuel or transportation, and delays or defaults caused by public carriers that cannot reasonably be forecast or provided against, embargoes, governmental regulations or orders, perils of navigation, acts of public enemies, mobs or rioters and acts of God.

18.15 Remedies. Remedies specified in this Agreement are cumulative and do not exclude any remedies available at law or in equity. The non-prevailing party will pay all costs and expenses, including reasonable attorneys' fees and court costs, incurred by the prevailing party to enforce this Agreement or any collateral agreement including collection of amounts owed under this Agreement or a collateral agreement.

19. ACKNOWLEDGEMENTS

19.1 YOU ACKNOWLEDGE THAT WE AND OUR AGENTS HAVE NOT MADE ANY WARRANTY, OR GUARANTY, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFIT, INCOME, OR THE LIKELY SUCCESS OF YOUR FRANCHISED BUSINESS OR AS TO THE QUALITY OF SOFTWARE, ADVERTISING, SUPPORT, THE SYSTEM, THE BUSINESS CONTEMPLATED BY THIS AGREEMENT, OR ANY OTHER MATTER. YOU ACKNOWLEDGE THAT YOU HAVE CONDUCTED AN INDEPENDENT INVESTIGATION ABOUT THE FRANCHISED BUSINESS DESCRIBED IN THIS AGREEMENT AND IN THE DISCLOSURE DOCUMENT, AND YOU RECOGNIZE THAT IT INVOLVES BUSINESS RISKS, AND THAT THE SUCCESS OF THIS VENTURE IS LARGELY DEPENDENT UPON YOUR BUSINESS ABILITY, MARKET CONDITIONS AND LAWS AND REGULATIONS. YOU ACKNOWLEDGE THAT OUR ATTORNEYS, ACCOUNTANTS OR OTHER ADVISERS HAVE NOT ADVISED OR REPRESENTED YOU IN CONNECTION WITH THIS AGREEMENT. YOU ACKNOWLEDGE THAT NO SALESPERSON HAS MADE ANY PROMISE OR PROVIDED ANY INFORMATION TO YOU ABOUT PROJECTED SALES, REVENUES, INCOME, PROFITS OR EXPENSES.

19.2 YOU ACKNOWLEDGE THAT IN GRANTING THIS FRANCHISE, WE HAVE RELIED ON THE REPRESENTATIONS CONTAINED IN YOUR APPLICATION, AND THAT YOU REPRESENT THAT ALL INFORMATION CONTAINED IN THE APPLICATION, AND IN ANY ACCOMPANYING MATERIALS IS TRUE AND CORRECT AND CONTAINS NO MISLEADING STATEMENTS OR ANY MATERIAL OMISSIONS.

19.3 YOU ACKNOWLEDGE THAT WE HAVE PROVIDED YOU WITH OUR FRANCHISE DISCLOSURE DOCUMENT FOURTEEN (14) CALENDAR DAYS BEFORE EXECUTION OF THIS AGREEMENT OR BEFORE YOU GAVE US ANY MONEY OR OTHER CONSIDERATION.

19.4 YOU ACKNOWLEDGE THAT WE PROVIDED YOU WITH A COPY OF THIS AGREEMENT AND ALL RELATED DOCUMENTS, WITH ALL MATERIAL TERMS FILLED IN, AT LEAST FIVE (5) BUSINESS DAYS BEFORE YOU SIGNED THEM OR PAID US ANY CONSIDERATION.

19.5 YOU ACKNOWLEDGE THAT YOU HAVE CONDUCTED AN INDEPENDENT INVESTIGATION OF US, THE FRANCHISE AND THE STATUS AND REPUTATION OF FRANCHISES, GENERALLY, AND RECOGNIZE THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS IS PRIMARILY DEPENDENT UPON THE ABILITY OF YOU AS AN INDEPENDENT BUSINESSPERSON AND NOT UPON US. WE EXPRESSLY DISCLAIM THE MAKING OF, AND YOU ACKNOWLEDGE THAT YOU HAVE NOT RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT. FURTHER, YOU ACKNOWLEDGE, WARRANT AND REPRESENT TO US THAT NO REPRESENTATION HAS BEEN MADE BY US, OR ANY OF OUR EMPLOYEES, AGENTS OR SALESPERSONS, AND RELIED UPON BY YOU AS TO THE FUTURE OR PAST INCOME, EXPENSES, SALES VOLUME OR POTENTIAL PROFITABILITY, EARNINGS OR INCOME OF THE BUSINESS FRANCHISED HEREBY OR ANY OTHER FRANCHISE OR FRANCHISED BUSINESS.

19.6 YOU REPRESENT THAT YOU HAVE READ THIS AGREEMENT AND OUR FRANCHISE DISCLOSURE DOCUMENT IN THEIR ENTIRETY, AND THAT YOU HAVE BEEN GIVEN THE OPPORTUNITY TO CLARIFY ANY PROVISIONS AND INFORMATION THAT YOU DID NOT UNDERSTAND, AND TO CONSULT WITH AN ATTORNEY OR OTHER PROFESSIONAL ADVISER OF YOUR CHOOSING. YOU FURTHER REPRESENT AND WARRANT THAT YOU UNDERSTAND THE TERMS, CONDITIONS, AND OBLIGATIONS OF THIS FRANCHISE AGREEMENT AND AGREE TO BE BOUND BY THEM.

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

TOSU, INC.

Date: _____

By: _____

Its: _____

[Franchisee Name]

Date: _____

By: _____

Its: _____

EXHIBIT "A" TO FRANCHISE AGREEMENT

OWNERS' STATEMENT

This form must be completed by the Franchisee ("I," "me," or "my") if I have multiple owners or if I, or my franchised business, is owned by a business organization (like a corporation, partnership or limited liability company). Franchisor is relying on the truth and accuracy of this form in awarding the Franchise Agreement to me.

1. **Form of Owner.** I am a (check one):

- (a) General Partnership _____
 - (b) Corporation _____
 - (c) Limited Partnership _____
 - (d) Limited Liability Company _____
 - (e) Other _____
- Specify: _____

I was formed under the laws of _____.
(state)

2. **Business Entity.** I was incorporated or formed on _____, _____, under the laws of the State of _____. I have not conducted business under any name other than my corporate, limited liability company or partnership name and _____. The following is a list of all Persons who have management rights and powers (e.g., officers, managers, partners, etc.) and their positions are listed below:

| <u>Name of Person</u> | <u>Position(s) Held</u> |
|-----------------------|-------------------------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

3. **Principal Owners.** Listed below are the full names and mailing addresses of each Person who is a Principal Owner, and a description of the nature of my Principal Owner's direct or indirect equity interest:

| | |
|--|---|
| Name: _____ Address: _____ _____ | Number of Shares Owned: _____ and % of Total Shares: _____ or % of Equity Interest: _____ or Other Ownership Interest: _____ |
|--|---|

| | |
|--|---|
| Name: _____ Address: _____ _____ | Number of Shares Owned: _____ and % of Total Shares: _____ or % of Equity Interest: _____ or Other Ownership Interest: _____ |
| Name: _____ Address: _____ _____ | Number of Shares Owned: _____ and % of Total Shares: _____ or % of Equity Interest: _____ or Other Ownership Interest: _____ |
| Name: _____ Address: _____ _____ | Number of Shares Owned: _____ and % of Total Shares: _____ or % of Equity Interest: _____ or Other Ownership Interest: _____ |

4. Other Owners:

Listed below are the full names and mailing address of each Person, other than the Principal Owners, who directly or indirectly owns an equity interest in me and a description of the nature of the interest (attach additional sheet if required):

| | |
|--|---|
| Name: _____ Address: _____ _____ | Number of Shares Owned: _____ and % of Total Shares: _____ or % of Equity Interest: _____ or Other Ownership Interest: _____ |
| Name: _____ Address: _____ _____ | Number of Shares Owned: _____ and % of Total Shares: _____ or % of Equity Interest: _____ or Other Ownership Interest: _____ |
| Name: _____ Address: _____ _____ | Number of Shares Owned: _____ and % of Total Shares: _____ or % of Equity Interest: _____ or Other Ownership Interest: _____ |
| Name: _____ Address: _____ _____ | Number of Shares Owned: _____ and % of Total Shares: _____ or % of Equity Interest: _____ or Other Ownership Interest: _____ |

5. **Governing Documents.** Attached are copies of the documents and contracts governing the ownership, management and other significant aspects of your Business Entity (e.g., articles of incorporation or organization, partnership or shareholder agreements, etc.).

This Statement of Owners is current and complete as of _____,
_____.

OWNER

INDIVIDUALS:

[Signature]

[Print Name]

[Signature]

[Print Name]

BUSINESS ENTITY:

[Name]

By: _____

Title: _____

TOSU, INC.

EXHIBIT E TO THE DISCLOSURE DOCUMENT

STATE SPECIFIC ADDENDA

ADDENDUM FOR THE STATE OF CALIFORNIA

Cover Page

The Effective Date of this Disclosure Document is _____.

Item 3. Litigation

Neither the Company nor any person identified in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling those persons from membership in the association or exchange.

Item 8. Restrictions on Sources of Products and Services

It is a violation of the Franchise Investment Law for TOSU, INC, directly or indirectly, through any officer, agent or employee, to restrict or inhibit the right of franchisees to join a trade association or to prohibit the right of free association among franchisees for any reason.

Item 17. Renewal, Termination, Transfer and Dispute Resolution

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.
2. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
3. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101 and following).
4. The franchise agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
5. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
6. The franchise agreement requires that arbitration and any authorized litigation be conducted in Wisconsin. This provision may not be enforceable under California law. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the

Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

7. The franchise agreement requires application of the laws of the State of Wisconsin. This provision may not be enforceable under California law.
8. Under Section 31125 of the Franchise Investment Law, we must give you a disclosure document approved by the Commissioner of Corporations before we ask you to consider a material modification of your franchise agreement.
9. You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

ADDENDUM FOR THE STATE OF ILLINOIS

Cover Page

The Effective Date of this Disclosure Document is _____.

Item 8. Restrictions on Sources of Products and Services

It is an unfair practice and a violation of the Illinois Franchise Disclosure Act of 1987 for a franchisor to in any way restrict any franchisee from joining or participating in any trade association.

Item 17. Renewal, Termination, Transfer and Dispute Resolution

1. It is a violation of the Illinois Franchise Disclosure Act of 1987 for a franchisor to terminate a franchise of a franchised business located in the State of Illinois before the expiration of its term except for good cause. Good cause includes the failure of the franchisee to comply with any lawful provisions of the franchise or other agreement and to cure any default after being given notice and a reasonable opportunity to cure, which in no event need be more than thirty days. Good cause includes, but without the requirement of notice and an opportunity to cure, situations in which the franchisee makes an assignment for the benefit of creditors or a similar disposition of the assets of the franchised business; or voluntarily abandons the franchised business; or is convicted of a felony or other crime which substantially impairs the goodwill associated with the franchisor's trademark, service mark, trade name or commercial symbol; or repeatedly fails to comply with the lawful provisions of the franchise or other agreement.
2. It shall be a violation of the Illinois Franchise Disclosure Act of 1987 for a franchisor to refuse to renew a franchise of a franchised business located in the State of Illinois without compensating the franchisee either by repurchase or by other means for the diminution in the value of the franchised business caused by the expiration of the franchise where: the franchisee is barred by the franchise agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name or commercial symbol in the same area subsequent to the expiration of the franchise; or the franchisee has not been sent notice of the franchisor's intent not to renew the franchise at least six months before the expiration date or any extension of the expiration date.
3. Section 4 of the Illinois Franchise Disclosure Act of 1987 states that any provision in a franchise agreement which designates jurisdiction or venue in a forum outside of the State of Illinois is void with respect to any cause of action which is otherwise

enforceable in the State of Illinois; however, a franchise agreement may provide for arbitration in a forum outside of the State of Illinois.

4. The Illinois Franchise Disclosure Act will apply to all franchisee claims as provided in the Illinois Franchise Disclosure Act of 1987.
5. Any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Franchise Disclosure Act of 1987 or any other law of the State of Illinois is void.

ADDENDUM FOR THE STATE OF INDIANA

Cover Page

The Effective Date of this Disclosure Document is _____.

Item 3. Litigation

Neither the Company, its affiliates nor any person identified in Item 2:

- (A) has during the five year period immediately preceding the date of the disclosure document been convicted of a felony, pleaded nolo contendere to a felony charge, or been held liable in a civil action by final judgment involving fraud, embezzlement, misappropriation of property, or the violation of any state or Federal statute involving the offer or sale of securities or franchises;
- (B) is subject to any currently effective order affecting the franchise resulting from a proceeding or pending action brought by any individual or public agency or department;
- (C) is a defendant in any pending criminal or material civil proceeding; or
- (D) has during the five year period immediately preceding the date of the disclosure document had entered against any person a final judgment in any material civil action.

Item 17. Renewal, Termination, Transfer and Dispute Resolution

It is unlawful for any franchise agreement to contain a provision requiring the franchisee to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability under Indiana Code, Title 23, Article 2, Chapter 2.7.

ADDENDUM FOR THE STATE OF MARYLAND

Cover Page

The Effective Date of this Disclosure Document is _____.

Item 17. Renewal, Termination, Transfer and Dispute Resolution

1. The franchise agreement requires binding arbitration.
2. The general release which you must execute as a condition of renewal and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
3. The franchise agreement provides for termination upon bankruptcy. This provision may be unenforceable under federal bankruptcy law. (11 U.S.C.A. §101 et seq.).

ADDENDUM FOR THE STATE OF MICHIGAN

THIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT REFLECTS CERTAIN REQUIREMENTS OF THE STATE OF MICHIGAN. IT IS BEING PROVIDED TO YOU AT THE SAME TIME AS THE FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY THE FEDERAL TRADE COMMISSION, AND SHOULD BE REVIEWED IN CONJUNCTION WITH THE FRANCHISE DISCLOSURE DOCUMENT, OF WHICH THIS IS MADE A PART.

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

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

- (A) A prohibition on the right of a franchisee to join an association of franchisees.
- (B) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections under 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 term 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 furnishings not reasonably required in the conduct of the franchised 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 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 the franchisor's intent not to renew the franchise.
- (E) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

- (F) A provision requiring that arbitration or litigation be conducted outside the State of Michigan. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside of the State of Michigan.
- (G) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. "Good cause" shall include, but not be limited to:
 - (1) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
 - (2) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (3) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (4) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (H) A provision that 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) above.
- (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 for the required contractual services.

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

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
Consumer Protection Agency
Attention: Franchise
670 Law Building, 525 West Ottawa Street
Lansing, Michigan 48913
Telephone Number (517) 373-7117

The Effective Date of this Disclosure Document is _____.

ADDENDUM TO DISCLOSURE DOCUMENT FOR THE STATE OF MINNESOTA

Cover Page

The Effective Date of this Disclosure Document is _____.

The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the "Franchise Act"). To the extent that the Disclosure Document for use in the State of Minnesota contains provisions that are inconsistent with the following, such provisions are hereby amended:

1. The Minnesota Department of Commerce requires that Franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that the Franchisee's use of the Proprietary Marks infringes trademark rights of the third party. Franchisor does not indemnify against the consequences of Franchisee's use of the Proprietary Marks except in accordance with the requirements of the Franchise Agreement, and, as a condition to indemnification, Franchisee must provide notice to Franchisor of any such claim within ten (10) days after the earlier of (i) actual notice of the claim or (ii) receipt of written notice of the claim, and must therein tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim. If the Franchise Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Franchise Agreement shall be superseded by the Act's requirements and shall have no force or effect.
2. Franchise Act, Sec. 80C.14, Subd. 4., requires, except in certain specified cases, that a franchisee be given written notice of a franchisor's intention not to renew 180 days prior to expiration of the franchise and that the franchisee be given sufficient opportunity to operate the franchise in order to enable the franchisee the opportunity to recover the fair market value of the franchise as a going concern. If the Franchise Agreement and/or the Disclosure Document contain(s) a provision that is inconsistent with the Franchise Act, the provisions of the Franchise Agreement shall be superseded by the Act's requirements and shall have no force or effect.
3. Franchise Act, Sec. 80C.14, Subd. 3., requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure). If the Franchise Agreement and/or the Disclosure Document contain(s) a provision that is inconsistent with the Franchise Act, the provision of the Franchise Agreement shall be superseded by the Act's requirements and shall have no force or effect.
4. If the Franchise Agreement and/or the Disclosure Document requires you to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgments shall be void with respect to claims under the Act.

5. If the Franchise Agreement and/or the Disclosure Document require(s) that it be governed by a state's law, other than the State of Minnesota, or arbitration or mediation, those provisions shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the Franchise Act, including any right to submit matters to the jurisdiction of the courts of Minnesota.
6. If the Franchise Agreement and/or the Disclosure Document require(s) you to sue the Franchisor outside the State of Minnesota, those provisions shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota. As such, the disclosure in risk factor 1 on the cover page of the Disclosure Document that the Agreement requires you to sue outside the State of Minnesota is not applicable because of the Franchise Act.
7. Item 17 of the Disclosure Document shall be supplemented by the addition of the following new paragraph: Minnesota law provides franchisees with certain transfer rights. In sum, Minn. Stat. §80C.14 (subd. 5) currently requires that consent to the transfer of the franchise may not be unreasonably withheld.

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Minnesota law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

**ADDENDUM TO FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF MINNESOTA**

The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the "Franchise Act"). To the extent that the Franchise Agreement and Disclosure Document contain provisions that are inconsistent with the following, such provisions are hereby amended. The Franchise Agreement between _____ ("Franchisee" or "You") and TOSU, INC ("Franchisor") dated _____, _____ (the "Franchise Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Franchise Agreement (the "Amendment"):

1. The Minnesota Department of Commerce requires that Franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that the Franchisee's use of the Proprietary Marks infringes trademark rights of the third party. Franchisor does not indemnify against the consequences of Franchisee's use of the Proprietary Marks except in accordance with the requirements of the Franchise Agreement, and, as a condition to indemnification, Franchisee must provide notice to Franchisor of any such claim within ten (10) days after the earlier of (i) actual notice of the claim or (ii) receipt of written notice of the claim, and must therein tender the defense of the claim to Franchisor. If Franchisor accepts the tender of defense, Franchisor has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim. If the Franchise Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Franchise Agreement shall be superseded by the Act's requirements and shall have no force or effect.
2. Franchise Act, Sec. 80C.14, Subd. 4., requires, except in certain specified cases, that a franchisee be given written notice of a franchisor's intention not to renew 180 days prior to expiration of the franchise and that the franchisee be given sufficient opportunity to operate the franchise in order to enable the franchisee the opportunity to recover the fair market value of the franchise as a going concern. If the Franchise Agreement and/or the Disclosure Document contain(s) a provision that is inconsistent with the Franchise Act, the provisions of the Franchise Agreement shall be superseded by the Act's requirements and shall have no force or effect.
3. Franchise Act, Sec. 80C.14, Subd. 3., requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure). If the Franchise Agreement and/or the Disclosure Document contain(s) a provision that is inconsistent with the Franchise Act, the provision of the Franchise Agreement shall be superseded by the Act's requirements and shall have no force or effect.
4. If the Franchise Agreement and/or the Disclosure Document requires you to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgments shall be void with respect to claims under the Act.

5. If the Franchise Agreement and/or the Disclosure Document require(s) that it be governed by a state's law, other than the State of Minnesota, or arbitration or mediation, those provisions shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the Franchise Act, including any right to submit matters to the jurisdiction of the courts of Minnesota.
6. If the Franchise Agreement and/or the Disclosure Document require(s) you to sue the Franchisor outside the State of Minnesota, those provisions shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota. As such, the disclosure in risk factor 1 on the cover page of the Disclosure Document that the Agreement requires you to sue outside the State of Minnesota is not applicable because of the Franchise Act.
7. Section XXI of the Agreement shall be supplemented by the addition of the following new paragraph: Minnesota law provides franchisees with certain transfer rights. In sum, Minn. Stat. §80C.14 (subd. 5) currently requires that consent to the transfer of the franchise may not be unreasonably withheld.

Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Minnesota law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties hereto have executed this original of this Amendment to be effective on the EFFECTIVE DATE.

The parties signing below are signing in the same capacity and with the same limitations, if any, as indicated above each of their respective signature blocks as shown on the signature pages of the Franchise Agreement amended by this Amendment.

FRANCHISOR: **TOSU, INC**

By: _____

Printed Name: _____

Title: _____

Date: _____

FRANCHISEE: _____

Signature: _____

Printed Name: _____

Title: _____

Date: _____

GUARANTORS: _____

ADDENDUM FOR THE STATE OF NEW YORK

Cover Page

SPECIAL RISK FACTORS:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW BUREAU OF INVESTOR PROTECTION AND SECURITIES 120 BROADWAY, 23rd FLOOR, NEW YORK, N.Y. 10271.

Effective Date:

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THE PROSPECTUS.

Item 3. Litigation

Neither the Company, its affiliates nor any person identified in Item 2:

- A. Has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property; unfair or deceptive practices or comparable allegations;
- B. Has been convicted of a felony or pleaded nolo contendere to a felony charge, or, within the ten year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: a violation of a franchise, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations; or
- C. Is subject to a currently effective injunction or restrictive order or decree relating to the franchise, or under a federal, state or Canadian franchise, securities, antitrust, trade regulation, trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to a currently effective

injunction or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

Item 4. Bankruptcy

Neither the Company, its affiliates, nor any person identified in Item 2 has during the ten year period immediately before the date of this Disclosure Document: (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the U.S. Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code during or within one year after the person identified in Item 2 held that position in the Company or partnership.

Item 11. Franchisor's Obligations

No changes will be made to the Manual which would impose an unreasonable economic burden on the franchisee or unreasonably increase its obligations.

1. While the Franchise Agreement does not provide for any right of the franchisee to terminate the franchise, the franchisee may terminate the Franchise Agreement upon any grounds available by law.
2. The Company will not assign your Franchise Agreement except to an assignee who, in the Company's good faith judgment, is willing and able to assume the Company's obligations under the Franchise Agreement.

Item 17. Renewal, Termination, Transfer and Dispute Resolution

1. While the Franchise Agreement does not provide for any right of the franchisee to terminate the franchise, the franchisee may terminate the Franchise Agreement upon any grounds available by law.
- 2.. The Company will not assign your Franchise Agreement except to an assignee who, in the Company 's good faith judgment, is willing and able to assume the Company 's obligations under the Franchise Agreement.

ADDENDUM FOR THE STATE OF RHODE ISLAND

Item 17. Renewal, Termination, Transfer and Dispute Resolution

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

ADDENDUM FOR THE STATE OF SOUTH DAKOTA

Item 17. Renewal, Termination, Transfer and Dispute Resolution

1. Covenants not to compete upon termination of the Franchise Agreement are generally unenforceable in the State of South Dakota.
2. The law regarding franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of South Dakota; but as to contractual and all other matters, the Franchise Agreement and all provisions will be and remain subject to the application, construction, enforcement and interpretation under the governing law of the State of Wisconsin.
3. The provisions in this Disclosure Document and in the Franchise Agreement, to the extent that they refer to termination for breach of the Franchise Agreement, failure to meet performance standards, and/or failure to make royalty payments, must afford a licensee thirty days written notice with an opportunity to cure said default before termination.
4. Pursuant to SDCL 37-5A-86, any acknowledgement provision, disclaimer or integration clause or a provision having a similar effect in a franchise agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate a chapter or rule under a chapter.

ADDENDUM FOR THE STATE OF VIRGINIA

Item 17. Renewal, Termination, Transfer and Dispute Resolution

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

ADDENDUM FOR THE STATE OF WASHINGTON

Item 8. Restrictions on Sources of Products and Services

It is an unfair or deceptive act or practice or an unfair method of competition for a franchisor to restrict or inhibit the right of franchisees to join an association of franchisees.

Item 17. Renewal, Termination, Transfer and Dispute Resolution

It is an unfair or deceptive act or practice or an unfair method of competition for a franchisor to (a) require a franchisee to assent to a release, assignment, novation or waiver which would relieve any person from liability imposed by the Washington Franchise Investment Protection Act; (b) restrict or inhibit your right to join an association of franchisees; or (c) terminate your franchise except for good cause.

TOSU, INC

EXHIBIT F TO THE DISCLOSURE DOCUMENT

OPERATIONS MANUAL TABLE OF CONTENTS



**RIVERSIDE PIZZERIA
OPERATIONS MANUAL**

OPERATIONS MANUAL TABLE OF CONTENTS

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TOSU, INC

EXHIBIT G TO THE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES

A list of the Franchisor's franchisees, as of December 31, 2022, and their addresses and phone numbers is set forth below:

| | |
|--|--|
| | |
|--|--|

TOSU, INC

EXHIBIT H TO THE DISCLOSURE DOCUMENT

DISCLOSURE DOCUMENT RECEIPTS

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. The terms of the Agreements govern over this Disclosure Document.

If TOSU, Inc. offers you a franchise, TOSU, INC must provide this Disclosure Document to you fourteen (14) calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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

The franchisor and seller for this offering is TOSU, INC, located at 98 E. Genesee, Iron River, Michigan 49935 and (906) 265-9944.

Date of Issuance: _____, 20__

I have received a Franchise Disclosure Document dated _____, 20__ that includes the following Exhibits:

- A. LIST OF REGISTERED AGENTS FOR SERVICE OF PROCESS
- B. LIST OF STATE ADMINISTRATORS
- C. OUR FINANCIAL STATEMENTS
- D. FRANCHISE AGREEMENT
- E. STATE SPECIFIC ADDENDA
- F. OPERATIONS MANUAL TABLE OF CONTENTS
- G. DISCLOSURE DOCUMENT RECEIPTS

DATED: _____

SIGNED: _____, individually as

an officer or partner of _____

(a _____ corporation)

(a _____ partnership)

NAME: _____

ADDRESS: _____

PHONE: _____

**KEEP THIS COPY FOR YOUR RECORDS
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. The terms of the Agreements govern over this Disclosure Document.

If TOSU, INC offers you a franchise, TOSU, INC must provide this Disclosure Document to you fourteen (14) calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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

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- B. LIST OF STATE ADMINISTRATORS
- C. OUR FINANCIAL STATEMENTS
- D. FRANCHISE AGREEMENT
- E. STATE SPECIFIC ADDENDA
- F. OPERATIONS MANUAL TABLE OF CONTENTS
- G. DISCLOSURE DOCUMENT RECEIPTS

DATED: _____

SIGNED: _____, individually as
an officer or partner of _____

(a _____ corporation)

(a _____ partnership)

NAME: _____

ADDRESS: _____

PHONE: _____

[Please sign this copy of the Receipt, date your signature and return to TOSU, INC, Franchise Administrator, 98 E Genesee, Iron River, Michigan 4993]