

## FRANCHISE DISCLOSURE DOCUMENT



Over the Top Pizza, Inc.  
A Virginia corporation  
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We offer franchises for carry-out/delivery restaurants specializing in pizzas, subs, wings, and other menu items made according to our distinctive recipes, including our special dough blend, sauce blend, cheese blend and dip sauce.

The total investment necessary to begin operation of a Chanello's® Pizza franchise is \$226,000 to \$433,000. This includes \$38,000 that must be paid to the franchisor and its affiliates.

All franchisees must first sign a Development Agreement under which the franchisee has the right and obligation to develop a specified number of Chanello's restaurants. The total investment necessary for the Development Agreement, assuming that the agreement covers 1 to 5 Chanello's restaurants, is \$22,500 to \$70,000. This includes \$20,000 to \$60,000 that must be paid to us.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Chip Shubert or Juliet Channell at the address and telephone number listed above.

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

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

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

The issuance date of this Franchise Disclosure Document is: April 28, 2025

## 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:

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

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

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

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

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

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

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

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

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

### **Some States Require Registration**

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

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 and area development agreement require you to resolve disputes with us by litigation only in the judicial district in which we have our principal place of business at the time the action is commenced, which is currently Norfolk, Virginia. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to litigate with us in Virginia than in your own state.
2. **Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from \$226,000 to \$433,000. This amount exceeds the franchisor's stockholder's equity as of December 31, 2024, which is \$24,710.
3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" pages for your state in Exhibit F.

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## EXHIBITS

- A. Development Agreement
- B. Franchise Agreement
- C. Table of Contents of Operations Manual
- D. Sample of Release to be signed when you renew or transfer the franchise
- E. State Franchise Administrators and Agents for Service of Process
- F. Additional State-Required Information and State-Required Contract Addenda
- G. Franchisees as of December 31, 2024; Franchisees who exited an outlet during 2024
- H. Financial Statements

## ITEM 1

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

To simplify the language in this disclosure document, “we” or “us” means Over the Top Pizza, Inc., the franchisor, and “you” means the person or business entity that signs a Development Agreement or Franchise Agreement with us. If the Developer or Franchisee is a corporation or limited liability company, the owners of the company must sign a personal guarantee of each agreement and, by doing so, become personally liable for the Developer’s or Franchisee’s obligations to us.

Over the Top Pizza, Inc. is a Virginia corporation. We do business under the CHANELLO’S® name and our corporate name. Our principal place of business is at 905 W. 21<sup>st</sup> Street, Norfolk, Virginia 23517. Exhibit E to this disclosure document lists our agents for service of process, to the extent we have appointed them.

The first Chanello’s Pizza restaurant opened in Hampton Roads, Virginia in 1987. As of the date of this disclosure document, our affiliates, J.A.W.S. Inc. and Chanello’s International, Inc., operate 19 Chanello’s Pizza locations, all of which are located in Virginia. We refer to the Chanello’s Pizza stores operated by our affiliates as “company-owned” outlets for purposes of this disclosure document. Over the Top Pizza, Inc. itself does not own or operate any restaurants; its sole business activity is granting new franchises for Chanello’s Pizza restaurants. Over the Top Pizza, Inc. was incorporated on May 28, 2008 but had no business activity before December 2021.

As of the date of this disclosure document, there are 6 independently-owned Chanello’s Pizza restaurants that operate under a license agreement with our affiliate, Chanello’s Pizza International, Inc. (“CPI”). Most of these licenses were created in the late 1990s/early 2000s when our affiliate sold certain of its company-owned Chanello’s Pizza restaurants to the store managers and granted the managers a license to continue operating under the Chanello’s name. The Chanello’s Pizza stores operating under licenses from CPI are considered to be franchises for purposes of this disclosure document. Neither we nor any of our affiliates offered franchises between July 2013 and April 2022.

We do not have a parent company. Except to the extent that Chanello’s Pizza International, Inc. may be considered a predecessor franchisor, we do not have a predecessor as franchisor of the Chanello’s Pizza concept. We began offering Chanello’s Pizza franchises in April 2022. Neither we nor any of our affiliates has ever offered franchises in any other line of business.

Our affiliate, CPI, sells products to our franchisees through an approved distributor, Reinhart Foodservice (see Item 8). Except for CPI, we do not currently have any affiliates that provide products or services to our franchisees.

CPI and all of our other affiliates have the same business address as us.

#### **The Chanello’s Pizza Franchise**

Chanello’s Pizza restaurants offer pizza, subs, wings, salads, and other menu items prepared using our special dough blend, sauce blend, cheese blend and dip sauce. Our restaurants focus primarily on delivery and carry-out; they typically do not have significant seating for customers. The restaurants use both third-party delivery providers, whom we must approve,

and their own delivery drivers. You may advertise and deliver only to customers within your Protected Area. The Franchise Agreement does not authorize you to sell products through other channels of distribution or outside of the Protected Area. We may permit you to market through the Internet and other electronic means, but we have the right to approve and control any digital, mobile or Internet presence that uses or displays any of our Proprietary Marks.

We offer qualified persons the right to develop Chanello's Pizza restaurants within a defined geographic area (the "**Development Area**") under our standard form of Development Agreement. Our current form of Development Agreement appears in Exhibit A to this disclosure document. Under the Development Agreement, you will have the right and the obligation to develop a specified number of Chanello's Pizza restaurants by certain deadlines. You will negotiate both the number of restaurants and the deadlines with us.

You must sign a separate Franchise Agreement for each Chanello's Pizza restaurant that you develop. The Franchise Agreement will be in the form that we are then offering for new franchises. Our current form of Franchise Agreement appears in Exhibit B to this disclosure document.

Chanello's Pizza restaurants operate according to a distinctive format, appearance, and set of specifications and operating procedures (collectively, the "**System**"). We have described our mandatory and recommended standards and procedures in a confidential Operations Manual (the "**Operations Manual**"). We will loan you one copy of the Operations Manual for the term of your franchise. We have the right to change the Operations Manual and the elements of the System at any time.

### **Industry-Specific Laws**

Chanello's Pizza restaurants are subject to laws generally applicable to restaurant businesses. You must obtain real estate permits and licenses and operational licenses. In constructing and operating each restaurant, you must comply with all applicable local, state, and federal laws, including health, sanitation, no smoking, discrimination, employment, and sexual harassment laws. The Americans with Disabilities Act ("**ADA**") requires that public accommodations, including restaurants, be readily accessible to disabled persons. Therefore, the ADA may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, drinking facilities, and the like. It is your responsibility to investigate, satisfy and stay current on all local, state, and federal laws and regulations since they vary from place to place and can change over time. You should consult with your attorney concerning these and other laws and ordinances that may affect your operations.

### **Market and Competition**

The market for pizza carry-out and delivery is highly competitive. You will compete with other pizza concepts, restaurants generally, and grocery stores, including both local businesses and units of regional and national chains.

Although we carefully evaluate persons who wish to become our franchisees, no screening process that we implement can conclusively determine whether you will succeed as a Chanello's Pizza operator. Similarly, completion of our training program does not provide assurance of success. You must rely on your own assessment of your suitability (in terms of energy, business skill, desire, temperament, people skills, and financial capability, among other things) and your own advisors in deciding whether to become a Chanello's franchisee.

## ITEM 2

### BUSINESS EXPERIENCE

#### **President and Director: Juliet Channell**

Ms. Channell has been our President and sole director since our formation in May 2008. She is also the President of each of our affiliates identified in Item 1. She has been the President of our affiliates since November 1999.

#### **Vice President: William “Chip” Shubert**

Mr. Shubert has been our Vice President since April 2015. He has been Operations Manager of our affiliates, Chanello’s International, Inc. and J.A.W.S., Inc., since 2008 and has primary responsibility for the daily operations of our affiliates’ company-owned restaurants. He has held numerous positions in the Chanello’s organization since September 1988.

## ITEM 3

### LITIGATION

No litigation is required to be disclosed in this item.

## ITEM 4

### BANKRUPTCY

No bankruptcy is required to be disclosed in this item.

## ITEM 5

### INITIAL FEES

**Development Fee.** If you sign the Development Agreement, you must pay us a development fee based on the number of Chanello’s Pizza restaurants that you commit to open in the Development Area. The development fee is \$20,000 for the first restaurant that you commit to open and \$10,000 for each additional restaurant that you commit to open. This formula is uniform for all franchisees who receive this offering. We will negotiate with you on the number of Chanello’s Pizza restaurants that you must develop. You must pay the entire development fee when you sign the Development Agreement.

We have no obligation to refund any part of the development fee, even if you do not open any Chanello’s Pizza restaurants. However, if you are in compliance with the Development Schedule at the time you sign a Franchise Agreement, we will credit a portion of the development fee against the initial franchise fee for each Chanello’s Pizza restaurant that you develop, as described below.

**Franchise Fee.** You must sign a separate Franchise Agreement for each Chanello’s Pizza restaurant that you open. The Franchise Agreement will be in the form we are then offering for

new franchises. Our current form of Franchise Agreement appears in Exhibit B to this disclosure document.

The initial franchise fee is \$20,000. If you are in compliance with the Development Schedule at the time you sign the Franchise Agreement, we will apply \$20,000 of the development fee against the initial franchise fee for your first Chanello's restaurant and \$10,000 of the development fee against the initial franchise fee for each additional Chanello's restaurant, until the development fee has been exhausted. If you develop additional Chanello's Pizza locations beyond the minimum number required by the Development Agreement, there will be no credit against the initial franchise fee for the additional franchises.

The franchise fee, minus any applicable credit under the Development Agreement, is due when you sign the Franchise Agreement. We will issue the Franchise Agreement when we receive a copy of your signed lease and lease rider for the approved location. You must return the signed Franchise Agreement within 20 days, or we can withdraw site approval.

The initial franchise fee is uniform for all franchisees who receive this offering. We have no obligation to refund the initial franchise fee under any circumstances.

**Opening Inventory.** For each restaurant, you must purchase an opening inventory of food items that includes dough blend, sauce blend, uniforms, and car signs. Our affiliate, Chanello's Pizza International, Inc., sells these items to an independent foodservice distributor for resale to you. We estimate that your cost of the items from CPI will be approximately \$8,000 per restaurant. The purchase price is non-refundable.

**Market Introduction Plan.** Before opening, you must provide \$10,000 that we will use to conduct initial marketing for your Chanello's Pizza restaurant. You must provide another \$10,000 within 30 days after the restaurant opens. You will create the market introduction plan, subject to our approval, and we will use the funds to carry out the plan on your behalf.

## ITEM 6

### OTHER FEES

| Type of Fee <sup>(1)</sup> | Amount                                                                 | Date Due              | Remarks                                                                                                                                                      |
|----------------------------|------------------------------------------------------------------------|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Royalty                    | 5% of Gross Sales <sup>(2)</sup>                                       | Weekly <sup>(3)</sup> | See note 2 for the definition of "Gross Sales"; see note 3 for an explanation of our Accounting Week.                                                        |
| Production Fund            | None currently<br>2% of Gross Sales,<br>when Fund begins to<br>operate | Weekly                | We have the right to establish a fund for advertising and promotion of the CHANELLO'S brand (the "Production Fund"). Please see Item 11 for further details. |

| Type of Fee <sup>(1)</sup> | Amount                                                                                                                                                                                                                                                                                                                                          | Date Due                                                                                                                            | Remarks                                                                                                                                                                                                                                                                                                                                                |
|----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Market Introduction Plan   | Two installments of \$10,000                                                                                                                                                                                                                                                                                                                    | The first installment is due prior to the Store's opening, and the second installment is due within 30 days of the Store's opening. | At your expense, we will conduct initial marketing on your behalf in accordance with a market introduction plan that you will create, subject to our approval.                                                                                                                                                                                         |
| Local Store Marketing      | 5% of Gross Sales                                                                                                                                                                                                                                                                                                                               | As incurred                                                                                                                         | See Note 4.                                                                                                                                                                                                                                                                                                                                            |
| POS System fees            | <p>Service Bundle (basic support to restaurant): \$300 per month</p> <p>Enterprise Reporting (remote access to reporting): \$35 per month</p> <p>Enterprise Manager (remote access to menu, coupon, customer marketing): \$25 per month</p> <p>Marketing Bundle: \$50 per month</p> <p>Annual System Support: \$900 per year per restaurant</p> | Monthly, except annual for system support                                                                                           | <p>Payable directly to Foodtec Solutions, the designated vendor for the POS system, loyalty program, gift card program, online ordering system, and marketing modules. We are not affiliated with Foodtec Solutions.</p> <p>We reserve the right to implement a proprietary POS system, which may require different up-front and maintenance fees.</p> |
| Franchise portal           | None currently                                                                                                                                                                                                                                                                                                                                  | Not applicable                                                                                                                      | We reserve the right to establish a secure website and to require franchisees to use it for reporting, training, or other purposes. We may charge a reasonable user fee based on our actual costs of establishing and maintaining the portal.                                                                                                          |

| <b>Type of Fee<sup>(1)</sup></b> | <b>Amount</b>                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>Date Due</b>                                      | <b>Remarks</b>                                                                                                                                                                      |
|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Relocation                       | Our costs and expenses (including legal and accounting fees) associated with the relocation, not to exceed \$5,000                                                                                                                                                                                                                                                                                                                                   | Upon demand                                          | Payable only if you apply to relocate the business.                                                                                                                                 |
| Transfer Fee                     | <p>Generally, 25% of the then-current initial franchise fee, plus \$1,000 per person for cost of background check.</p> <p>\$5,000 if the transferee (i) has been a Chanello's franchisee for at least 3 years and is in compliance with its agreement(s) with us; (ii) has been employed by a Chanello's Pizza restaurant at the manager level or above for at least 5 years; or (iii) is a member of the transferring Owner's immediate family.</p> | With request for approval of transfer                | Payable if you propose to sell or transfer your business or a minority ownership interest. No fee for transfer to a business entity that you form for the convenience of ownership. |
| Securities Offering              | Our legal fees and expenses to review the offering materials, not to exceed \$10,000                                                                                                                                                                                                                                                                                                                                                                 | With submission of offering materials for our review | Payable if you intend to offer securities to investors. This is in addition to the regular transfer fee.                                                                            |
| Interest                         | 18% per annum or maximum rate permitted by law, whichever is less                                                                                                                                                                                                                                                                                                                                                                                    | With payment of overdue amount                       | We calculate interest from the date the payment was due until paid in full.                                                                                                         |

| <b>Type of Fee<sup>(1)</sup></b>                         | <b>Amount</b>                                                                                                                       | <b>Date Due</b>                | <b>Remarks</b>                                                                                                                                                                                                                                                    |
|----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Late Fee                                                 | \$100 for second occurrence of payment more than 30 days past due; \$200 for third occurrence; \$300 for each subsequent occurrence | With payment of overdue amount | We can charge a late fee to compensate us for our administrative costs incurred in enforcing your obligation to pay us.                                                                                                                                           |
| Reimbursement for Examination or Audit                   | Actual cost of audit, including travel, lodging, wages and reasonable accounting and legal costs                                    | Upon demand                    | Payable only if examination or audit reveals an underpayment of 2% or more. This is in addition to applicable interest and late fees.                                                                                                                             |
| Evaluate Proposed Supplier                               | Our actual costs of evaluation and testing                                                                                          | Upon demand                    | Payable whether or not we approve the supplier. Costs may include laboratory and testing fees.                                                                                                                                                                    |
| Extra Trainee                                            | Reasonable fee (plus travel expenses if conducted at your location)                                                                 | Before training begins         | We provide initial training at no charge for your Designated Operator. If space is available, you may also send one other person to the initial training program without charge. See Item 11 under "Training" for further information about our training program. |
| Additional Required Training                             | \$500 per day (plus travel expenses if conducted at your location)                                                                  | Before training begins         | Payable for re-training persons who are repeating a course or their substitutes, or if we require additional training as a result of your failure to comply with our quality assurance program.                                                                   |
| Optional Training                                        | Varies                                                                                                                              | Before training begins         | We may offer optional training programs in addition to those that are mandatory.                                                                                                                                                                                  |
| Additional onsite supervision or supplemental assistance | \$500 per day, plus expenses                                                                                                        | As arranged                    | Payable only if you request this assistance.                                                                                                                                                                                                                      |
| Convention Fee                                           | Not to exceed \$750 per person                                                                                                      | At time of registration        | If we hold an annual convention, we have the right to charge a registration fee to defray costs.                                                                                                                                                                  |

| <b>Type of Fee<sup>(1)</sup></b> | <b>Amount</b>                                                                                                                                                  | <b>Date Due</b>                                         | <b>Remarks</b>                                                                                                                                                                                                           |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Insurance                        | Actual cost of insurance, plus a reasonable fee                                                                                                                | Within 10 days of your receipt of our invoice.          | Payable only if you fail to obtain the insurance required by the Franchise Agreement and we elect to purchase it on your behalf.                                                                                         |
| Temporary Management             | \$500 per day, plus expenses.                                                                                                                                  | As incurred                                             | Payable only if the Designated Operator dies, becomes incapacitated, or enters bankruptcy proceedings and we elect to take over operation of the business until the Designated Operator's interest has been transferred. |
| Renewal Fee                      | 25% of the initial franchise fee we are then charging new franchisees                                                                                          | Upon signing franchise agreement for the renewal period | Upon expiration of your initial Franchise Agreement, if you choose to and are approved to continue operating the Chanello's franchise, you must sign our then-current form of Franchise Agreement.                       |
| Indemnification                  | Will vary under circumstances                                                                                                                                  | As incurred                                             | You must reimburse us if we incur any expense, including attorney fees and other costs, or are held liable for claims arising out of your franchise operations.                                                          |
| Liquidated Damages               | Your average monthly royalties and Production Fund fees, multiplied by 24 or the number of months remaining in the Franchise Agreement term, whichever is less | Upon demand                                             | Payable only if we terminate the Franchise Agreement based on your default.                                                                                                                                              |
| Enforcement Expenses             | Our actual costs for attorneys' fees and expenses                                                                                                              | Upon demand                                             | Payable if we incur legal expenses to enforce the Franchise Agreement or if we prevail on a claim you file against us in court or other formal legal proceedings.                                                        |

## **NOTES TO CHART:**

- (1) Unless otherwise noted, all fees or charges described in this Item derive from the Franchise Agreement. Unless otherwise noted, all fees are non-refundable, payable to us, and uniformly imposed on all franchisees receiving this offering.
- (2) **“Gross Sales”** means all revenue from the sale of all products sold and all other income of every kind related to the restaurant (including income from delivery charges and proceeds from business interruption insurance), whether for cash or credit (and regardless of collection in the case of credit), whether from sales on the premises, by delivery, from catering, or at wholesale (whether the sales method is permitted or not), but excluding (i) customer refunds; (ii) gratuities paid by customers; and (iii) sales taxes or other taxes that you collect from customers and pay directly to the appropriate taxing authority. We reserve the right to modify our policies consistent with restaurant industry practices regarding revenue recognition, revenue reporting, and the inclusion in or exclusion of certain revenue from “Gross Sales” as circumstances, business practices, and technology change.
- (3) You must designate an account at a commercial bank for payment of weekly royalty fees, Production Fund contributions, and other charges. We will obtain payment by electronic debit to your account. Our accounting week currently begins on Monday and ends on Sunday of each week.
- (4) During the first year after opening, you must spend 5% of Gross Sales of the restaurant or \$2,000 per month, whichever is greater. After the first year, you must spend not less than 5% of Gross Sales. Food and beverage products that you give away will count toward your LSM obligation, but only at your cost (not the retail value) of the products, and the maximum that we will count toward LSM is one percent (1%) of Gross Sales. If we determine that you have spent less than the required amount for LSM, we have the right to collect funds from you weekly for LSM in the same manner as royalty payments, and will use these funds to reimburse you for your costs incurred in Local Store Marketing.

## **ITEM 7**

### **ESTIMATED INITIAL INVESTMENT**

| <b>YOUR ESTIMATED INITIAL INVESTMENT – Franchise Agreement</b> |                                                       |                          |                                       |                                      |
|----------------------------------------------------------------|-------------------------------------------------------|--------------------------|---------------------------------------|--------------------------------------|
| <b>Type of Expenditure</b>                                     | <b>Amount</b>                                         | <b>Method of Payment</b> | <b>When Due</b>                       | <b>To Whom Payment is to be Made</b> |
| Initial Franchise Fee <sup>1</sup>                             | \$20,000 (less Development Fee credit, if applicable) | Lump sum                 | When you sign the Franchise Agreement | Us                                   |
| Real Estate <sup>2</sup>                                       | See note 2                                            | See note 2               | See note 2                            | See note 2                           |
| Buildout/Leasehold Improvements <sup>3</sup>                   | \$40,000 to \$120,000                                 | As Arranged              | As Arranged                           | Contractors                          |

| <b>YOUR ESTIMATED INITIAL INVESTMENT – Franchise Agreement</b>                     |                               |                          |                                                                  |                                                                      |
|------------------------------------------------------------------------------------|-------------------------------|--------------------------|------------------------------------------------------------------|----------------------------------------------------------------------|
| <b>Type of Expenditure</b>                                                         | <b>Amount</b>                 | <b>Method of Payment</b> | <b>When Due</b>                                                  | <b>To Whom Payment is to be Made</b>                                 |
| Furnishings, Fixtures & Equipment (including signs) <sup>4</sup>                   | \$72,000 to \$150,000         | As Arranged              | As Arranged                                                      | Approved Suppliers                                                   |
| Computer/POS system <sup>4</sup>                                                   | \$18,000 to \$30,000          | As Arranged              | As Arranged                                                      | Approved Suppliers                                                   |
| Start-up Inventory & Supplies <sup>5</sup>                                         | \$5,000 to \$10,000           | As Arranged              | As Arranged                                                      | CPI for initial inventory; Approved Suppliers                        |
| Smallwares                                                                         | \$6,000 to \$15,000           | As Arranged              | As Arranged                                                      | Approved Suppliers                                                   |
| Expenses to attend Training <sup>6</sup>                                           | \$5,000 to \$8,000            | As Arranged              | As Incurred                                                      | Hotels, Airlines, etc.                                               |
| Market Introduction Plan                                                           | \$20,000                      | Two installments         | First half before opening; second half within 30 days of opening | Us                                                                   |
| Licenses, permits, insurance, architects, legal, accounting, deposits <sup>7</sup> | \$15,000 to \$20,000          | As Arranged              | As Arranged                                                      | Local government, insurance broker, accounting firm, utilities, etc. |
| Additional Funds – first 3 months of operation <sup>8</sup>                        | \$25,000 to \$40,000          | As Arranged              | As Incurred                                                      | Suppliers, Landlord, etc.                                            |
| <b>Total (excluding real estate)</b>                                               | <b>\$226,000 to \$433,000</b> |                          |                                                                  |                                                                      |

#### **NOTES TO CHART:**

- (1) If you are in compliance with the Development Schedule at the time you sign the Franchise Agreement, we will credit \$20,000 of the development fee toward the initial franchise fee for the first Chanello's Pizza restaurant that you open under the terms of the Development Agreement and \$10,000 of the development fee toward the initial franchise fee for each additional Chanello's Pizza restaurant that you open under the terms of the Development Agreement, until the development fee is exhausted. The initial franchise fee, less the development fee credit, is payable when you sign the Franchise Agreement.
- (2) The cost of purchasing or leasing and developing a suitable site varies widely depending on the size, type, and location of the restaurant and the local real estate market. Chanello's

Pizza restaurants typically occupy an in-line or end-cap space of between 1,000 and 1,400 square feet in a suburban mall, strip center, or mixed use development.

- (3) The estimate is for a typical Chanello's Pizza restaurant developed in a suburban shopping center with the premises delivered in "vanilla box" condition (that is, primed drywall ready to be painted, but without improvements). Typical improvements required include floor covering, wall covering, electrical modifications, partitions, installation of heating and cooling systems, painting, lighting, and other components typical of our trade dress. You must engage a qualified architect or engineer to prepare preliminary and final architectural and engineering drawings and specifications consistent with our representative plans for a Chanello's Pizza restaurant. Your lessor may offer, or you may be able to negotiate, a tenant improvement allowance to reduce your cost of site improvements, but the estimate does not include any such allowance. Costs are likely to vary and be much higher if you wish to establish your Chanello's Pizza restaurant in an area or building where special requirements of any kind will apply (such as historical or architectural preservation). Costs are likely to vary and be much higher in urban settings or where the lessor provides a building in as-is condition. If you choose or are required to add specific design elements, these costs may increase beyond the estimate.
- (4) The estimate includes the equipment typically situated at a Chanello's Pizza restaurant, including foodservice equipment and all electronic hardware and software including POS hardware and software, computers and installation costs. The estimate also includes both exterior and interior signage; the cost varies depending on the size and location of the signs.
- (5) You must purchase an opening inventory of food items that includes dough blend, sauce blend, uniforms, and car signs. Our affiliate, Chanello's Pizza International, Inc., sells these items to an independent distributor, Reinhart Foodservice, for resale to you. The estimate in the chart includes quantities of inventory and supplies typically sufficient for your first week of operations. We estimate that the cost of the items from CPI will be up to approximately \$8,000 of the total.
- (6) You (or the Designated Operator) must complete our initial training program to our satisfaction. If space is available, you may send one additional person to the initial training program. This is an estimate of the cost of your trainees' lodging, meals, travel expenses and wages. Please see Item 11 for further details on training.
- (7) This estimate includes the first year's premiums for insurance meeting our current requirements. Insurance costs will vary depending upon the size and location of the restaurant, your claims history, and other factors. You must obtain general liability insurance with minimum limits of \$2 million per claim and an umbrella policy with minimum limits of \$5 million. See Item 8 for further information about your obligations with respect to insurance.
- (8) This is an estimate of the additional funds you will need during the initial period of operation, which we define as 3 months from the opening of each Chanello's Pizza restaurant. The estimate includes items such as rent, payroll costs, food costs, utilities, licenses and permits. The estimate does not include royalties, contributions to the Production Fund, Local Store Marketing, or any compensation that you may choose to pay yourself. These figures are estimates; we cannot guarantee that you will not have additional expenses starting the business. Your actual costs will depend on many factors,

including how closely you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our product; the prevailing wage rate; competition; and the sales level reached during the initial period. We relied on our affiliates' experience operating company-owned Chanello's Pizza restaurants in formulating the estimate of additional funds.

| <b>YOUR ESTIMATED INITIAL INVESTMENT – Development Agreement</b> |                             |                          |                                                    |                                      |
|------------------------------------------------------------------|-----------------------------|--------------------------|----------------------------------------------------|--------------------------------------|
| <b>Type of Expenditure</b>                                       | <b>Amount</b>               | <b>Method of Payment</b> | <b>When Due</b>                                    | <b>To Whom Payment is to be Made</b> |
| Development Fee <sup>1</sup>                                     | \$20,000 to \$60,000        | Lump sum                 | When you sign Development Agreement <sup>(2)</sup> | Us                                   |
| Professional fees (legal, accounting, etc.) <sup>2</sup>         | \$2,500 to \$10,000         | As arranged              | As arranged                                        | Third parties                        |
| <b>Total<sup>3</sup></b>                                         | <b>\$22,500 to \$70,000</b> |                          |                                                    |                                      |

#### **NOTES TO CHART:**

- (1) The low end of the range assumes a commitment of 1 restaurant and the high end assumes a commitment of 5 restaurants. If you are in compliance with the Development Schedule at the time you sign the Franchise Agreement, we will credit \$20,000 of the development fee toward the initial franchise fee for the first Chanello's Pizza restaurant that you open under the terms of the Development Agreement and \$10,000 of the development fee toward the initial franchise fee for each additional Chanello's store that you open under the terms of the Development Agreement, until the development fee is exhausted.
- (2) You may incur additional legal, accounting and other fees for reviewing the Development Agreement.
- (3) For each restaurant you develop under the Development Agreement, you will also incur the expenses in the Franchise Agreement chart above in this Item 7.

\* \* \*

The amounts noted in Item 7 as payable to us are not refundable. Estimated figures are estimates only and we cannot and do not guarantee that your costs will fall within the stated ranges.

### **ITEM 8**

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

You must purchase your food and beverage products, ingredients, paper goods, menus, signs, equipment, furniture, smallwares, uniforms, car tops, POS system, other electronic devices,

décor items, and other products and services in accordance with our specifications and quality standards and, if applicable, only from suppliers we have designated or approved (which may include us or our affiliates). We and our affiliates may earn a profit on products and services sold to you and other CHANELLO'S franchisees and may receive rebates or other consideration from unaffiliated suppliers with respect to their sales of products or services to you or other CHANELLO'S franchisees, whether or not the product or service is presently mentioned in this Item. We reserve the right to designate ourselves and/or our affiliates as an approved supplier, or as the only approved supplier, for particular products and services at any time.

If we do not require you to use a designated source or approved supplier for a particular item, you may purchase the item from any supplier you choose, as long as your purchases conform to our standards and specifications. We have the right to restrict the sourcing of current and future items.

In addition to the general restrictions described above, the following specific restrictions on your purchasing are in effect as of the issuance date of this disclosure document, but we can impose other restrictions at any time.

**Proprietary Food Items.** Chanello's Pizza restaurants sell menu items made in accordance with a proprietary dough mix, sauce blend, cheese blend and dipping sauces. To protect the formulations and to ensure the quality, uniformity, and distinctiveness of the products associated with our brand, you must purchase all proprietary items from a supplier we approve. Currently, our affiliate, CPI, is the only approved manufacturer of dough mix and sauce blend. We have designated third-party suppliers for our private-label cheese blend, for Chanello's special sauce dip, and for trademarked pizza boxes. All of these items are sold through our approved foodservice distributor for resale to Chanello's Pizza stores.

We and our affiliates plan to have other Chanello's-specific food items formulated for us, including but not limited to pepperoni, sausage, toppings, chicken wings, sandwich bread, salad dressings, cookie doughs, and wing sauces.

**Foodservice Distributor.** We have designated Reinhart Foodservice/PFG as the primary distributor of food and supplies to Chanello's Pizza stores. You must use Reinhart for all items available through Reinhart. If we plan to change or add distributors, we will notify you.

**Pepsi® products.** We have an agreement with PepsiCo, Inc. under which we have designated certain Pepsi® fountain drinks and packaged products as exclusive products in Chanello's Pizza stores. Accordingly, you must purchase and serve only these Pepsi® products. Our designated foodservice distributor delivers the Pepsi® products to your location.

**Equipment and Fixtures.** We have identified a specific recommended brand for many of the equipment and fixture items required to equip a Chanello's Pizza restaurant. You may purchase the recommended brands from any wholesaler or distributor that we have approved.

**Technology Systems.** You must purchase, install, and use a point-of-sale system (the "**POS System**"), point-of-sale terminals and back-office computer equipment, digital menu boards, software applications, and other hardware and software we designate. We currently require the Foodtec Solutions POS system, loyalty program, gift card program, online ordering system, and marketing modules. We are not affiliated with Foodtec Solutions. Our specifications will likely evolve over time, and we may develop and designate proprietary systems. Please see Items 6 and 11 for further information on required technology systems and fees.

**Design and Construction.** You must retain a qualified architect or engineer to prepare preliminary and final architectural and engineering drawings and specifications consistent with the representative plans furnished by us. We do not have to approve your architect or engineer, as long as they meet basic qualifications. At our request, you must submit preliminary and final drawings and specifications to us for approval. Once we approve the drawings and specifications, you cannot change them without our prior written consent.

**Insurance.** You must obtain insurance policies meeting our current requirements, at your expense. This insurance must protect you, us, and our affiliates, officers, directors, shareholders and employees against all claims for personal injury, death, or property damage or any loss, liability or expense arising from the operation of your Chanello's Pizza restaurants. All insurance policies must be written by a carrier with an industry rating acceptable to us. Liability policies must name us and our affiliates, officers, directors, shareholders and employees as additional insureds. At least 30 days before the expiration of any policy, you must furnish us a copy of renewal or replacement insurance and evidence that you have paid the premium. You must provide us with certificates of insurance evidencing the proper types and at least the minimum amounts of coverage that we require.

Currently we require the following insurance: comprehensive general liability with a minimum limit of \$2 million, \$1 million per occurrence; property and casualty; statutory worker's compensation; employer's liability; product liability; business interruption; automobile liability covering owned and non-owned automobiles for bodily injury and property damage on an occurrence basis; and excess/umbrella liability coverage with policy limits not less than \$5 million for coverage above the required general liability, automobile liability, and employer's liability coverage. We have the right to increase the amounts of coverage required and to require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, new risks, changes in the law or standards of liability, higher damage awards or other relevant changes in circumstances.

All public liability and property damage policies must contain a waiver by the insurance company of subrogation rights against us and our affiliates, successors and assigns. If you fail to maintain the required coverage, we have the right (but no obligation) to obtain insurance on your behalf. If we do so, you must reimburse us for the cost of insurance, plus a reasonable fee for our services.

### **Supplier Approval Process**

If we require you to use an approved supplier for a particular item, but you wish to purchase the item from a supplier that we have not approved, you may submit a written request for approval of the supplier, unless it is an item for which we have designated a single source. You must also submit any additional information that we require. We will furnish a copy of the relevant standards and specifications to suppliers who wish to become approved suppliers to the CHANELLO'S system, provided that the proposed supplier signs a confidentiality agreement. To obtain approval, proposed suppliers must demonstrate the ability to meet our standards and must possess adequate quality controls and capacity to supply your needs promptly and reliably. However, we have no obligation to approve any specific supplier or any minimum number of suppliers for any item, and any proposed supplier relationship must not jeopardize the availability of any special pricing or other benefits offered by existing suppliers based on system-wide purchases. We may require you to pay a fee to cover our costs of reviewing a proposed supplier, which you must pay whether or not we approve the supplier. We may require that the proposed supplier allow our representatives to inspect the supplier's facilities. We will provide our standards

and specifications to you or to the proposed supplier, subject to the supplier's execution of a confidentiality agreement.

We generally will approve or disapprove the proposed supplier within 30 days after receiving all requested information and completing evaluation and testing, if required. You may not sell or offer for sale any products or services of the proposed supplier until you receive our written approval.

We have the right to revoke approval of particular suppliers if we determine that the suppliers or their products or services no longer meet our standards. Upon receipt of written notice of revocation, you must stop buying from the disapproved supplier. In addition, if we revoke our approval of the products because they fail to meet our standards, you may be required not to use your remaining inventory of those products.

\* \* \*

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply products, equipment, or services to some or all of the restaurants in our System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products, equipment and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would not be in the best interests of the System.

As of the date of this disclosure document, we and our affiliates have supply arrangements with various food and soft drink manufacturers under which they have agreed to make payments to support the CHANELLO'S brand. The current arrangements include rebates calculated as an amount per case, an amount per pound, an amount per gallon, and a percentage of the invoice price. Payment may also be in the form of participation fees per Chanello's outlet, marketing contributions for joint promotion of the supplier's products with our brand, and/or sponsorship fees for conferences and other events. We will use any restricted funds in the manner agreed with the supplier. Subject to these agreements and applicable state law, we have no obligation to use vendor payments in a particular fashion or to pass them through to you. We reserve the right to retain any or all rebates, commissions, fees, and other economic benefits received from unaffiliated suppliers based on franchisees' purchases.

In the fiscal year ending December 31, 2024, we received no revenue based on franchisee purchases and our affiliate, CPI, received \$126,902.13 in rebates and commissions from third-party suppliers based on purchases by franchisees. This information is from the internal bookkeeping records of CPI. Our President, Juliet Channell, is the sole owner of CPI. None of our officers or directors owns an interest in any unaffiliated supplier.

We estimate that 50% of your total purchases and leases in establishing a Chanello's Pizza restaurant and 85% to 90% of your total purchases and leases in operating a Chanello's Pizza restaurant will be subject to at least one of the restrictions described in this item.

There are no purchasing cooperatives or distribution cooperatives in our franchise system. We do not provide material benefits to franchisees based on their purchase of particular products or services or use of particular suppliers.

## ITEM 9

### FRANCHISEE'S OBLIGATIONS

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

| Obligation                                                             | Section in Agreement                                                                       | Disclosure Document Item    |
|------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------|
| a. Site selection and acquisition/lease                                | Section 4 of Development Agreement                                                         | Items 5, 6, 7, 8, 11 and 12 |
| b. Pre-opening purchases/ leases                                       | Sections 4 and 6 of Franchise Agreement                                                    | Items 5, 7, 8 and 12        |
| c. Site development and other pre-opening requirements                 | Section 4 of Development Agreement; Sections 4 and 6 of Franchise Agreement                | Items 5, 6, 7, 8, 11 and 12 |
| d. Initial and ongoing training                                        | Section 2 of the Development Agreement; Section 5 of Franchise Agreement                   | Items 6, 7 and 11           |
| e. Opening                                                             | Section 4 of Franchise Agreement                                                           | Item 11                     |
| f. Fees                                                                | Sections 3 and 8 of Development Agreement; Sections 5, 8, 11 and 16 of Franchise Agreement | Items 5, 6 and 7            |
| g. Compliance with standards and policies/Operating Operations Manuals | Sections 7, 13 and 14 of Franchise Agreement.                                              | Items 11 and 14             |
| h. Trademarks and proprietary information                              | Section 6 of Development Agreement; Sections 12, 13 and 14 of Franchise Agreement.         | Items 13 and 14             |
| i. Restrictions on products/ services offered                          | Section 6 of Franchise Agreement                                                           | Items 8 and 16              |
| j. Warranty and guest service requirements                             | Section 7 of Franchise Agreement                                                           | None                        |
| k. Territorial development and sales quotas                            | Section 2 of Development Agreement                                                         | Item 1 and 12               |
| l. Ongoing product/service purchases                                   | Section 6 of Franchise Agreement                                                           | Items 6, 7 and 8            |
| m. Maintenance, appearance and remodeling requirements                 | Sections 7 and 20 of Franchise Agreement                                                   | Item 11                     |

| <b>Obligation</b>                            | <b>Section in Agreement</b>                                                                                | <b>Disclosure Document Item</b> |
|----------------------------------------------|------------------------------------------------------------------------------------------------------------|---------------------------------|
| n. Insurance                                 | Section 11 of the Development Agreement and Section 10 of Franchise Agreement                              | Items 7 and 8                   |
| o. Advertising                               | Section 11 of Franchise Agreement                                                                          | Items 6 and 11                  |
| p. Indemnification                           | Section 11 of Development Agreement; Section 21 of Franchise Agreement                                     | None                            |
| q. Owner's participation/management/staffing | Cover Page and Section 4 of Development Agreement; Cover Page and Sections 7 and 19 of Franchise Agreement | Items 11 and 15                 |
| r. Records and reports                       | Section 9 of Franchise Agreement.                                                                          | Item 6                          |
| s. Inspections and audits                    | Sections 7 and 9 of Franchise Agreement                                                                    | Items 6 and 11                  |
| t. Transfer                                  | Section 8 of Development Agreement; Section 16 of Franchise Agreement                                      | Item 17                         |
| u. Renewal                                   | Sections 3 and 20 of Franchise Agreement                                                                   | Item 17                         |
| v. Post-termination obligations              | Sections 6 and 7 of Development Agreement; Sections 14, 15 and 18 of Franchise Agreement                   | Item 17                         |
| w. Non-competition covenants                 | Section 7 of Development Agreement; Section 15 of Franchise Agreement                                      | Item 17                         |
| x. Dispute resolution                        | Section 14 of Development Agreement; Section 24 of Franchise Agreement                                     | Item 17                         |
| y. Other – Personal Guarantee                | Appendix B to Development Agreement; Appendix C to Franchise Agreement                                     | Item 15                         |

**ITEM 10**  
**FINANCING**

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

**ITEM 11**  
**FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING**

**Except as listed below, Over the Top Pizza, Inc. is not required to provide you with any assistance.**

**Pre-Opening Obligations**

Before your first Chanello's Pizza restaurant opens, we will:

- a) Provide site selection guidelines and criteria. (Section 4.2 of the Development Agreement)
- b) Review sites that you propose for the store, as described in more detail below. (Section 4.1 of the Development Agreement)
- c) Provide on-site evaluations, if we deem them advisable, in response to your request for our approval of a proposed site. (Section 4.2 of the Development Agreement)
- d) Review your complete set of preliminary and final drawings and specifications, and notify you of our approval or rejection of them within 30 days. (Section 4.1 of the Franchise Agreement)
- e) Provide the Operations Manual on loan for the term of the Agreement. (Section 13 of the Franchise Agreement)
- f) Provide a training program for you or your Designated Operator, and up to one additional person, space permitting. See below under "Training." (Section 5.1 of the Franchise Agreement)
- g) Review and approve your proposed lease, if you will lease the approved site. (Section 4.5 of the Franchise Agreement)

**Continuing Obligations**

After your Chanello's Pizza restaurant opens, we will:

- a) Administer the Production Fund, as described below in this Item 11 in the section entitled "Advertising." (Section 11.3 of the Franchise Agreement)
- b) At your expense, conduct the market introduction advertising plan. (Section 11.1 of the Franchise Agreement)

- c) At your request, review any proposed supplier to determine whether the supplier and its products or services meet our standards. (Section 6.4 of the Franchise Agreement)
- d) Defend you against any claim that your use of the Proprietary Marks (as defined in Item 13) or the Works (as defined in Item 14) infringes the rights of third parties. (Section 12.5 of the Franchise Agreement)

### **Site Selection and Construction**

You must secure a site and construct the restaurant at your own expense. The procedure for securing a location is outlined in Section 4 of the Development Agreement. There is no specific time limit for securing a location, but you may be in default of your Development Agreement if no site has been approved by your development deadline.

Before acquiring a proposed site by lease or purchase, you must submit any information that we reasonably request to evaluate the proposed location. This request could include your personal or corporate financial statement.

Within 30 days after we receive all requested information for a proposed site, we will accept or reject the proposed site in writing. If we reject your proposed site, we will encourage you to submit alternative site(s).

In evaluating a proposed site, we will consider demographic data that you provide, as well as other information regarding the characteristics of the site and trade area. This will include visibility, access, the proximity of competing businesses, traffic patterns, and the availability of parking. If you will lease the site, you must submit the proposed lease to us for review. We may require that the lease have the following terms:

1. The lessor consents to your use of the Proprietary Marks and required signs. (Franchise Agreement Section 4.5, Lease Rider Section 2(a))
2. The lease restricts the use of the Premises solely to the operation of the Chanello's Pizza restaurant during the term of the Franchise Agreement. (Franchise Agreement Section 4.5, Lease Rider Section 2(b))
3. The lease prohibits you from subleasing or assigning all or any part of your occupancy rights without our prior written consent. (Franchise Agreement Section 4.5, Lease Rider Section 2(c))
4. The lessor agrees to provide us with copies of all notices of default given to you under the lease. (Franchise Agreement Section 4.5, Lease Rider Section 2(d))
5. The lease permits us to enter the Premises to make modifications necessary to protect the Proprietary Marks or the System or to cure any default under the applicable Franchise Agreement or under the lease. (Franchise Agreement Section 4.5, Lease Rider Section 2(e))
6. The lease gives us the option, upon default, expiration, or termination of the applicable Franchise Agreement, and upon notice to the lessor, to assume all of your rights under the lease, including any right to assign or sublease. (Franchise Agreement Section 4.5, Lease Rider Section 2(f))

7. You must have the right to remodel the Premises without the lessor's prior approval. (Franchise Agreement Section 4.5, Lease Rider Section 2(g))
8. You must have the right, without the lessor's prior approval, to assign the lease or sublet the leased Premises to us, any of our affiliates, or any franchisee or developer of Chanello's Pizza restaurants. (Franchise Agreement Section 4.5, Lease Rider Section 2(h))
9. The lessor agrees not to lease space to a competing pizza restaurant concept in any property owned, managed or controlled by the lessor within a specified distance from the Approved Location. (Franchise Agreement Section 4.5, Lease Rider Section 2(i))
10. You and the lessor agree not to amend the lease in any manner which could materially affect the foregoing requirements without our prior written consent. (Franchise Agreement Section 4.5, Lease Rider Section 2(j))

We will not issue a Franchise Agreement until you have signed a lease for the approved site. You must furnish us with a copy of the executed lease and lease rider within 10 days after its execution. (Franchise Agreement Section 4.5). The approved, leased site will be the "Approved Location" defined in the Franchise Agreement.

The procedure for constructing the restaurant is outlined in Section 4 of the Franchise Agreement. At our request, you must submit preliminary and final drawings and specifications to us for approval. If we have not approved or rejected the drawings and specifications within 30 days after receipt of a complete set of drawings and specifications, then our approval will be deemed received. You cannot start construction until we have approved the drawings and specifications, and once they have been approved they cannot be changed without our written consent. You must construct the Chanello's Pizza restaurant and install all furniture, fixtures, equipment and signs in accordance with the plans and specifications that we have approved. You are responsible for obtaining all zoning and health permits at your own expense.

We expect that a new Chanello's Pizza restaurant will open 2 to 4 months after we sign the Franchise Agreement. The actual time will vary depending on the availability of financing and the time you need to obtain the necessary permits and licenses for the construction and operation of the store. Neither of these factors is within our control.

We have the right to terminate the Franchise Agreement if you fail to complete the requirements for approval to open the restaurant by the date specified in the Franchise Agreement. (Franchise Agreement Sections 4.4 and 17.2.1) If termination of the Franchise Agreement results in your failure to meet your Development Schedule, we can also terminate the Development Agreement. (Development Agreement Section 9.2.2)

### **Advertising**

**Production Fund.** We have the right to establish a fund for advertising and promotion of the CHANELLO'S brand (the "Production Fund") on reasonable notice to all Chanello's franchisees. If and when we establish the Production Fund, you will be required to contribute 2% of your Gross Sales weekly to the Production Fund. The company-owned restaurants operated by our affiliates will contribute to the Production Fund at the same rate as franchisees.

We will have the right to direct all advertising, media placement, marketing and public relations programs and activities financed by the Production Fund, with final discretion over strategic direction, creative concepts, materials and endorsements used, and the geographic, market and media placement and allocation. We may use the Production Fund to pay various costs and expenses as we determine, including: preparation and production of video, audio, written, digital and online advertising materials; production of promotional materials; sponsorship of sporting, charitable, or similar events; design, establishment, and maintenance of websites, search rankings, social media profiles and other online and mobile presence; endorsement contracts; reasonable salaries and expenses of our and our affiliates' employees working for or on behalf of the Production Fund or on advertising, marketing, public relations, materials, programs, activities or promotions prepared, planned or undertaken on behalf of the Production Fund; professional fees and administrative costs and overhead incurred in activities reasonably related to the administration and activities of the Production Fund (including accounting fees, legal fees, and interest on monies borrowed by the Production Fund); implementation of advertising programs, including purchasing direct mail and media advertising and employing advertising agencies to assist us; and other public relations, marketing, consumer research, and promotional activities, including testing and test marketing programs, fulfillment charges, and development and implementation and testing of trade dress and design prototypes.

We may seek the advice of CHANELLO'S franchisees by formal or informal means with respect to the creative concepts and media used for programs financed by the Production Fund. However, we will retain final authority on all programs financed by the Production Fund. We will have the right to change or dissolve the Production Fund.

The Production Fund (including any earnings on unspent funds) will be used to maximize general public recognition, acceptance, and patronage of the Chanello's brand. We will not be obligated to make Production Fund expenditures for you which are equivalent or proportional to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Production Fund. No portion of the Production Fund will be spent for advertising that is primarily intended to solicit new franchisees. However, we may use the Production Fund to support our consumer website and other online activities that may include general information about our franchise opportunity.

The Production Fund will not be a trust and we will have no fiduciary obligation in collecting payments, maintaining the bank account, bookkeeping, or disbursement of monies from the Production Fund. Any monies not used in the year contributed will be carried over to the following year. We will prepare an annual statement of contributions and expenditures and make the statement available to franchisees on request. This statement will not be audited. Because the Production Fund is not yet operating, we do not have data on Production Fund expenditures in the past.

**Local Store Marketing.** During the first year following the opening of each restaurant, you must spend each month for local advertising and promotion ("**Local Store Marketing**" or "**LSM**") at least 5% of Gross Sales or \$2,000, whichever is greater. Following the first year, you must spend not less than 5% of Gross Sales each month on Local Store Marketing. Food and beverage products that you give away in order to promote the restaurant will count toward your LSM obligation, but only at your cost (not the retail value) of the item. The maximum that we will count toward Local Store Marketing for food and beverage giveaways combined is one percent (1%) of Gross Sales. We must approve all Local Store Marketing as described below.

**Joint Marketing Programs and Cooperatives.** We have the right to establish: (1) co-marketing programs in which we, franchisees and licensees join with suppliers or other third parties to cross-promote goods and services; (2) local joint marketing efforts in which multiple franchisees and/or licensees contribute to a specific ad or event; and/or (3) local or regional marketing co-operatives (“**Cooperatives**”) that pool funds of franchisees on an ongoing basis to jointly promote the Proprietary Marks and the Chanello’s Pizza restaurants of the members. You must participate in each applicable joint marketing program and comply with the rules of the program. The following provisions apply to Cooperatives:

- We have the right to designate any geographic area or set of common characteristics for purposes of establishing a Cooperative. If a Cooperative is applicable to your Chanello’s restaurant, you must become a member and begin contributing. You will not have to contribute to more than one Cooperative for the same Chanello’s restaurant at the same time. We (or our affiliates, as the case may be) will become a member of any Cooperative that is applicable to a Chanello’s Pizza restaurant owned by us or our affiliates.
- Each Cooperative will adopt a cooperative agreement governing the organization and operation of the Cooperative, subject to our approval. We reserve the right to change the form of organization, governing documents, and manner of operation of any Cooperative. No changes in the bylaws or other governing documents of a Cooperative may be made without our prior written consent.
- Each Cooperative will be organized for the exclusive purpose of developing, administering, and executing advertising programs for the members of the Cooperative. No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without our prior approval as described below.
- If an applicable Cooperative is established, you and each other member of the Cooperative will be required to contribute to the Cooperative all or a portion of the required Local Store Marketing expenditure, as determined by the membership. The required contribution will not exceed two percent (2%) of Gross Sales unless approved by a unanimous vote of eligible members of the Cooperative. Your obligation for Local Store Marketing will be reduced by the amount of your contributions to the Cooperative.
- We may grant any franchisee an exemption for any length of time from the requirement of membership in a Cooperative, and/or from the obligation to contribute (including a reduction, deferral or waiver of the contribution), upon written request stating reasons that we deem sufficient to support the exemption. Our decision concerning any request for exemption will be final. If we grant an exemption to a franchisee, the franchisee will be required to spend on Local Store Marketing the amount the franchisee otherwise would have been required to contribute to the Cooperative.
- The Cooperative will periodically prepare an unaudited statement of contributions and expenditures and make it available to members on request.

**Approval Requirement.** All advertising and promotion by you and by any Cooperative must be in the type of media and format that we approve, must be conducted in a dignified manner, and must conform to our standards and requirements. You or the Cooperative must submit written samples of all proposed advertising and promotional plans and materials for our

approval at least 30 days before their intended use, unless the plans and materials were prepared by us or have been approved by us within the last twelve months.

**Electronic Marketing and Electronic Communications.** Unless we have agreed to it in writing, you may not use, register, maintain, or sponsor any URL, social media, blog, messaging system, email account, user name, text address, mobile application, or other digital, mobile or Internet presence that uses or displays any of the Proprietary Marks (or any derivative thereof) or that promotes any products or services of the Chanello's Pizza restaurant. The use of any digital medium constitutes advertising and promotion subject to our approval as described above. You may not transmit or cause any other party to transmit advertisements or solicitations by broadcast media, telephone, e-mail, text message, instant message, social media, VoIP, streaming media, or other electronic media without first obtaining our written consent as to: (a) the content of the advertisements or solicitations; and (b) the type of media intended to be used. All telephone answering messages, email auto-signatures, and other identifiers of the Chanello's Pizza restaurant must be in the form we prescribe. If we approve the use of a digital medium, our approval will be conditioned on your compliance with any standards and procedures we issue with respect to that type of digital medium, including the use of any disclaimers, warnings, and other statements that we may prescribe.

**Pricing and Promotional Activities.** To the extent permitted by applicable law, we have the right to establish maximum and/or minimum prices that you must follow for menu items, merchandise, and other products and services sold in Chanello's outlets. You must participate in and comply with the terms of special promotional events and activities that we prescribe for franchisees generally or in specific geographic areas or for specific types of venues. These events and activities may include value menu, special offer, limited time offer, and other pricing promotions and the featured price(s) may be less than your cost for the promoted item(s). You must bear your own costs of participating in these promotional events and activities. You must display promotional signs and materials and otherwise participate in the manner we specify.

### **Computer System and Cash Register Requirements**

You must acquire and install, at your own expense, the POS System, back-office computer equipment, digital menu boards, software applications, and other hardware and software systems that we specify in writing from time to time. Our specifications may evolve over time and, in some cases, required items may only be available through us and/or designated suppliers.

We currently require franchisees to use the Foodtec Solutions POS system, loyalty program, gift card program, online ordering system, and marketing modules. We are not affiliated with Foodtec Solutions.

The POS system collects data on customer transactions, sales, cost of goods sold, labor, customer data, and marketing data. You must maintain an electronic connection between your POS System and our systems at all times, use the POS System in accordance with all policies and operational procedures that we issue from time to time, transmit data to us at the times we specify, and give us independent access to your POS System (and provide us with any user names and passwords necessary for that purpose). There are no contractual limitations on our ability to access the information and data contained in your POS System. We and our affiliates have the right to retain the information and to use it internally without restriction. We also have the right to share it with other franchisees, our investors, lenders, and suppliers.

You must maintain your POS System in good working order at all times, promptly install upgrades, additions, modifications, and/or replacements of hardware, software, data connectivity, electrical power, and other information system components as we direct, and must ensure that your employees are adequately trained in the use of the POS System and our related policies and procedures.

The estimated initial costs of the POS system are \$18,000 to \$30,000 per location for hardware, software, back-of-house computers, and cabling, assuming 5 terminals or work stations. You must pay monthly user fees to Foodtec Solutions as indicated in Item 6. In addition, we require that you purchase a maintenance agreement for both hardware and software in order to reduce downtime and costs associated with repairs. The current cost of Foodtec Solutions annual support for the POS system is \$3,600 per restaurant.

You must promptly update and upgrade your computer hardware and software systems as we require, at your expense. There is no contractual limitation on the frequency and cost of this obligation. You must pay all amounts charged by any licensor of the systems and programs you use, including charges for use, maintenance, support and/or update of these systems or programs.

We have the right (but no obligation) to establish a secure web portal for franchisees and require you to use the portal for reporting, training, or other purposes as we direct from time to time. If we do so, we may charge a reasonable user fee to support the costs of establishing and maintaining the portal. As of the date of this disclosure document, there is no web portal and no user fee.

### **Operations Manual**

The table of contents for the Operations Manual appears in Exhibit C of this disclosure document. All Manuals combined currently have 374 pages: the Daily Operations Manual has 59 pages, Food Manual has 171 pages, and the Management Manual has 144 pages.

### **Training**

Our initial training program is mandatory for your Designated Operator, and must be completed to our satisfaction before the Designated Operator starts his or her duties. If space is available, one additional person may attend the initial training. There is no training fee for the Designated Operator and additional attendee; however, you must pay all expenses of your trainees. Your expenses will include the cost of travel, lodging, meals, and the wages of your employees. The initial training program will be conducted in Norfolk, Virginia, or at another location that we specify. We may reduce the duration and content of initial training if the trainee has prior experience with the Chanello's franchise concept or in similar businesses. Training is conducted by or under the supervision of our Vice President, Chip Shubert, who has over 20 years of experience in the pizza business and with our brand, including our affiliates' operation of company-owned Chanello's Pizza restaurants.

If any person fails to complete a required training program to our satisfaction, he or she may repeat the course or you may send a substitute to the next available scheduled training session. We reserve the right to charge a reasonable fee for re-training persons who are repeating a course or their substitutes. The current fee for this additional training is \$500 per day per trainer, plus expenses (transportation, lodging and meals).

## TRAINING PROGRAM

| Topics to be Covered                                                                                                                                                                                                      | Hours of Classroom Training | Hours of On-the-Job Training | Location    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|------------------------------|-------------|
| Chanello's Culture, philosophy, customer service standards and policies, product knowledge, cost control, Local Marketing, sales generation, employee management, sanitation and cleanliness, reports training/management | 40                          | 0                            | Norfolk, VA |
| Food prep, production, service guidelines, phone/order-taking, sales forecasting and preparation, customer and driver management, sanitation and cleanliness, equipment management                                        | 8                           | 72                           | Norfolk, VA |
| Total                                                                                                                                                                                                                     | 48                          | 72                           |             |

We will schedule initial training as needed for new franchisees, to be completed within 30 days before opening your first Chanello's Pizza restaurant. The program is offered only in English. The instructional materials may include handouts, the Manual, quizzes, videos, and checklists, as well as online learning materials.

If you are opening your fifth Chanello's location, you must hire a manager, subject to our reasonable approval, with experience in multi-unit foodservice management to assume primary responsibility for the daily supervision and operation of your Chanello's stores (the "**Area Manager**"). The Area Manager must successfully complete our initial training program at our headquarters or another location that we specify.

We may require your Designated Operator, Area Manager, or other employees to attend and pass additional training programs at your expense. If your Designated Operator or Area Manager ceases active management or employment, a qualified replacement must complete the training program as outlined above before commencing his or her duties. If your Designated Operator or Area Manager ceases his or her association with you, we must approve your replacement Designated Operator or Area Manager.

If you fail to achieve the minimum score prescribed in the Operations Manual for a specific quality assurance program (including but not limited to such things as guest satisfaction surveys, mystery shopper reports, observation of food preparation areas and processes), we may require you and/or your employees to complete additional training at your location or at a location that we designate, at your expense, including our trainer's fee of \$500 per day, per trainer plus travel, meals and lodging.

We may also offer optional training programs, for which we may charge a training fee. If you request that we provide additional onsite supervision or supplemental training at your location, you must pay a fee of \$500 per day, per trainer, plus our out-of-pocket expenses.

## ITEM 12

### TERRITORY

#### **Development Agreement**

The Development Agreement is granted for a specific geographic area within which you will have the right and the obligation to develop Chanello's Pizza restaurants (the "**Development Area**"). We will negotiate the boundaries of the Development Area with you. We focus on various factors, including natural and political boundaries, population density, the proximity of other Chanello's Pizza restaurants and/or development areas, and other relevant geographic and demographic factors in negotiating the Development Area. The Development Agreement will include, as an exhibit, a description of the negotiated Development Area. You and we will also negotiate the cumulative number of Chanello's Pizza restaurants that you will develop and the pace at which you must build them.

You receive a protected territory under the Development Agreement. While the Development Agreement is in effect, we will not establish within the Development Area, or franchise others to establish, the same type of Chanello's Pizza outlets that you have the right to develop within the Development Area. However, we and our affiliates reserve the right to develop sit-down restaurants under the Chanello's marks or other names and marks, to develop non-traditional outlets, to sell through other channels of distribution, and to sell through competitive brands in the Development Area, as described below in this Item. Because we retain rights to sit-down restaurants and non-traditional outlets, the Development Area is not exclusive, and we are required to include the following statement: "You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control."

Your right to develop Chanello's Pizza restaurants in the Development Area is contingent on satisfaction of the development schedule attached to your Development Agreement (the "**Development Schedule**"). The Development Schedule sets out the number of restaurants you must develop and the dates by which they must be open. If you fail to meet the Development Schedule, we can terminate your right to develop new Chanello's Pizza restaurants in the Development Area. However, this action will not affect your right or obligation to operate the Chanello's stores for which you have already signed a Franchise Agreement.

If the Development Agreement is terminated or expires, we can own, operate, franchise, and license others to operate Chanello's Pizza restaurants in the former Development Area, subject to any territorial protection granted to you under Franchise Agreements that remain in effect (see below).

#### **Franchise Agreement**

Each Franchise Agreement is granted for a specific location that we approve. You must operate the business only at the Approved Location. You may not relocate a Chanello's Pizza restaurant without our prior written approval to relocate. We will base the approval on a variety of

factors, including population density, the proximity of other Chanello's stores and/or development areas, and other relevant demographic factors. If you apply to relocate, we have the right to charge a fee of up to \$5,000 to reimburse us for our costs and expenses (including legal and accounting fees) associated with the relocation.

You receive a protected territory under the Franchise Agreement (the "**Protected Area**"). While the Franchise Agreement is in effect, we will not establish within the Protected Area, or franchise others to establish, Chanello's Pizza outlets of the same type that you will operate. However, we and our affiliates reserve the right to establish non-traditional outlets, to sell through other channels of distribution, and to sell through competitive brands in the Protected Area, as described below in this Item. Because we retain rights to sit-down restaurants and non-traditional outlets, the Protected Area is not exclusive, and we are required to include the following statement: "You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control."

We typically define the Protected Area using street boundaries to encompass an area within a 10 minute drive of the Approved Location. In more densely populated areas, however, the Protected Area may be smaller.

You receive the right to sell food and beverage items at retail to the public for carry-out and/or delivery. We must approve any third-party delivery service provider that you wish to use. You may only advertise and deliver to customers within your Protected Area. The Franchise Agreement does not authorize you to sell products through other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing outside of the Protected Area. We may permit you to market through the Internet, social media, and other electronic means, but we have the right to approve and control any electronic, mobile or Internet presence that uses or displays any of our Proprietary Marks or any derivative thereof.

The Protected Area does not depend on your achievement of a minimum sales volume or other contingency. There are no circumstances under which we can decrease the size of the Protected Area during the term of the franchise. We do not grant you any options, rights of first refusal, or similar rights to acquire additional franchises under the Franchise Agreement.

**Sit-down Restaurants, Non-traditional Outlets, Alternative Channels of Distribution, and Competitive Brands.** We and our affiliates reserve the right to establish sit-down restaurants or non-traditional outlets, to sell through other channels of distribution, and to sell through competitive brands within your Development Area and/or Protected Area. Specifically:

- We can operate and franchise others to operate outlets under the CHANELLO'S name at facilities where the primary function is not a restaurant business, such as (but not limited to) a performing arts arena, sports stadium, shopping mall, department or retail store, wholesale club, grocery store, supermarket, casino, amusement park, fair, college, university, factory, hospital, penal institution, military base, airport, turnpike, limited access highway rest stop, or other transportation facility ("**Non-Traditional Locations**").
- We and our affiliates can offer and sell the same or similar products, or other products, through any other distribution channel, including sales through the Internet, supermarkets, specialty food stores, convenience stores, wholesale clubs, and retail food stores, using the CHANELLO'S marks or any other marks.

- We can operate and franchise others to operate sit-down restaurants under the CHANELLO'S name or any other trademarks and service marks, selling the same or similar products or services as Chanello's Pizza restaurants. Outlets of our brands could exist or be established in your Development Area or Protected Area, and your Chanello's Pizza restaurant may have to compete with them. We do not have a policy to resolve conflicts between the different brands regarding territory, customers, and franchisor support.
- We can convert "Acquired Stores" to the CHANELLO'S concept under the circumstances described below.

We have no obligation to compensate you in connection with any such activities.

**Acquired Stores.** If we acquire the ownership or assets (for example, furniture, fixtures, equipment, leasehold improvements and/or leasehold interest) of any business operating within the Development Area or Protected Area (an "**Acquired Store**"), and we decide to convert the Acquired Store to a Chanello's Pizza restaurant, we will offer to sell the Acquired Store to you for the price we paid for it. Our obligation to sell you the Acquired Store is contingent on our being satisfied that the sale will not, in our judgment, interfere with completion of the acquisition on the terms we have agreed to or create adverse federal or state income tax consequences. The price that we charge you will include the direct and indirect costs and liabilities we have incurred or assumed in making the acquisition and have allocated to the Acquired Store. These liabilities may include amounts paid or owed to the seller of the Acquired Store or to third parties, and renovation costs.

If we offer and you exercise the option to purchase the Acquired Store, you must, concurrently with your purchase, execute a Franchise Agreement as modified for use with the Acquired Store and agree to convert the Acquired Store to a Chanello's Pizza restaurant as soon as practicable (but not later than the date we specify) in accordance with our standards and specifications.

If you reject or fail to timely accept our offer to sell you an Acquired Store, or if we are unable to extend an offer for any of the reasons stated above, we can operate, alter, modify, refurbish, remodel, promote and market or franchise others to operate the Acquired Store as a Chanello's Pizza restaurant or any other business. Any Acquired Store for which you execute a Franchise Agreement will count toward your Development Schedule as set out in the Development Agreement.

## ITEM 13

### TRADEMARKS

The principal marks that you will use are "Chanello's" and the logo shown on the cover of this disclosure document. We may also authorize you to use other current or future trademarks to operate your Chanello's stores. By trademark, we mean trade names, trademarks, service marks and logos we use to identify Chanello's Pizza restaurants and the products sold in them.

Our affiliate, JUL, LLC, is the owner of the trademarks, service marks and logos used in the System (the "Proprietary Marks"). JUL, LLC has registered the following marks on the Principal Register of the United States Patent and Trademark Office:

| Mark                                                                              | Registration Number | Registration Date |
|-----------------------------------------------------------------------------------|---------------------|-------------------|
| CHANELLO'S                                                                        | 1976610             | May 28, 1996      |
|  | 5117194             | January 10, 2017  |
| NOTHIN BEATZA PIZZA                                                               | 5131275             | January 31, 2017  |

All affidavits required to date for the registered marks have been filed.

JUL, LLC has granted us a license to use the Proprietary Marks and the Works (as defined in Item 14) and to sublicense them to our franchisees. The agreement between JUL, LLC and Over the Top Pizza, Inc. has a term of 99 years. JUL, LLC can terminate the license if we fail to maintain standards for products sold under any of the Proprietary Marks. JUL, LLC can also license others to use the Proprietary Marks for any business activities allowed under the contract provisions described in Item 12. Otherwise, the license from JUL, LLC does not limit our right to use, or to license you to use, the Proprietary Marks. Other than the license from JUL, LLC, there are no agreements that limit our rights to use or license the use of the Proprietary Marks.

There are no currently effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court involving the principal mark, nor any pending infringement, opposition, or cancellation proceedings or material litigation involving the principal mark. We are not aware of any infringing uses that could materially affect your use of the Proprietary Marks. Other than JUL, LLC's ownership rights described above, we are not aware of any superior rights that could affect your use of the Proprietary Marks.

You must notify us of any unauthorized use of the Proprietary Marks. You must also notify us of any challenge to the validity of, or the right to use, any of the Proprietary Marks. We and JUL, LLC have the right to control any administrative proceeding or litigation that involves the Proprietary Marks. This right includes the right to settle any of those disputes. We may, but are not required to, try to stop other people from using the Proprietary Marks.

We will defend you against any infringement claims that arise from your use of the Proprietary Marks or the Works (as defined in Item 14) at our expense, including the cost of any judgment or settlement, if your use of the Proprietary Marks and the Works complied with the Franchise Agreement, but at your expense if your use of the Proprietary Marks and the Works did not comply with the Franchise Agreement. You must assist us in any action we take to protect the Proprietary Marks. Unless this action results from your inappropriate use of the Proprietary Marks, we will reimburse you for your out-of-pocket costs in assisting us.

You must follow our rules when you use the Proprietary Marks. You may not use any of the Proprietary Marks as part of your corporate name, Internet domain name, or e-mail address, or with modifying words, designs or symbols. You may not use the Proprietary Marks for the sale of an unauthorized product or in any other manner not authorized by the Franchise Agreement.

We can modify the Proprietary Marks and/or substitute different proprietary marks for use in identifying our restaurants and the System. You must promptly implement any modification or substitution at your own cost and expense. We will have no obligation or liability to you as a result of the modification or substitution.

## **ITEM 14**

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

There are no patents or patent applications that are material to the franchise.

We and our affiliates claim copyright protection for certain materials (the “**Works**”), which include, but are not limited to, the Operations Manual, advertisements, promotional materials, labels, menus, posters, coupons, signs, Internet sites, and store designs, plans and specifications. Neither we nor our affiliates have registered the copyrights in any of the Works. You can use the Works only for the purpose of developing and operating your Chanello’s Pizza restaurants.

As noted in Item 8, we and our affiliates claim proprietary rights in certain food items associated with the Chanello’s brand. Currently these items include the special sauce blend, dough blend, private-label cheese blend, and Chanello’s Special Dip. We protect these items as trade secrets. We and our affiliates plan to have other Chanello’s-specific food items formulated for us, including but not limited to pepperoni, sausage, chicken wings, and sandwich bread.

You must maintain strict secrecy of the Chanello’s formulations, recipes and manufacturing processes, the Operations Manual, our training materials, our approved suppliers and supply arrangements, advertising and promotional plans, sales performance, financial records, and other information and materials that we designate as confidential. You may not reproduce any portion of the confidential information or make it available to any unauthorized person. You may reveal confidential information only to those of your employees who must have access to it in order to operate the Chanello’s store, and to your contractors and landlord with our prior written approval. The Operations Manual and all other confidential materials remain our and our affiliates’ property.

At our request, you must require your owners, officers, Designated Operator, Area Manager, landlord, contractors, and any other person to whom you wish to disclose any of our confidential information to agree in writing not to disclose that information to others or to use it for their own benefit. We must approve these agreements.

We and our affiliates claim exclusive ownership regarding the customer data of your Chanello’s Pizza restaurants. This includes all databases (whether in print or electronic form) including names, addresses, phone numbers, e-mail addresses and customer purchase data. We reserve the right to use or transfer these records as we deem appropriate and to provide the information to our affiliates. Furthermore, we reserve the right to contact customers, as well as your employees, suppliers and other service providers, for purposes of conducting quality control, market research and for other business reasons as we deem appropriate.

## ITEM 15

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

You (or the “**Designated Operator**,” as described below) must personally participate in the actual operation of the Chanello’s Pizza restaurant, including spending time daily on site. We have the right to rely on any statement, agreement, or representation made by the Designated Operator. You may not change the Designated Operator without our prior approval.

If the franchisee is a corporation or limited liability company, each of the owners must personally guarantee all of the company’s obligations under the Development Agreement and Franchise Agreement. The personal guarantee includes a commitment to be bound personally by the non-competition provisions of the agreements. The spouse of each owner must sign the spouse’s acknowledgment to the personal guarantee, which confirms that the spouse is aware that marital property will be subject to the owner’s guarantee. Unless the spouse is also an owner of the franchise, the spouse is not required to sign the personal guarantee and the personal guarantee will not apply to the spouse’s own separate, non-marital property.

For each Chanello’s Pizza restaurant, you must name a Designated Operator for on-premises supervision. If you will operate five or more Chanello’s stores, before opening the fifth location, you must also employ an Area Manager. If any Designated Operator or Area Manager leaves or is terminated, you must designate a new Designated Operator or Area Manager, subject to our reasonable approval, within 30 days.

You need not obtain our approval before hiring persons for positions other than the Designated Operator and Area Manager. We do not require that your Designated Operator or Area Manager have an equity interest in your business entity. Each Designated Operator and Area Manager must complete our initial training program (see Item 11). We may require that these individuals sign an agreement not to reveal confidential information they obtain in the course of their employment with you. These agreements must be in a form we approve and specifically identify us as a third party beneficiary with the independent right to enforce the agreement. See Items 14 and 17 for further information.

## ITEM 16

### RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale all products and services that we designate as “Required Items.” You may also offer for sale any items that we designate as “Optional Items” approved for sale in a Chanello’s Pizza restaurant. You may not offer or sell any other products or services without our prior written consent. To ensure that all menu items meet System standards for taste, texture, appearance and freshness, all menu items must be prepared only by properly trained personnel in accordance with our recipes, cooking techniques, and processes as prescribed in the Operations Manual. You must sell products only in the weights, sizes, forms, and packages that we have approved. You must cease selling or offering for sale any products or services that we disapprove at any time. We may change the types of authorized products and services, and there are no limits on our right to make changes.

You receive the right to sell food and beverage items at retail to the public for carry-out and/or delivery from the Approved Location. We do not impose restrictions concerning the guests you may serve at your premises, but you may only advertise and deliver to customers within your Protected Area. Unless we have expressly authorized it, you may not sell products or services through any other outlet, including any food trucks, carts, kiosks, or temporary locations. You cannot sell products through other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing outside of the Protected Area.

You must participate in promotional activities that we require generally for Chanello's stores. If we require that you conduct any promotional activities, you will bear your own costs of conducting these activities. We have the right to approve and control any electronic, mobile or Internet presence that uses or displays any of our Proprietary Marks or any derivative thereof.

You must participate in any "frequent guest" or customer loyalty program we prescribe. You must also participate in programs we establish relating to online or mobile ordering systems, gift cards, gift certificates, stored value cards, online or mobile coupons or credits, and other electronic money programs. Participation includes both issuing program benefits or credits and accepting them for payment by customers, and may require you to purchase additional equipment. We will coordinate the crediting and debiting of funds among Chanello's locations based on customer purchases and redemption of stored value. You may not offer your own gift card, electronic money, or loyalty program without our prior approval.

## ITEM 17

### RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION THE FRANCHISE RELATIONSHIP

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

| <b>Provision</b>                           | <b>Section in Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                    |
|--------------------------------------------|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Length of the franchise term            | Section 3                             | 10 years.                                                                                                                                                                                                                         |
| b. Renewal or extension of the term        | Section 20                            | Provided we are still franchising and have not made a decision to withdraw from the geographic market, and if you are in good standing, you can renew for two terms of 5 years (or the remaining term of your lease, if shorter). |
| c. Requirements for you to renew or extend | Section 20                            | Conditions include: written notice, no default, satisfy financial requirements, good record of customer service, achieve minimum quality assurance score, sign successor agreement, pay renewal fee, sign                         |

| <b>Provision</b>                                 | <b>Section in Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                  |                                       | <p>general release, complete refresher training, and remodel the restaurant.</p> <p>The Franchise Agreement for the renewal term may contain terms that are materially different from your expiring Franchise Agreement, such as different fee requirements.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| d. Termination by you                            | Section 17.7                          | You may terminate only if we commit a material breach, you provide written notice, and we fail to cure or to take reasonable steps to begin curing the breach within 60 days of our receipt of your notice.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| e. Termination by us without cause               | None                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| f. Termination by us with cause                  | Section 17                            | See g. and h. below.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| g. "Cause" defined - defaults which can be cured | Sections 17.3, 17.4 and 17.6          | You have 7 days to cure non-payment of fees or non-submission of reports; 24 hours to cure unsafe products/practices; and 30 days to cure other defaults, except for those described in h. below.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| h. "Cause" defined – non-curable defaults        | Sections 17.1, 17.2 and 17.5          | <p>Non-curable defaults: insolvency; appointment of receiver; foreclosure; bankruptcy; failure to open; abandonment; loss of right to occupy the Approved Location; refusing inspection or access to records; operating Competing Business (see q. below); unapproved transfers; becoming a publicly-held corporation; disclosure of trade secrets; maintaining false books or filing false reports; commission of felony; if you or any Owner appears on a list of "blocked" persons under any anti-terrorism or similar law; repeated defaults even if cured; failure to achieve quality standards; and termination of any other franchise agreements between you or your affiliates and us or our affiliates.</p> |
| i. Your obligations on termination/non-renewal   | Section 18                            | Obligations include assignment of your lease or sublease; sale of furnishings, equipment, and fixtures; complete de-identification, payment of amounts due and                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

| <b>Provision</b>                                              | <b>Section in Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------------------|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                               |                                       | return of all of our materials (also see o. and r. below)                                                                                                                                                                                                                                                                                                                                                                                               |
| j. Assignment of contract by us                               | Section 16.10                         | No restriction on our right to assign.                                                                                                                                                                                                                                                                                                                                                                                                                  |
| k. "Transfer" by you – definition                             | Sections 16.1 and 16.5                | Restrictions apply to transfer of any direct or indirect interest in the Franchise Agreement, in you (if you are a corporation or other business entity), or in the assets of the restaurant.                                                                                                                                                                                                                                                           |
| l. Our approval of transfer by franchisee                     | Section 16.2                          | We have the right to approve all transfers.                                                                                                                                                                                                                                                                                                                                                                                                             |
| m. Conditions for our approval of transfer                    | Section 16.3                          | We can impose any reasonable conditions, including: no default exists; new franchisee qualifies; sign then-current Franchise Agreement; training arranged; upgrade the restaurant to current standards; transfer fee paid; you sign release; no adverse effect from price and terms; financing subordinated. Any changes from our standard contract terms that we negotiated with you will not be transferrable to the buyer if you sell your business. |
| n. Our right of first refusal to acquire your business        | Section 16.8                          | We have the right to match any offer.                                                                                                                                                                                                                                                                                                                                                                                                                   |
| o. Our option to purchase your business                       | Section 18.2                          | Upon expiration or termination of the franchise, we can take assignment of your lease and purchase your furniture, fixtures, etc.                                                                                                                                                                                                                                                                                                                       |
| p. Your death or disability                                   | Section 16.6                          | Executor or personal representative must assign your interest to approved party within 1 year. If the deceased or incapacitated person is the Designated Operator, we have the right to manage operation of the restaurant until the transfer is completed. If we exercise this right, we can charge a reasonable management fee for our services.                                                                                                      |
| q. Non-competition covenants during the term of the franchise | Section 15.1                          | No involvement in "Competing Business," defined as: (a) a pizza take-out and delivery business, or (b) a foodservice business for which pizza constitutes more than 30% of annual sales. "Competing Business" also                                                                                                                                                                                                                                      |

| <b>Provision</b>                                                          | <b>Section in Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                   |
|---------------------------------------------------------------------------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                           |                                       | includes an organization that grants franchises or licenses to others to operate a type of business specified in clause (a) or (b).                                                                                                              |
| r. Non-competition covenants after the franchise is terminated or expires | Section 15.2                          | No involvement with Competing Business for 2 years within 10 miles of the Approved Location or within 5 miles of any other Chanello's Pizza restaurant.                                                                                          |
| s. Modification of the agreement                                          | Section 23.10                         | Modifications must be in writing, except that the Operations Manuals are subject to change by us.                                                                                                                                                |
| t. Integration/merger clause                                              | Section 23.10                         | Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable. |
| u. Dispute resolution by arbitration or mediation                         | None                                  |                                                                                                                                                                                                                                                  |
| v. Choice of forum                                                        | Section 24.2                          | Subject to state law, arbitration or lawsuits must be filed in the jurisdiction where we have our principal place of business, currently Virginia.                                                                                               |
| w. Choice of law                                                          | Section 24.1                          | Subject to state law, the law of the state in which we have our principal place of business (currently Virginia).                                                                                                                                |

### **DEVELOPMENT AGREEMENT**

| <b>Provision</b>                           | <b>Section in Development Agreement</b> | <b>Summary</b>                                                            |
|--------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------|
| a. Length of the franchise term            | Section 5                               | Term expires on the last deadline specified in your Development Schedule. |
| b. Renewal or extension of the term        | None                                    | No renewal rights.                                                        |
| c. Requirements for you to renew or extend | None                                    |                                                                           |
| d. Termination by you                      | None                                    |                                                                           |

| <b>Provision</b>                                       | <b>Section in Development Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------------------|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| e. Termination by us without cause                     | None                                    |                                                                                                                                                                                                                                                                                                                                                                   |
| f. Termination by us with cause                        | Section 9                               | See g. and h. below.                                                                                                                                                                                                                                                                                                                                              |
| g. "Cause" defined – defaults which can be cured       | Section 9.3                             | You have 30 days to cure defaults not listed in Sections 9.1 and 9.2                                                                                                                                                                                                                                                                                              |
| h. "Cause" defined – non-curable defaults              | Sections 9.1 and 9.2                    | Non-curable defaults: insolvency; appointment of receiver; foreclosure; bankruptcy; failure to develop the agreed minimum number of Chanello's Pizza restaurants; termination of any other agreement with us or our affiliates; unapproved transfer; becoming a publicly-held corporation; and repeated defaults, even if cured.                                  |
| i. Your obligations on termination/non-renewal         | Section 9.4                             | See r. below.                                                                                                                                                                                                                                                                                                                                                     |
| j. Assignment of contract by us                        | Section 8.10                            | No restriction on our right to assign.                                                                                                                                                                                                                                                                                                                            |
| k. "Transfer" by you – definition                      | Sections 8.1 and 8.5                    | Restrictions apply to any transfer of any direct or indirect interest in the Development Agreement or in the Developer (if a corporation or other entity).                                                                                                                                                                                                        |
| l. Our approval of transfer by you                     | Section 8.2                             | We have the right to approve all transfers.                                                                                                                                                                                                                                                                                                                       |
| m. Conditions for our approval of transfer             | Section 8.3                             | We can impose any reasonable conditions, including: new developer qualifies; new developer has adequate capital to complete Development Schedule; sign then-current form of Development Agreement; training arranged; no default exists; personal guarantee; transfer fee paid; you sign release; no adverse effect from price and terms; financing subordinated. |
| n. Our right of first refusal to acquire your business | Section 8.8                             | We have the right to match any offer.                                                                                                                                                                                                                                                                                                                             |
| o. Our option to purchase your business                | None                                    | Not applicable                                                                                                                                                                                                                                                                                                                                                    |

| <b>Provision</b>                                                          | <b>Section in Development Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                       |
|---------------------------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| p. Your death or disability                                               | Section 8.6                             | Development Agreement must be assigned by estate to approved party within 1 year.                                                                                                                                                                    |
| q. Non-competition covenants during the term of the franchise             | Section 7.1                             | No involvement in Competing Business.                                                                                                                                                                                                                |
| r. Non-competition covenants after the franchise is terminated or expires | Section 7.2                             | No involvement with Competing Business for 2 years within the Development Area.                                                                                                                                                                      |
| s. Modification of the agreement                                          | Section 13.9                            | Modifications must be agreed in writing                                                                                                                                                                                                              |
| t. Integration/merger clause                                              | Section 13.9                            | Only the terms of the Development Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and Development Agreement may not be enforceable. |
| u. Dispute resolution by arbitration or mediation                         | None                                    |                                                                                                                                                                                                                                                      |
| v. Choice of forum                                                        | Section 14.2                            | Subject to state law, arbitration or litigation must be filed where we have our principal place of business, currently Virginia.                                                                                                                     |
| w. Choice of Law                                                          | Section 14.1                            | Subject to state law, the law of the state in which we have our principal place of business (currently Virginia).                                                                                                                                    |

## **ITEM 18**

### **PUBLIC FIGURES**

We do not use any public figures to promote our franchises.

## **ITEM 19**

### **FINANCIAL PERFORMANCE REPRESENTATIONS**

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

(1) a franchisor provides the actual records of an existing outlet you are considering buying; or  
(2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting William “Chip” Shubert or Juliet Channell at 905 W. 21st Street, Norfolk, Virginia 23517, telephone: (877) 517-4992, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

**Table 1**  
**System-Wide Outlet Summary**  
**For Years 2022 to 2024<sup>(1)</sup>**

| Outlet Type               | Year        | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---------------------------|-------------|----------------------------------|--------------------------------|------------|
| Franchised <sup>(2)</sup> | 2022        | 11                               | 11                             | 0          |
|                           | 2023        | 11                               | 11                             | 0          |
|                           | 2024        | 11                               | 11                             | 0          |
| Company <sup>(3)</sup>    | 2022        | 19                               | 19                             | 0          |
|                           | 2023        | 19                               | 19                             | 0          |
|                           | 2024        | 19                               | 19                             | 0          |
| <b>Total</b>              | <b>2022</b> | <b>30</b>                        | <b>30</b>                      | <b>0</b>   |
|                           | <b>2023</b> | <b>30</b>                        | <b>30</b>                      | <b>0</b>   |
|                           | <b>2024</b> | <b>30</b>                        | <b>30</b>                      | <b>0</b>   |

Note 1: Our fiscal year ends on December 31.

Note 2: As noted in Item 1, we treat the Chanello’s Pizza restaurants operated by our affiliates as “company-owned” for purposes of this item.

**Table 2**  
**Transfers of Outlets from Franchisees to New Owners (Not Franchisor)**  
**For Years 2022 to 2024<sup>(1)</sup>**

| State        | Year        | Number of Transfers |
|--------------|-------------|---------------------|
| Virginia     | 2022        | 0                   |
|              | 2023        | 5                   |
|              | 2024        | 0                   |
| <b>Total</b> | <b>2022</b> | <b>0</b>            |
|              | <b>2023</b> | <b>5</b>            |
|              | <b>2024</b> | <b>0</b>            |

**Table 3**  
**Status of Franchised Outlets<sup>(1)</sup>**  
**For Years 2022 to 2024**

| State          | Year        | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations - other reason | Outlets at the End of Year <sup>(1)</sup> |
|----------------|-------------|--------------------------|----------------|--------------|--------------|--------------------------|----------------------------------|-------------------------------------------|
| North Carolina | 2022        | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                                         |
|                | 2023        | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                                         |
|                | 2024        | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1                                         |
| Virginia       | 2022        | 10                       | 0              | 0            | 0            | 0                        | 0                                | 10                                        |
|                | 2023        | 10                       | 0              | 0            | 0            | 0                        | 0                                | 10                                        |
|                | 2024        | 10                       | 0              | 0            | 0            | 0                        | 0                                | 10                                        |
| <b>Total</b>   | <b>2022</b> | <b>11</b>                | <b>0</b>       | <b>0</b>     | <b>0</b>     | <b>0</b>                 | <b>0</b>                         | <b>11</b>                                 |
|                | <b>2023</b> | <b>11</b>                | <b>0</b>       | <b>0</b>     | <b>0</b>     | <b>0</b>                 | <b>0</b>                         | <b>11</b>                                 |
|                | <b>2024</b> | <b>11</b>                | <b>0</b>       | <b>0</b>     | <b>0</b>     | <b>0</b>                 | <b>0</b>                         | <b>11</b>                                 |

**Table 4**  
**Status of Company-Owned Outlets**  
**For Years 2022 to 2024**

| State    | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired From Franchisees | Outlets Closed | Outlets Sold to Franchisees | Outlets at End of the Year |
|----------|------|--------------------------|----------------|-------------------------------------|----------------|-----------------------------|----------------------------|
| Virginia | 2022 | 19                       | 0              | 0                                   | 0              | 0                           | 19                         |
|          | 2023 | 19                       | 0              | 0                                   | 0              | 0                           | 19                         |
|          | 2024 | 19                       | 0              | 0                                   | 0              | 0                           | 19                         |

| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired From Franchisees | Outlets Closed | Outlets Sold to Franchisees | Outlets at End of the Year |
|-------|------|--------------------------|----------------|-------------------------------------|----------------|-----------------------------|----------------------------|
| Total | 2022 | 19                       | 0              | 0                                   | 0              | 0                           | 19                         |
|       | 2023 | 19                       | 0              | 0                                   | 0              | 0                           | 19                         |
|       | 2024 | 19                       | 0              | 0                                   | 0              | 0                           | 19                         |

**Table 5**  
**Projected Openings**  
**as of December 31, 2024**

| State        | Franchise Agreement Signed but Outlet not Open as of 12/31/2024 | Projected New Franchised Outlets in 2025 | Projected New Company-Owned Outlets in 2025 |
|--------------|-----------------------------------------------------------------|------------------------------------------|---------------------------------------------|
| Virginia     | 0                                                               | 3                                        | 0                                           |
| <b>TOTAL</b> | 0                                                               | 3                                        | 0                                           |

Exhibit G to this disclosure document is a list of our franchisees as of December 31, 2024. No franchisee had an outlet terminated, cancelled, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during 2024. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

We and our affiliates have not signed any agreements with current or former franchisees that contain confidentiality clauses that would restrict a franchisee's ability to speak openly about their experience as a Chanello's Pizza franchisee.

We and our affiliates have not created or sponsored any trademark-specific franchisee organizations associated with the franchise system. No independent franchisee organizations have asked to be included in this disclosure document.

## ITEM 21

### FINANCIAL STATEMENTS

Exhibit H to this disclosure document includes:

The audited financial statements of Over the Top Pizza, Inc. as of December 31, 2024, December 31, 2023, and December 31, 2022.

Our fiscal year ends on December 31.

**ITEM 22**  
**CONTRACTS**

Attached as Exhibits to this disclosure document are the following contracts:

- |           |                                                                                                                      |
|-----------|----------------------------------------------------------------------------------------------------------------------|
| Exhibit A | Development Agreement                                                                                                |
| Exhibit B | Franchise Agreement                                                                                                  |
| Exhibit C | Sample of Release to be signed when you renew or transfer the franchise or develop a new Chanello's Pizza restaurant |

You must sign our Disclosure Acknowledgement Statement before signing your Development Agreement and each Franchise Agreement. The Disclosure Acknowledgement Statement is part of Exhibits A and B.

If the franchisee is a company, all owners of the company must sign a personal guarantee of the company's payment and performance. The Personal Guarantee is part of Exhibits A and B. If the individual providing the Personal Guarantee resides in a community property state, the guarantor's spouse must also sign the Personal Guarantee.

**ITEM 23**  
**RECEIPTS**

Two copies of a receipt form appear at the end of this disclosure document. Please fill out and sign both receipts, return one copy to us and keep the other for your records.

**EXHIBIT A**  
**DEVELOPMENT AGREEMENT**



## DEVELOPMENT AGREEMENT

Territory Name: \_\_\_\_\_

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

Developer Name: \_\_\_\_\_

Business Address: \_\_\_\_\_

\_\_\_\_\_

Type of Business Entity: \_\_\_\_\_

State in which organized: \_\_\_\_\_

Owner Name(s):

Ownership  
Percentage:

\_\_\_\_\_ %

Operating Principal

\_\_\_\_\_ %

\_\_\_\_\_ %

**CHANELLO'S PIZZA  
DEVELOPMENT AGREEMENT**

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DEVELOPMENT FEE CREDIT

APPENDIX B – FORM OF LEASE RIDER

APPENDIX C – PERSONAL GUARANTEE

APPENDIX D – OWNER/OFFICER CONFIDENTIALITY AND NON-COMPETITION  
AGREEMENT

APPENDIX E – DEVELOPER'S ACKNOWLEDGEMENTS

## DEVELOPMENT AGREEMENT

This Agreement is entered into as of the Agreement Date shown on the cover page between Over the Top Pizza, Inc., a Virginia corporation (“we”, “us” or “Chanello’s”), and the individual or business entity identified on the cover page (“you” or “Developer”).

As used in this Agreement, “Owners” means the person(s) identified on the cover page as the owners of Developer and all other persons whom we may subsequently approve to acquire an interest in Developer. “Operating Principal” means the person designated as the Operating Principal on the cover page and who meets the criteria in Section 4.3 of this Agreement.

## BACKGROUND

A. We and our affiliates are engaged in the business of developing, operating and franchising restaurants that offer our proprietary style of pizza and other menu items primarily for carry-out and delivery (“Chanello’s Stores”).

B. Chanello’s Stores operate under a distinctive format and set of specifications and procedures developed by us and our affiliates (the “System”).

C. We and our affiliates identify our proprietary products and the businesses operating under the System by means of the “Chanello’s” name and mark and certain other trademarks, service marks, trade names, signs, logos and indicia of origin (collectively, the “Chanello’s Marks”).

D. Developer wishes to obtain the right to develop Chanello’s Stores within the territory defined in this Agreement.

## AGREEMENT

### 1. DEFINITIONS

The terms defined in this Section 1 have the meanings set forth in this Section; other capitalized terms used in this Agreement are defined where they first appear within the text.

1.1. “Agreement Date” means the Agreement Date shown on the cover page of this Agreement.

1.2. “Development Area” means the area defined in Appendix A to this Agreement.

1.3. “Confidential Information” means all knowledge and data not generally known to the public, whether or not constituting trade secrets, that we disclose to you and/or the Owners or that you or they obtain by virtue of this Agreement or any activities hereunder, including but not limited to: (i) business procedures and communications concerning the development of Chanello’s Stores; (ii) our site selection guidelines and criteria; (iii) specific sites that have been identified as candidates for Chanello’s Stores; (iv) plans and specifications for construction of a Chanello’s Store, including exterior and interior design and layout plans, and including samples, prototypes, and site-specific drafts; (v) supplier lists, mailing lists, prospect lists, marketing studies, cost studies, marketing plans and techniques, and promotion and marketing aids; (vi) actual or proposed lease terms, specific negotiating strategies and the status of negotiations; and (vii) business forms, accounting procedures, business plans, feasibility studies, and non-public financial information of or about us and our affiliates.

1.4. “Non-Traditional Location” means a facility where the primary function is not a restaurant business, such as (but not limited to) a performing arts arena, sports stadium, shopping mall, department or retail store, wholesale club, grocery store, supermarket, casino, amusement park, fair, college, university, factory, hospital, penal institution, military base, airport, turnpike, limited access highway rest stop, or other transportation facility.

1.5. “Store” means any Chanello’s Store that you establish and operate within the Development Area under the terms of this Agreement.

## 2. DEVELOPMENT RIGHTS AND OBLIGATIONS

**2.1. Development Rights.** We grant you the right, and you undertake the obligation, to develop the number of Chanello's Stores shown in Appendix A to this Agreement, solely within the Development Area. Your right to develop Chanello's Stores is contingent on satisfaction of the requirements in Section 2.2 below.

**2.2. Development Obligations.** You must develop and open Chanello's Stores in accordance with the schedule set forth in Appendix A to this Agreement (the "**Development Schedule**"). For each Chanello's Store, you must:

**2.2.1** Submit for our approval a proposed location for the Chanello's Store pursuant to Section 3.1 below;

**2.2.2** At the time you propose a specific location, demonstrate continuing satisfaction of the financial and operational criteria set out in Appendix A; and

**2.2.3** Upon our approval of the location of the Chanello's Store, sign a separate Franchise Agreement ("**Franchise Agreement**") in the form that we are then offering for new franchises, along with a release of claims as provided in Section 4.4 below.

**2.2.4** If the Development Schedule requires you to open five (5) or more Chanello's Stores, before opening the fifth (5<sup>th</sup>) Store, you must designate a manager, subject to our reasonable approval, with experience in multi-unit foodservice management to assume the primary responsibility for the daily supervision and operation of the Chanello's Stores in the Development Area (the "**Area Manager**"). If the Area Manager leaves or is terminated, you must designate a new Area Manager, subject to our reasonable approval, within thirty (30) days.

**2.2.5** The Area Manager (if any) must successfully complete an initial training program at our headquarters or another location that we specify. Provided that space is available, you may send one other person to the initial training program without charge. We have the right to reduce the duration and content of initial training if the trainee has prior experience with the Chanello's franchise concept or in similar businesses.

**2.3. Failure to Satisfy Development Schedule.** If you fail to have in operation the cumulative minimum number of Chanello's Stores required on the dates specified in the Development Schedule, we will have the right to terminate this Agreement by written notice to you. Termination of this Agreement pursuant to this Section 2.3 will not affect your right or obligation to operate each Chanello's Store in the Development Area for which we have signed a Franchise Agreement before termination of this Agreement.

**2.4. Disclaimer of Other Rights.** This Agreement does not grant you any right to use the System or the Chanello's Marks. The rights to use the System and Marks are granted only under the Franchise Agreement. You have no right or power under this Agreement or under any Franchise Agreement: (i) to sublicense or subfranchise any other person or legal entity to use the Marks or the System; or (ii) to subdivide or partition the Development Area or any development rights granted in Section 2.1.

**2.5. Territorial Protection.** While this Agreement is in effect, we will not establish a Chanello's Store within the Development Area or franchise or license anyone else to establish Chanello's Stores within the Development Area, except as permitted under Section 2.6.

**2.6. Rights Reserved.** We and our affiliates retain the rights, despite anything to the contrary in Section 2.5 and regardless of the proximity to or effect on any Chanello's Store that you operate, and under any terms and conditions we deem advisable, and without granting you any rights therein:

**2.6.1** To own, acquire, establish, and/or operate and franchise or license others to operate Chanello's Stores located outside of the Development Area;

**2.6.2** To own, acquire, establish, and/or operate, and franchise or license others to operate Chanello's branded outlets at Non-Traditional Locations inside or outside of the Development Area;

**2.6.3** To develop, manufacture, have manufactured, market, sell and distribute, at retail or wholesale, and license others to manufacture, sell or distribute, packaged food products or any other goods or services under the Chanello's name or any other name, directly or indirectly, through any channel of distribution, including but not limited to the Internet, supermarkets, specialty food stores, convenience stores, wholesale clubs, and retail food stores, anywhere in the world; and

**2.6.4** To own, acquire, establish and/or operate, and franchise or license others to establish and operate, sit-down restaurants under the Chanello's Marks or any other names and marks, at any location within or outside of the Development Area, even if the sit-down restaurant concept or business offers products similar to those of Chanello's Stores.

**2.7.** Acquired Stores. While this Agreement is in effect, if we acquire the ownership or assets of any business operating at one or more sites located within the Development Area that we determine in our sole discretion to convert to a Chanello's Store (an "**Acquired Store**"), we will offer to sell the Acquired Store to you for the price we paid for the Acquired Store, provided that: (1) in our judgment, the sale to you will not interfere with the completion of our acquisition on the terms agreed to by us and will not adversely affect any financing or federal or state income tax consequences arising from the acquisition; and (2) you agree to sign, concurrently with your purchase, a Chanello's Franchise Agreement as modified for use in connection with the Acquired Store and to convert the Acquired Store to a Chanello's Store in accordance with our standards and specifications.

### **3. FEES**

**3.1.** Development Fee. In consideration of the development rights granted in Section 2.1, you must pay us a fee in the amount specified in Appendix A (the "**Development Fee**"). The Development Fee is deemed fully earned and non-refundable in consideration of our lost or deferred development opportunities as a result of the rights we have granted you.

**3.2.** Franchise Fees. The initial franchise fee payable for each Chanello's Store required by the Development Schedule will be as shown in Appendix A. If you are in compliance with the Development Schedule at the time you sign a Franchise Agreement, we will credit a portion of the Development Fee against the initial franchise fee payable under the Franchise Agreement, as specified in Appendix A.

### **4. DEVELOPMENT PROCESS**

**4.1.** Site Selection. You must identify and obtain a site for each Chanello's Store at your own expense. Before acquiring a proposed site by lease or purchase, you must submit any information and materials we request to evaluate the proposed site and your financial capability to develop the site, along with a letter of intent or other evidence of your ability to obtain the site. We will either approve or reject the proposed site no later than thirty (30) days after receipt of all information and materials we have requested. Approval or rejection is at our sole discretion. Our review is solely for the purpose of determining whether the proposed site is within our acceptable criteria and that our approval is not a representation or guarantee that a Chanello's Store will be successful at the site. Approval is not effective unless given in writing by an officer of Chanello's with authority to give approval.

**4.2.** Chanello's Assistance. We will furnish you with our general criteria for site selection and with site selection counseling and assistance as we deem appropriate. At your request, we may conduct an on-site evaluation of a proposed site. If we do so, you agree to pay the travel and lodging expenses for our representative and a per diem charge not to exceed \$250 for each day on site.

**4.3.** Lease Terms. If you will occupy the approved site under a lease, you must submit the proposed lease to us for approval before signing it. As a condition of our approval, we may require that the lessor execute a lease rider containing some or all of the provisions set out in Appendix B to this Agreement. You must furnish us with a copy of the executed lease and lease rider within ten (10) days after their execution.

**4.4.** Execution of Franchise Agreement. When we receive a signed copy of the lease and lease rider for the approved site, we will issue a Franchise Agreement and the site will be the "Approved Location" referred to in the Franchise Agreement. You must return the signed Franchise Agreement and pay the initial franchise fee, less any credit applicable under Section 3.2, within twenty (20) days of your receipt of the Franchise Agreement,

or we can withdraw our approval of the site. Concurrently with signing the Franchise Agreement, you and the Owners must sign a general release of claims against us and our affiliates, officers, directors, employees, agents, successors and assigns, subject to any limits or exceptions imposed by applicable law.

## **5. AGREEMENT TERM**

This Agreement will expire on the last date set forth in the Development Schedule, unless terminated sooner under Section 2.3 or Section 9.

## **6. CONFIDENTIAL INFORMATION**

**6.1. Nondisclosure.** You are prohibited, both during and after the term of this Agreement, from communicating or divulging Confidential Information to any unauthorized person and from using Confidential Information for your benefit or for the benefit of any other person, other than for development of Chanello's Stores. You may divulge Confidential Information only: (i) to your employees and agents who must have access to it in order to carry out their duties relating to the Chanello's Stores; and (ii) to your contractors and landlord with our prior written approval. All information, knowledge, trade secrets, know-how, techniques, and other data that we designate as confidential will be deemed to be Confidential Information for purposes of this Agreement, except information that you can demonstrate came to your attention by lawful means before we disclosed it to you, or that, at or after the time of our disclosure to you, had become or later becomes a part of the public domain, through publication or communication by others.

**6.2. Owners, Officers, Managers and Third Parties.** At our request, you must require your Owners, officers, and Area Managers, and must use your best efforts to require your landlord, contractors, and any other person outside of your organization to whom you wish to disclose any of our Confidential Information, to sign confidentiality agreements in a form satisfactory to us, including naming us as a third party beneficiary with the independent right to enforce the agreement.

## **7. RESTRICTIONS ON COMPETITION**

**7.1. During Term.** The relationship established by this Agreement will provide you with access to valuable Confidential Information and business opportunities that you and the Owners did not have before entering into this Agreement. Accordingly, while this Agreement is in effect, except as we otherwise approve in writing, you may not, either directly or indirectly, for yourself or through, on behalf of, or in conjunction with any person or legal entity:

**7.1.1** Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any interest in any Competing Business, as defined in Section 7.3 below; or

**7.1.2** Appropriate or duplicate any part of the System for a purpose other than to operate a Chanello's Store under a valid agreement with us, or divert or attempt to divert any present or prospective business or customer to any Competing Business, or do anything else harmful to the goodwill associated with the Chanello's Marks and the System.

**7.2. After Expiration, Termination or Transfer.** For two (2) years after the expiration or termination of this Agreement or the approved transfer of this Agreement to a new developer, you may not, without our prior written consent, either directly or indirectly, for yourself or through, on behalf of, or in conjunction with any person or legal entity:

**7.2.1** Own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in any Competing Business operating within the Development Area; or

**7.2.2** Appropriate or duplicate any part of the System for a purpose other than to operate a Chanello's Store under a valid agreement with us, or divert or attempt to divert any present or prospective business or customer to any Competing Business, or do anything else harmful to the goodwill associated with the Chanello's Marks and the System.

**7.3. Definition of Competing Business.** In this Agreement, “**Competing Business**” means: (a) a pizza take-out and delivery business; or (b) a foodservice business for which pizza constitutes more than 30% of annual sales. “Competing Business” also includes an organization that grants franchises or licenses to others to operate a type of business specified in clause (a) or (b).

**7.4. Exception for Publicly-Held Shares.** Sections 7.1.1 and 7.2.1 do not apply to ownership of less than five percent (5%) beneficial interest in the equity securities of any publicly-held corporation.

**7.5. Owner and Officer Restrictions.** As to the Owner(s) and officers of Developer who are bound personally by the provisions of this Section 7 or a separate Confidentiality and Non-Competition Agreement, the time periods in Section 7.2 will run from the expiration, termination, or transfer of this Agreement or from the termination of the individual’s relationship with Developer, whichever occurs first.

**7.6. Enforcement.**

**7.6.1** Neither Developer nor any person bound by the restrictions of this Section 7 may circumvent the restrictions by engaging in prohibited activity indirectly through any family member or other person or business entity.

**7.6.2** We have the right, in our sole discretion, to reduce the scope of any restriction set forth in this Section 7, without the consent of Developer or its officers or Owners, effective immediately upon written notice to Developer.

**7.6.3** Developer and its Owners and officers agree that the existence of any claim that any of them may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of this Section 7 or any Confidentiality and Non-Competition Agreement.

**7.6.4** Developer acknowledges that a violation of this Section 7 would result in irreparable injury to us for which no adequate remedy at law may be available, and you accordingly consent to the issuance of an injunction, without the need for us to post bond, prohibiting any conduct in violation of this Section 7. Injunctive relief is in addition to any other remedies we may have. Developer agrees to pay all costs and expenses that we reasonably incur in enforcing this Section 7, including reasonable attorneys’ fees.

**7.6.5** If Developer or any of its officers or Owners fails to abide by any of the restrictions in this Section 7 and we obtain enforcement in a judicial proceeding, the obligations under the breached restriction will continue in effect for a period of time ending two (2) years after the date of the order enforcing the restriction.

**8. SALE OR ASSIGNMENT**

**8.1. Definition of Transfer.** In this Agreement, “**Transfer**” as a verb means to sell, assign, give away, pledge, or encumber, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings), any interest in this Agreement, in the assets of a Store, or in the ownership of Developer (if the Developer is a corporation, partnership, or limited liability company). “Transfer” as a noun means any such sale, assignment, etc.

**8.2. No Transfer without Our Consent.** We have entered into this Agreement in reliance on the business skill, financial capacity, and personal character of Developer and the Owners. Accordingly, neither you nor any of the Owners may make any Transfer or permit any Transfer to occur without our prior written consent. We will not unreasonably withhold our consent, but we can impose reasonable conditions. You agree that the conditions in Sections 8.3 through 8.9 below are reasonable and that they do not preclude other reasonable conditions that we may impose. We have the right to communicate with and counsel both you and the proposed transferee on any aspect of a proposed Transfer. No Transfer that requires our consent may be completed until at least sixty (60) days after we receive written notice of the proposed Transfer. If we have not responded within sixty (60) days after we receive your written notice of the proposed Transfer, our consent will be deemed to have been given. You agree to provide any information and documentation relating to the proposed Transfer that we reasonably require. Unless otherwise agreed, our consent to a Transfer does not constitute a waiver of any claims that we have against the transferor, nor is it a waiver of our right to demand exact compliance with the terms of

this Agreement. If we do not approve the Transfer, you must continue to develop Chanello's Stores in accordance with this Agreement.

**8.3. Transfer of Entire Business.** For a proposed Transfer of this Agreement or the development rights granted hereunder, the conditions set forth in this Section apply (unless waived by us). If Developer is a corporation, limited liability company or other entity, this Section also applies to a Transfer of ownership interests that would result in a change of control of Developer:

**8.3.1** You must be in compliance with all obligations to us under this Agreement and any other agreement you have with us and our affiliates as of the date of the request for our approval of the Transfer, or you must make arrangements satisfactory to us to come into compliance by the date of the Transfer.

**8.3.2** The proposed transferee must:

(a) Demonstrate to our satisfaction that he or she meets all of our then-current qualifications to become a Chanello's multi-unit developer, which may include educational, managerial, and business standards; absence of involvement with Competing Businesses; good moral character and business reputation; financial resources and credit rating; and aptitude and ability to develop Chanello's Stores. If the proposed transferee is already a Chanello's franchisee, that fact does not guarantee approval to become a multi-unit developer. We have no less discretion with respect to a proposed transferee than we have with a new Chanello's multi-unit developer.

(b) Demonstrate that the transferee has adequate financial resources and capital to complete the Development Schedule in a timely manner.

(c) Unless the proposed transferee is an existing Chanello's franchisee, pay the then-current fee for training (at closing, out of escrow if an escrow is established for the transaction) and successfully complete (or cause its Operating Principal to complete, if the transferee is a business entity) any training programs that we then require for multi-unit developers in the U.S.A.

(d) If the proposed transferee is an existing Chanello's franchisee or multi-unit developer, the transferee must not be in default under any agreements with us, must have a good record of customer service and compliance with the System, and must execute a general release in a form acceptable to us.

(e) If the transferee is a corporation or other business entity, the owner or owners of a beneficial interest in the transferee must execute our then-current form of personal guarantee.

**8.3.3** You must pay us a Transfer fee equal to ten percent (10%) of the Development Fee in Appendix A, plus One Thousand Dollars (\$1,000.00) for each individual associated with the proposed transferee to cover our costs of investigating the individual's qualifications and background. If you Transfer all Chanello's Stores developed under this Agreement to the same transferee in the same transaction, we will not charge you the transfer fees payable under the Franchise Agreements for those Chanello's Stores. Notwithstanding the first sentence of this Section, if the proposed transferee: (i) has been a Chanello's franchisee for at least three (3) years and is in compliance with its agreement(s) with us; (ii) has been employed by a Chanello's Store at the manager level or above for at least five (5) years; or (iii) is a member of the transferring Owner's immediate family, then the transfer fee will not exceed Five Thousand Dollars (\$5,000.00) multiplied by the number of Chanello's Stores that remain to be developed under the Development Schedule.

**8.3.4** You and all Owners must sign a general release, in a form satisfactory to us, of all claims against us and our past, present and future affiliates, officers, directors, shareholders, agents and employees. You and the Owners will remain liable to us for all obligations arising before the effective date of the Transfer.

**8.3.5** The price and other proposed terms of the Transfer must not, in our reasonable business judgment, have the effect of negatively impacting the transferee's ability to complete the Development Schedule.

**8.3.6** Any financing incurred in connection with the Transfer must be expressly subordinated to the transferee's obligations to us.

**8.4. Transfer of Minority Ownership Interest.** For any proposal to admit a new Owner, to remove an existing Owner, or to change the distribution of ownership shown on the cover page of this Agreement, or for any other transaction that amounts to the Transfer of a partial interest in Developer or this Agreement, you must give us advance notice and submit a copy of all proposed contracts and other information concerning the Transfer that we may request. We will have a reasonable time (not less than thirty (30) days) after we have received all requested information to evaluate the proposed Transfer. We may withhold our consent or give our consent subject to the conditions in Sections 8.3 that we deem to be applicable. Any proposed new owner must submit a personal application and execute a personal guarantee in our then-current form.

**8.5. Transfer to a Business Entity.** We will consent to the assignment of this Agreement to and assumption of this Agreement by a corporation or limited liability company that you form solely for the convenience of ownership (a "**Company**"), without payment of a Transfer fee, provided that you comply with all of the following:

**8.5.1** You must provide us with proof that the Company is in existence and in good standing in the state where it was organized. The Company must have no other business besides the development and operation of Chanello's Stores. The legal name of the Company must not contain the words "Chanello's" or any similar words or phrases that may be confusing.

**8.5.2** The Owners must hold equity interests in the Company in the same proportion shown on the cover page of this Agreement.

**8.5.3** You must designate an Owner who will be the Operating Principal.

**8.5.4** The Operating Principal and all other Owners must sign a Personal Guarantee of the Company's obligations in the form attached to this Agreement.

**8.5.5** You must reimburse us for the reasonable costs and expenses we incur in connection with the assignment, including legal fees.

**8.5.6** You and the Company must thereafter comply with the requirements in Section 10 for the remaining term of this Agreement.

**8.6. Transfer on Death, Incapacity or Bankruptcy.** If you or any Owner dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must apply to us in writing within three (3) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to Transfer the person's interest. The Transfer will be subject to the provisions of Sections 8.2 through 8.8, as applicable. For purposes of this Section, "incapacity" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement (i) for a period of thirty (30) or more consecutive days or (ii) for sixty (60) or more total days during a calendar year. In the case of Transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 8.3, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for Transfers contained in this Agreement. If an interest is not disposed of under this Section 8.6 within one (1) year after the date of death or appointment of a personal representative or trustee, we can terminate this Agreement under Section 9.2.

**8.7. Non-Conforming Transfers.** Any purported Transfer that is not in compliance with this Section 8 is null and void and constitutes a material breach of this Agreement, for which we may terminate this Agreement without opportunity to cure.

**8.8. Our Right of First Refusal.** We have the right, exercisable within forty-five (45) days after receipt of the notice required by Section 8.2, to send written notice to you that we intend to purchase the interest proposed to be Transferred. The request for approval of Transfer must include a true and complete copy of the term sheet, letter of intent, proposed purchase agreement, assignment document, description of financing or other contingencies, and any other documents reasonably necessary to support a prudent business decision on whether

to exercise the right of first refusal. We can assign our right of first refusal to someone else either before or after we exercise it. However, our right of first refusal will not apply to a Transfer under Section 8.5 or Section 8.9.2 or a Transfer to your spouse or adult son or daughter (including Transfers to your spouse, son, or daughter as a result of death or incapacity as described in Section 8.6).

**8.8.1** If the Transfer is proposed to be made pursuant to a sale, we or our designee may purchase the interest proposed to be Transferred on the same economic terms and conditions offered by the third-party. Closing on our purchase must occur within sixty (60) days after the date of our notice to the seller electing to purchase the interest. If we cannot reasonably be expected to furnish the same type of consideration, terms, and/or conditions offered by a third party, then we may substitute the reasonable equivalent in cash. If the parties cannot agree within thirty (30) days on the reasonable equivalent in cash, you and we will jointly designate and pay the cost of an independent appraiser, and appraiser's determination will be final. Any material change in the third party's offer after we have elected not to purchase the seller's interest will constitute a new offer subject to the same right of first refusal as in the case of the third party's initial offer.

**8.8.2** If a Transfer is proposed to be made by gift, you and we will jointly designate, at our expense, an independent appraiser to determine the fair market value of the interest proposed to be Transferred. We may purchase the interest at the fair market value determined by the appraiser. Closing on the purchase will occur within forty-five (45) days after our notice to the transferor of the appraiser's determination of fair market value.

**8.8.3** If we elect not to exercise our rights under this Section, the transferor may complete the proposed Transfer after complying with the applicable Sections 8.2 through 8.6. Closing of the Transfer must occur within sixty (60) calendar days of our election (or such longer period as applicable law may require); otherwise, the third-party's offer will be treated as a new offer subject to our right of first refusal. The Transfer is conditional upon our determination that the Transfer was on terms substantially the same as those offered to us.

**8.9.** Security Interests. Any security interest which may be created in this Agreement by virtue of Section 9-408 of the Uniform Commercial Code will be limited as described in Section 9-408(d) of the Uniform Commercial Code.

**8.10.** Securities Offering. If you or an Owner desires to offer securities, the offering will be subject to all of the conditions of this Section 8, including our right of first refusal under Section 8.8. All materials required for the offering by federal or state law must be submitted to us for review and consent prior to their use. No offering may imply, by use of the Chanello's Marks or otherwise, that we are participating in or underwriting the offering or issuing or offering the securities. Our review of the offering materials will be limited solely to the subject of the relationship between you and us. All participants in the offering must fully indemnify us in connection with the offering. For each proposed offering, we may require you to pay, in addition to the transfer fee under Section 16.3, a non-refundable fee of up to Ten Thousand Dollars (\$10,000.00) to reimburse us for our costs and expenses associated with reviewing the proposed offering. You must give us written notice at least thirty (30) days prior to the date of commencement of any offering for which we have approved the offering materials.

**8.11.** Sale or Assignment by Us. We have the right to transfer or assign all or any part of our rights or obligations under this Agreement to any person or legal entity. With respect to any assignment which results in the subsequent performance by the assignee of our obligations under this Agreement, the assignee will expressly assume the obligations and become solely responsible for them from the date of the assignment. We can sell our assets, sell securities in a public offering or in a private placement; merge with, acquire, or be acquired by another company, or undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring, without restriction and without affecting your obligations under this Agreement.

## **9. DEFAULT AND TERMINATION**

**9.1.** Termination Without Notice. You will be deemed to be in material default under this Agreement and, to the extent permitted by law, all rights granted by this Agreement will automatically terminate without notice to you if you become insolvent or make an assignment for the benefit of your creditors; if a receiver is appointed for your business; if execution is levied against your business assets; if a suit to foreclose any lien or mortgage is

filed against you and not dismissed within sixty (60) days after filing; if a bankruptcy petition is filed by or against you and not dismissed within sixty (60) days after filing; or if your business entity is dissolved.

**9.2. Termination Without a Cure Period.** We have the right to terminate this Agreement, without giving you an opportunity to cure the default, effective immediately upon your receipt of written notice, if any of the following events of default occurs:

**9.2.1** If you fail to comply with the Development Schedule;

**9.2.2** If we terminate any Franchise Agreement with you or an affiliate based on default;

**9.2.3** In the event of any change of ownership in Developer or transfer of an interest in this Agreement which does not comply with Section 8 of this Agreement, or in the event of any failure to dispose of an interest referred to in Section 8.6 within the time required by that Section; or

**9.2.4** If any entity that controls Developer becomes a publicly-held corporation.

**9.3. Termination Following Expiration of Cure Period.** If you fail to cure any default of any other provision of this Agreement within thirty (30) days after receiving written notice of default from us, this Agreement will terminate at the end of the thirty-day period without further notice from us.

**9.4. Effect of Termination.** Upon termination of this Agreement, you will have no right to establish or operate any Chanello's Store for which a Franchise Agreement has not been executed by us prior to termination. We will be entitled to establish, and to franchise others to establish, Chanello's Stores at any location in the former Development Area except as may be otherwise provided under the terms of any Franchise Agreement which remains in effect between us and you.

**9.5. No Refund.** Upon termination of this Agreement, you will have no right to a refund of any part of the Development Fee, regardless of whether you have entered into any Franchise Agreements.

## **10. CORPORATE REQUIREMENTS**

**10.1. Ownership Information.** If the Developer is a limited liability company, corporation, partnership, or other entity, Developer and each of the Owners represents and warrants that the ownership information on the cover page is correct and complete as of the Agreement Date. You must maintain a current list of all stockholders, general partners, limited partners, members, or other direct and indirect beneficial owners (as applicable) and furnish the list to us upon request.

**10.2. Personal Obligations of Owners and Officers.** Each person who is or becomes an Owner must sign a Personal Guarantee in the form we prescribe, undertaking to be bound jointly and severally by the terms of this Agreement. The current form of Personal Guarantee is attached to this Agreement as Appendix B. Each person who is or becomes an Owner or executive officer of Developer must execute a Confidentiality and Non-competition Agreement in the form we prescribe, the current form of which is attached to this Agreement as Appendix C.

**10.3. Operating Principal.** Developer and the Owners represent that the person designated on the cover page as the Operating Principal: (a) owns and controls not less than a 10 percent (10%) beneficial equity interest in Developer; and (b) has the authority to bind Developer in all dealings with us. We have the right to rely on any statement, agreement, or representation by the Operating Principal regardless of any conflict with Developer's governing documents. The Operating Principal must meet our criteria, and we reserve the right to reject your designated Operating Principal. Once designated, you may not change the Operating Principal without our prior approval.

**10.4. Governing Documents.** At our request, you must promptly furnish us with copies of your articles of incorporation, bylaws, partnership agreement, certificate of formation, limited liability company operating agreement, or other governing documents, as applicable. You must give us at least thirty (30) days prior written

notice of any proposed amendments to your governing documents. Your governing documents must provide at all times that your activities are confined exclusively to developing and operating Chanello's Stores.

**10.5. Control Arrangements.** Any voting trust, management agreement, or other arrangement affecting the power to direct and control the affairs of Developer requires our prior written consent. You must furnish such information and documentation as we may request concerning any proposed control arrangement.

## **11. INSURANCE AND INDEMNIFICATION**

**11.1. Insurance.** You must at your own expense maintain the types and minimum amounts of insurance coverage that we specify from time to time. The policy or policies must be written by a carrier or carriers with an industry rating acceptable to us; must name us, our affiliates, and their respective officers, directors, shareholders, and employees as additional insureds as we direct; and must not have deductibles, exclusions or co-insurance that are unacceptable to us. As of the Agreement Date, we require that you have (i) general public liability insurance on an occurrence basis, including blanket contractual liability, broad form property damage and all risk coverage, personal injury, completed operations and products liability insurance, with limits of at least Two Million Dollars (\$2,000,000.00) for bodily and personal injury, death and disease and at least One Million Dollars (\$1,000,000.00) in property damage, caused by or occurring in conjunction with the business conducted pursuant to this Agreement; and (ii) other insurance as necessary to comply with applicable legal requirements. Each insurance policy must contain a waiver by the insurance company of subrogation rights against us, our affiliates, and their successors and assigns. Upon signing this Agreement, you must provide us with evidence of insurance coverage and payment of premiums. Thereafter, before each insurance policy expires, you must furnish us with a copy of each renewal or replacement insurance policy and evidence of payment of the premium. If you fail to maintain the insurance required by this Agreement, we have the right (but no obligation) to obtain insurance on your behalf. If we do so, you agree to reimburse us for the cost of insurance, plus a reasonable fee for our services. We may increase the amounts of coverage required and/or require different or additional kinds of insurance, including excess liability insurance, at any time on reasonable notice to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. Your obligation to obtain coverage is not limited in any way by insurance that we maintain.

**11.2. Indemnification.** You agree to hold harmless, defend, and indemnify Chanello's, its affiliates, and their respective past, present, and future officers, directors, shareholders, employees, and agents against any claims, losses, costs, expenses, liabilities, and damages (collectively, "**Claims**") arising directly or indirectly from, as a result of, or in connection with your activities under this Agreement, as well as the costs of defending against such Claims (including, but not limited to, reasonable attorneys' fees, costs of investigation, settlement costs, and interest). To the extent permitted by law, this indemnity includes Claims alleged to be caused by our negligence, unless (and then only to the extent that) the Claim is finally determined by a court to have been caused solely by our gross negligence or willful misconduct. With respect to any threatened or actual litigation, proceeding, or dispute which could directly or indirectly affect any of the indemnitees hereunder, the indemnitees will have the right, but not the obligation, to: (i) choose counsel; (ii) direct, manage, and control the handling of the matter; and (iii) settle, on behalf of the indemnitees, any claim against the indemnitees. Your obligation under this Section is not limited by the amount of your insurance coverage. This Section will survive the expiration or termination of this Agreement.

## **12. NOTICES**

All notices pursuant to this Agreement must be in writing and must be delivered in person or sent by certified mail, by national commercial delivery service, or by other written or electronic means which affords the sender evidence of delivery or attempted delivery, to the addresses shown on the signature page unless and until a party gives notice of a different address.

## **13. GENERAL PROVISIONS**

**13.1. Notice of Suit.** You must immediately notify us in writing of any lawsuit or legal proceeding or any order, writ, injunction, award, or decree of any court or government agency that may adversely affect your financial condition or development of Chanello's Stores.

**13.2. Independent Contractor.** Nothing in this Agreement is intended to make us or you an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever. 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. We will not assume liability for, or be deemed liable as a result of, any such action, nor will we be liable by reason of any act or omission of yours or any claim or judgment arising therefrom against you or us. You must hold yourself out to the public as an independent contractor operating under this Agreement. This Agreement does not create a fiduciary relationship between us and you.

**13.3. Severability.** If any provision of this Agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, the invalidity will not impair the operation of any other provisions of this Agreement that remain otherwise intelligible. The latter will continue to be given full force and effect and the invalid provision(s) will be deemed not to be a part of this Agreement.

**13.4. No Implied Waiver.** No failure to exercise any right reserved to us in this Agreement or to insist upon your strict compliance with any obligation or condition in this Agreement, and no custom or practice of the parties, will constitute a waiver of our right to exercise any right or to demand your compliance with this Agreement. Our waiver of any particular default will not affect or impair our rights with respect to any subsequent default. No delay, forbearance, or omission by us to exercise any power or right arising out of your breach or default will affect or impair our right to exercise the power; nor will it constitute a waiver of our right to declare any subsequent breach or default and to terminate this Agreement.

**13.5. No Implied Third Party Beneficiaries.** Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will be deemed, to confer any rights or remedies upon any person or legal entity other than Developer, the Owners, and Chanello's, and such of their successors and assigns as may be contemplated by Section 8 above.

**13.6. No Implied Consent.** Whenever this Agreement requires our prior approval or consent, you or the Owners must make a timely written request, and the approval or consent must be obtained in writing and signed by one of our officers. We make no warranties or guarantees upon which you may rely and assume no liability or obligation to you by providing any waiver, approval, consent or suggestion in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

**13.7. Survival of Obligations.** All obligations which expressly or by reasonable implication are to be performed, in whole or in part, after the expiration, termination, or Transfer of this Agreement will survive expiration, termination, or Transfer.

**13.8. Our Business Judgment.** Whenever we exercise a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly provided in this Agreement, we can make our decision or exercise our discretion on the basis of our judgment of what is in our best interests. "Best interests" includes what we believe to be the best interests of the Chanello's brand at the time the decision is made or the right or discretion is exercised, even though (a) there may have been alternative decisions or actions that could have been taken; (b) our decision or action taken promotes our own financial interest; or (c) our decision or the action may apply differently to different Chanello's franchisees, multi-unit developers or company-owned Chanello's Stores. In the absence of an applicable statute, we will have no liability to you for any such decision or action. If applicable law implies a duty of good faith and fair dealing in this Agreement, we and you agree that the duty does not encompass any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement.

**13.9. Entire Agreement.** This Agreement and its Appendices constitute the entire agreement between you and us concerning the subject matter hereof and supersede all prior agreements, negotiations, representations, and correspondence concerning the same subject matter, except that nothing in this Agreement is intended to disclaim any representations made to you in any Franchise Disclosure Document that you received from us in connection with this Agreement. No amendment, change, or variance from this Agreement will be binding unless agreed to in writing and executed by authorized representatives of each party.

## **14. DISPUTES**

**14.1. Governing Law.** This Agreement and the relationship between us, you and the Owners is governed by the laws of the Commonwealth of Virginia, except that if a provision of this Agreement would not be enforceable under the laws of Virginia, and if the Development Area is located outside of Virginia and the provision would be enforceable under the laws of the state in which the Development Area is located, then that provision will be governed by the laws of the state in which the Development Area is located. In the event of any conflict of law question, the laws of Virginia will prevail, without regard to the application of Virginia conflict-of-law rules. This Section 14.1 is not intended to subject this Agreement to any Virginia statute or regulation that would not apply by its own terms to this Agreement.

**14.2. Venue for Litigation.** You and the Owners must file any lawsuit against us, and we may file any lawsuit against you or the Owners, in the federal or state court where our principal office is located at the time the suit is filed. The parties waive all objections to personal jurisdiction and venue for the purpose of carrying out this provision.

**14.3. Time Limit on Filing.** Any lawsuit arising out of or relating to this Agreement or the relationship between us, you and the Owners must be filed and served within one (1) year from the occurrence of the facts giving rise to the claim or action, or the claim or action is barred.

**14.4. Waiver of Jury Trial.** We, you, and the Owners irrevocably waive trial by jury in any action, proceeding, or counterclaim.

**14.5. Waiver of Exemplary Damages.** We, you and the Owners waive to the fullest extent permitted by law any right to or claim of any punitive, exemplary, multiple, or consequential damages against the other and agree that, in the event of a dispute, each will be limited to the recovery of any actual damages sustained.

**14.6. Class Action Waiver.** TO THE EXTENT PERMITTED BY LAW, YOU AND THE OWNERS WAIVE THE RIGHT TO SEEK CERTIFICATION OF A CLASS IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM AGAINST US.

**14.7. Attorney's Fees and Costs.** You must reimburse us for all expenses reasonably incurred by us (including attorneys' fees): (a) to enforce the terms of this Agreement; and (b) in the defense of any claim asserted by Developer or the Owners on which we substantially prevail in court or other formal legal proceedings.

**14.8. Remedies are Cumulative.** Except as otherwise provided in this Section 14, no right or remedy under this Agreement is exclusive of any other right or remedy provided herein or permitted by law or equity.

**14.9. No Right of Set-Off.** You have no right to withhold or set-off any amount owed to us under this Agreement based on any claim that you may have or purport to have against us.

**OVER THE TOP PIZZA, INC.**

**DEVELOPER:** If a corporation, partnership, or limited liability company, print name of business entity on the line below:

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

\_\_\_\_\_

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**If individuals:**

\_\_\_\_\_  
  
(Print Name) \_\_\_\_\_

Notice address: 905 W. 21<sup>st</sup> Street  
Norfolk, VA 23517

Notice address: See cover page

## APPENDIX A TO DEVELOPMENT AGREEMENT

### **DEVELOPMENT AREA**

The Development Area (see Section 2.1) is the following:

### **DEVELOPMENT SCHEDULE**

| <b>Deadline:</b>                                  | <b>Minimum cumulative number of Chanello's Stores that you must have open and operating in the Development Area by Deadline (see notes 1 and 2):</b> |
|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6 months from the Agreement Date                  | 1                                                                                                                                                    |
| 12 months from the Agreement Date                 | 2                                                                                                                                                    |
| 15 months from the Agreement Date                 | 3                                                                                                                                                    |
| 18 months from the Agreement Date [If applicable] | 4                                                                                                                                                    |
| 21 months from the Agreement Date [If applicable] | 5                                                                                                                                                    |
| 24 months from the Agreement Date [If applicable] | 6                                                                                                                                                    |

Note 1: Any existing Chanello's Stores acquired by Developer at the time of or before signing this Agreement do not count toward the required minimum numbers in the Development Schedule.

Note 2: Any Chanello's Store which closes within the time period of the Development Schedule will be subtracted from Developer's cumulative total if the Chanello's Store was previously counted toward the minimum requirements.

### **FINANCIAL AND OPERATIONAL CRITERIA**

To be eligible for development of each new Chanello's Store, at the time you propose a specific location, you must demonstrate satisfaction of the following financial and operational criteria:

[TBC]

**DEVELOPMENT FEE** (Section 3.1)

The Development Fee is \$ \_\_\_\_\_

**FRANCHISE FEE** (Section 3.2)

The franchise fees payable for each Chanello’s Store required by the Development Schedule are:

|              |   |    |
|--------------|---|----|
| First Store  |   | \$ |
| Second Store | : | \$ |
| Third Store  | : | \$ |
| Fourth Store | : | \$ |
| Fifth Store  | : | \$ |
| Sixth Store  | : | \$ |

**DEVELOPMENT FEE CREDIT** (Section 3.2)

If you are eligible for the Development Fee credit in Section 3.2, the amount of the credit will be:

|              |   |    |
|--------------|---|----|
| First Store  |   | \$ |
| Second Store | : | \$ |
| Third Store  | : | \$ |
| Fourth Store | : | \$ |
| Fifth Store  | : | \$ |
| Sixth Store  | : | \$ |

## APPENDIX B TO DEVELOPMENT AGREEMENT

### FORM OF LEASE RIDER

THIS ADDENDUM dated \_\_\_\_\_ amends and supplements the Lease Agreement dated \_\_\_\_\_ (the "**Lease**") between \_\_\_\_\_ ("**Lessor**") and \_\_\_\_\_ ("**Lessee**"), a franchisee of OVER THE TOP PIZZA, INC. d/b/a "Chanello's Pizza" ("**Franchisor**").

1. Lessor acknowledges that Lessee intends to operate a Chanello's Store (the "**Store**") at the premises specified in the Lease (the "**Premises**") pursuant to the terms of a Franchise Agreement between Lessee and Franchisor (the "**Franchise Agreement**").

2. Lessor and Lessee agree as follows:

(a) Lessor consents to Lessee's use of the Marks, signage, décor items and color scheme prescribed by Franchisor for the Store;

(b) The use of the Premises is restricted solely to the operation of the Store during the term of the Franchise Agreement;

(c) Lessee is prohibited from subleasing or assigning all or any part of its occupancy rights or from extending the term of or renewing the lease without Franchisor's prior written consent;

(d) Lessor will provide Franchisor with copies of all notices of default given to Lessee under the Lease and a reasonable opportunity to cure the default on Lessee's behalf;

(e) Franchisor has the right to enter the Premises to make modifications necessary to protect its Marks and System (as defined in the Franchise Agreement) or to cure any default under the Franchise Agreement or under the Lease;

(f) Franchisor has the option, within thirty (30) days after expiration or termination of the Franchise Agreement, and upon notice to Lessor, to assume (or to have Franchisor's designee assume) all of Lessee's rights and obligations under the Lease, including any right to assign or sublease;

(g) Lessee has the right, without the prior approval of Lessor, to remodel the Premises as and when required by the Franchise Agreement;

(h) Lessee has the right, without Lessor's prior approval, to assign the Lease or sublet the leased Premises to Franchisor or any of its affiliates, or to any other Chanello's franchisee;

(i) Lessor and its affiliates will not lease space in property owned, managed or controlled by them within \_\_\_\_\_ of the Premises to any (a) pizza take-out and delivery business; or (b) foodservice business for which pizza constitutes more than 30% of annual sales (a "**Competing Business**").

(j) Lessor and Lessee will not amend the lease in any manner which could materially affect the foregoing requirements without Franchisor's prior written consent.

3. Franchisor is a third party beneficiary with the independent right to enforce the provisions of this Addendum.

LESSOR

By: \_\_\_\_\_

LESSEE

By: \_\_\_\_\_

## APPENDIX C TO DEVELOPMENT AGREEMENT

### PERSONAL GUARANTEE

As an inducement to OVER THE TOP PIZZA, INC., a Virginia corporation, to sign a Development Agreement (the “**Agreement**”) with \_\_\_\_\_ (“**Developer**”), a \_\_\_\_\_, the undersigned individuals (collectively, the “**Guarantors**”), jointly and severally, hereby unconditionally guarantee to Over the Top Pizza, Inc., its affiliates, and their successors and assigns (collectively, “**Chanello’s**”) that all of Developer’s obligations under the Agreement, and under other agreements or arrangements between Developer and Chanello’s, will be punctually paid and performed.

1. Guarantee. Upon demand by Chanello’s, the Guarantors will immediately make each contribution or payment required of Developer under the Agreement and under other agreements or arrangements between Developer and Chanello’s. Each Guarantor waives any right to require Chanello’s to: (a) proceed against Developer or any other Guarantor for any contribution or payment required under the Agreement; (b) proceed against or exhaust any security from Developer or any other Guarantor; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Developer or any other Guarantor. Without affecting the obligations of the Guarantors under this Guarantee, Chanello’s may, without notice to the Guarantors, extend, modify, or release any indebtedness or obligation of Developer, or settle, adjust, or compromise any claims against Developer. The Guarantors waive notice of amendment of the Agreement and notice of demand for contribution or payment and agree to be bound by any and all such amendments and changes to the Agreement.

2. Indemnity. The Guarantors agree to hold harmless and indemnify Chanello’s against any and all losses, damages, liabilities, costs, and expenses (including reasonable attorneys’ fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) arising out of or in connection with any failure by Developer to perform any obligation under the Agreement or any other agreement between Developer and Chanello’s.

3. Other Personal Obligations. The Guarantors acknowledge and agree to be bound personally by all restrictions on competition, confidentiality provisions, governing law and dispute resolution provisions, and restrictions on transfer of interest contained in the Agreement. The Guarantors may not disclose to any trade secrets, know-how, systems or methods of which Guarantors may have received from Chanello’s by virtue of their involvement in the business, or via their ownership interest in Developer.

4. Survival of Obligations. Upon the death of a Guarantor, the Guarantor’s estate will remain bound by this Guarantee, but only for obligations existing at the time of death. The obligations of the surviving Guarantors will continue in full force and effect.

5. Spouse’s Acknowledgment. If a Guarantor is a married individual and that individual’s spouse is not an Owner of Developer, the Guarantor’s spouse must sign the Spouse’s Acknowledgment in the form attached to this Personal Guarantee.

GUARANTOR:

GUARANTOR:

\_\_\_\_\_

\_\_\_\_\_

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

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

### **SPOUSE ACKNOWLEDGMENT**

My name is \_\_\_\_\_. I am the spouse of \_\_\_\_\_.

I am aware that:

- my spouse is investing in a CHANELLO'S PIZZA franchise;
- in connection with the franchise, my spouse is signing a Development Agreement, Franchise Agreement, personal guarantee, and/or other documents that involve financial obligations to Over the Top Pizza, Inc. and its affiliates (the "Franchise Documents"); and
- Over the Top Pizza, Inc. and affiliates are relying on all assets of my spouse, including jointly owned marital property, in accepting my spouse's obligations under the Franchise Documents.

I have read and know the contents of the Franchise Documents and the financial obligations undertaken by my spouse. I acknowledge that the Franchise Documents are being signed for the benefit of, and will be binding on, my marital community.

I understand that this Spouse Acknowledgment does not subject my separate, non-marital property to my spouse's financial obligations under the Franchise Documents.

I understand that my spouse is bound personally by the following provisions of the Development Agreement, and I agree to be bound by them as well: (i) the confidentiality and non-disclosure obligations in Section 6; (ii) the restrictions on competition in Section 7; and (iii) the governing law and dispute resolution provisions in Section 14.

\_\_\_\_\_  
Signature

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

## APPENDIX D TO DEVELOPMENT AGREEMENT

### OWNER/OFFICER CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

\_\_\_\_\_[name of Developer]\_\_\_\_ (“Developer”) has entered into a Development Agreement (the “**Development Agreement**”) with OVER THE TOP PIZZA, INC. (“**Chanello’s**”) to develop Chanello’s restaurants. The Development Agreement requires officers of Developer and persons with legal or beneficial ownership interests in Developer to be personally bound by the confidentiality and noncompetition covenants contained in the Development Agreement. In conjunction with your investment in and/or employment by Developer, you acknowledge and agree as follows:

1. Your execution of this Agreement is a condition of your employment by or ownership interest in Developer and you have received good and valuable consideration for signing this Agreement. Chanello’s has the right to enforce this Agreement directly against you.
2. You will or might gain access to Confidential Information (as defined in the Development Agreement) as a result of your role with Developer. You agree that you will: (a) not use the Confidential Information in any other business or capacity; (b) exert best efforts to maintain the confidentiality of the Confidential Information; and (c) not make unauthorized copies of any Confidential Information. If you cease to have an interest in Developer, you must deliver to Chanello’s any Confidential Information in your possession or control.
3. While the Development Agreement is in effect and you are an officer or legal or beneficial owner of Developer, you will not, without Chanello’s consent (which Chanello’s may withhold at its discretion) directly or indirectly (such as through an affiliate or a family member) own, operate, engage in, be employed by, provide assistance to, or have any economic interest in any Competing Business. “**Competing Business**” means: (a) a pizza take-out and delivery business; or (b) a foodservice business for which pizza constitutes more than 30% of annual sales. “Competing Business” also includes an organization that grants franchises or licenses to others to operate a type of business specified in clause (a) or (b).
4. For two (2) years after (i) your relationship with Developer ends; (ii) the expiration or termination of the Development Agreement; or (iii) the approved transfer of the Development Agreement to a new developer, whichever comes first, you will not, without Chanello’s consent (which Chanello’s may withhold at its discretion) either directly or indirectly (such as through an affiliate or a family member) own, operate, engage in, be employed by, provide assistance to, or have any economic interest in any Competing Business operating within the Development Area. If you fail to abide by any of the foregoing restrictions and Developer or Chanello’s obtains enforcement in a judicial or arbitration proceeding, the obligations under the breached restriction will continue in effect for a period of time ending two (2) years after the date of the order enforcing the restriction.
5. Enforcement of the restrictions contained in Paragraphs 3 and 4 will not deprive you of the ability to earn a living. If a court rules that any of these restrictions is unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited, and/or length of time, you agree to comply with any lesser restriction deemed enforceable by the court. If Developer or Chanello’s initiates a legal proceeding to enforce this Agreement and prevails in the proceeding, you agree to reimburse Developer or Chanello’s for its enforcement costs and expenses, including reasonable attorneys’ fees.

[DEVELOPER]

OWNER/OFFICER:

\_\_\_\_\_  
[name / title ]

## APPENDIX E TO DEVELOPMENT AGREEMENT

### DEVELOPER'S ACKNOWLEDGEMENTS

OVER THE TOP PIZZA, INC. ("we" or "us") wishes to confirm that \_\_\_\_\_ ("Developer" or "you") and its owners fully understand that execution of the Development Agreement is a business decision complete with associated risks. Developer makes the following representations to us, and we rely on them in granting you development rights. If any statement is not correct, or if you are aware of exceptions to them, please note them after paragraph 4 below.

1. You understand that many risks exist in connection with the ownership, development and operation of Chanello's Stores (the "**Business**") and that the success or failure of the Business is subject to many variables, including the skills and abilities of Developer's management team, economic conditions, proximity of competition, Chanello's Store location(s), labor and supply costs, and lease terms. Further, you understand that the economic and business factors that exist at the time you start the Business may change. You represent that you have conducted an independent investigation of the Business and recognize that the success of the venture involves substantial business risk and will be dependent primarily on Developer's ability as an independent organization. You acknowledge that you have had ample time and opportunity to consult with advisors of your own choosing about the potential benefits and risks associated with the Business.

2. You acknowledge that you have not received and are not relying on any oral, written or visual claims, representations, promises, agreements, contracts, commitments, understandings or statements other than those set forth in the Development Agreement and related agreements. We expressly disclaim making any representations or giving any assurances, warranties, guarantees or promises concerning the financial results that you might achieve from operating Chanello's Stores, except that nothing in this Agreement is intended to disclaim any representations made to you in any Franchise Disclosure Document that you received from us.

3. You acknowledge your responsibility to evaluate independently the site and the lease or purchase agreement for each Chanello's Store. You bear primary responsibility for selecting the site(s) and negotiating the terms and conditions of your lease(s), sublease(s) or purchase agreement(s) for the site(s).

4. You acknowledge that we have not made, and you have not received or relied upon, any warranty concerning any Chanello's Store drawings or our specifications regarding furniture, fixtures and equipment. You acknowledge that it is your responsibility to ensure that the Chanello's Store's construction or conversion remodeling complies with any and all laws, codes or regulations. To the extent permitted by law, we disclaim liability in connection with the construction plans or the construction or conversion remodeling of the Chanello's Stores.

Developer notes the following corrections and/or exceptions to the above statements: *(If no corrections or exceptions, write "none" and initial". Attach additional sheets if necessary.)*

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

OVER THE TOP PIZZA, INC.

DEVELOPER

\_\_\_\_\_

\_\_\_\_\_

Its \_\_\_\_\_

**EXHIBIT B**  
**FRANCHISE AGREEMENT**



## FRANCHISE AGREEMENT

Store Number: \_\_\_\_\_

Store Address: \_\_\_\_\_

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

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

Franchisee Company Name: \_\_\_\_\_

Type of Business Entity: \_\_\_\_\_

State in which organized: \_\_\_\_\_

Owner Name(s):

Ownership  
Percentage:

\_\_\_\_\_ %

\_\_\_\_\_ %

\_\_\_\_\_ %

Designated Operator: \_\_\_\_\_

# FRANCHISE AGREEMENT

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## FRANCHISE AGREEMENT

This Agreement is entered into as of the Agreement Date shown on the cover page between Over the Top Pizza, Inc., a Virginia corporation (“**we**,” “**us**” or “**Franchisor**”), and the individual or business entity identified on the cover page (“**you**” or “**Franchisee**”).

As used in this Agreement, “**Owners**” means the person(s) identified on the cover page as the owners of Franchisee and all other persons whom we may subsequently approve to acquire an interest in Franchisee. “**Designated Operator**” means the person named as the Designated Operator on the cover page and who meets the criteria in Section 19.3 of this Agreement.

## BACKGROUND

**A.** We and our affiliates have developed a distinctive format and set of specifications and operating procedures (collectively, the “**System**”) for restaurants that offer our proprietary style of pizza and other menu items primarily for carry-out and delivery (“**Chanello’s Stores**”).

**B.** The distinguishing characteristics of the System include, but are not limited to: our proprietary recipes, including our special dough blend, spice blend, and dip sauce; our distinctive exterior and interior store design, décor, color scheme, fixtures, and furnishings; our menu and product mix; our standards and specifications for ingredients, food preparation, equipment, supplies, and restaurant operations; our advertising and promotional programs and marketing techniques; our customer service standards; and the accumulated experience reflected in our operating procedures and training program.

**C.** We and our affiliates identify the businesses operating under the System by means of the “Chanello’s” name and mark and certain other trademarks, service marks, trade names, signs, logos and indicia of origin (collectively, the “**Chanello’s Marks**”). We may designate other trade names, service marks, and trademarks for use with the System.

**D.** You wish to obtain the right to operate a Chanello’s Store at the Approved Location, as defined below.

## AGREEMENT

### 1. DEFINITIONS

The terms defined in this Section 1 have the meanings set forth in this Section; other capitalized terms used in this Agreement are defined where they first appear within the text.

**1.1. “Agreement Date”** means the Agreement Date shown on the cover page of this Agreement.

**1.2. “Approved Location”** means the Store Address shown on the cover page of this Agreement.

**1.3. “Confidential Information”** means all knowledge and data not generally known to the public, whether or not constituting trade secrets, that we disclose to you and/or the Owners or that you or they obtain by virtue of this Agreement or any activities hereunder, including but not limited to: (i) methods, techniques, specifications, standards, policies, procedures, and design and layout plans relating to the construction and operation of Chanello’s Stores; (ii) marketing and promotional programs for Chanello’s Stores; (iii) ingredients, formulas, mixes, recipes for and methods of preparing, serving, and packaging Proprietary Products; (iv) inventory requirements and specifications; (v) sales, operating results, financial performance and other financial data of Chanello’s Stores; (vi) the contents of the Operations Manuals and our training programs; (vii) supplier lists, terms of purchase, and other information concerning the selection and sourcing of food and paper products, equipment and supplies; (viii) marketing studies, cost studies, marketing plans and techniques, and promotion and marketing aids; (ix) research and development, test results, and feasibility studies; (x) loyalty card data and other information concerning consumer preferences; and (xi) business plans and non-public financial information of or about us and our affiliates.

**1.4. "Delivery Customers"** means customers who purchase Menu Items for delivery to (and consumption in) their home or office or special events not on the premises of the Store (including parties, weddings, festivals, and business events).

**1.5. "Designated Supplier"** means a particular manufacturer, wholesaler, distributor or other source that we designate for particular products or services.

**1.6. "Gross Sales"** means all revenue from the sale of all products sold and all other income of every kind related to the Store (including proceeds from business interruption insurance), whether for cash or credit (and regardless of collection in the case of credit), whether from sales on the premises, by delivery, from catering, or at wholesale (whether the sales method is permitted or not), but excluding (i) customer refunds; (ii) gratuities paid by customers; and (iii) sales taxes or other taxes that you collect from customers and pay directly to the appropriate taxing authority. We reserve the right to modify our policies consistent with restaurant industry practices regarding revenue recognition, revenue reporting, and the inclusion in or exclusion of certain revenue from "Gross Sales" as circumstances, business practices, and technology change.

**1.7. "Menu Items"** means food and beverage products that we have approved for sale in Chanello's Stores.

**1.8. "Merchandise"** means consumer merchandise, apparel, packaging, and paper products bearing any of the Chanello's Marks and used or sold in the operation of Chanello's Stores, including but not limited to uniforms, menus, napkins, cups, mugs, hats, tee shirts, and gift cards. We have the right to modify, discontinue, substitute, and/or add items to the Merchandise from time to time in our sole discretion.

**1.9. "Non-Traditional Location"** means a facility where the primary function is not a restaurant business, such as (but not limited to) a performing arts arena, sports stadium, shopping mall, department or retail store, wholesale club, grocery store, supermarket, casino, amusement park, fair, college, university, factory, hospital, penal institution, military base, airport, turnpike, limited access highway rest stop, or other transportation facility.

**1.10. "Operations Manuals"** means, collectively, the confidential manuals relating to the development and operation of Chanello's Stores, which may, in our discretion, consist of one or more volumes, handbooks, manuals, written materials, electronic files, video or audio recordings, compact disks, DVDs, or any other materials or intangibles. We have the right to modify, add to, replace or supplement the Operations Manuals from time to time.

**1.11. "POS System"** means the point-of-sale computer and software system that we specify for use in the operation of Chanello's Stores from time to time, as more fully described in Section 9.1. The POS System may include, among other features, tools for taking and processing orders, accepting payments, tracking sales, managing inventory and cost of goods sold, labor management, marketing, and other functions.

**1.12. "Production Fund"** means the fund established by us to support development and recognition of the Chanello's brand, as more fully described in Section 11.3.

**1.13. "Proprietary Products"** means food products prepared using ingredients, recipes, formulations, mixes and/or methods of preparation created, adapted or developed by us or our affiliates and packaged under our name. We have the right to modify, discontinue, substitute, and/or add items to the Proprietary Products from time to time in our sole discretion.

**1.14. "Protected Area"** means the area defined in Appendix A to this Agreement.

**1.15. "Store"** means the Chanello's Store that you operate at the Approved Location under the terms of this Agreement.

**1.16. "System Standards"** means our mandatory and recommended specifications, standards, policies and procedures for Chanello's Stores, as expressed in the Operations Manuals.

## 2. FRANCHISE GRANT AND TERRITORIAL PROTECTION

**2.1. License.** We grant you the right, and you undertake the obligation, on the terms and conditions of this Agreement, to establish and operate one Chanello's Store at the Approved Location only, and to use the Chanello's Marks and the System only in connection with the Store.

**2.2. Territorial Protection.** While this Agreement is in effect, we will not establish a Chanello's Store or authorize others to establish a Chanello's Store within the Protected Area, except as permitted under Section 2.3 below.

**2.3. Rights Reserved.** We and our affiliates retain the rights, despite anything to the contrary in Section 2.2 and regardless of the proximity to or effect on the Store, and under any terms and conditions we deem advisable, and without granting you any rights therein:

**2.3.1** To own, acquire, establish, and/or operate and franchise or license others to operate Chanello's Stores located outside of the Protected Area;

**2.3.2** To own, acquire, establish, and/or operate and franchise or license others to operate Chanello's-branded outlets at Non-Traditional Locations inside or outside of the Protected Area;

**2.3.3** To develop, manufacture, have manufactured, market, sell and distribute, at retail or wholesale, or license others to manufacture, sell or distribute, packaged food products or any other goods or services under the "Chanello's" name or under any other name, directly or indirectly, through any channel of distribution, including but not limited to the Internet, supermarkets, specialty food stores, convenience stores, wholesale clubs and retail food stores, anywhere in the world; and

**2.3.4** To own, acquire, establish and/or operate, and franchise or license others to establish and operate, sit-down restaurants under the Chanello's Marks or any other names and marks, at any location within or outside of the Protected Area, even if the sit-down restaurant concept or business offers products similar to those of Chanello's Stores.

**2.4. Acquired Stores.** While this Agreement is in effect, if we acquire the ownership or assets of any business operating at one or more sites located within the Protected Area that we determine in our sole discretion to convert to a Chanello's Store (an "**Acquired Store**"), we will offer to sell the Acquired Store to you for the price we paid for the Acquired Store, provided that: (1) in our judgment, the sale to you will not interfere with the completion of our acquisition on the terms agreed to by us and will not adversely affect any financing or federal or state income tax consequences arising from the acquisition; and (2) you agree to sign, concurrently with your purchase, a Chanello's Franchise Agreement as modified for use in connection with the Acquired Store and to convert the Acquired Store to a Chanello's Store in accordance with our standards and specifications.

**2.5. Limits on Where You Can Sell.** You may offer and sell products and services only from the Approved Location and only in accordance with the requirements of this Agreement and the procedures set forth in the Operations Manuals. You may sell Menu Items only (a) to retail customers for personal carry-out consumption; and (b) to Delivery Customers. You may not sell Proprietary Products, Menu Items, Merchandise or other products or services through any channel or facility other than the Store, including any food trucks, carts, kiosks, or temporary locations. You may not directly solicit customers outside of the Protected Area without our permission. "**Direct solicitation**" includes, but is not limited to, solicitation in person, by telephone, by mail, by e-mail, through the Internet or other electronic means, and by distribution of brochures, business cards or other materials. If any direct solicitation of Delivery Customers within the Protected Area is in media that will or may reach a significant number of persons outside of the Protected Area, you must notify us in advance and obtain our consent.

**2.6. Relocation.** You may not relocate the Store without our prior written consent. If you apply to relocate the Store, you must reimburse us for our costs and expenses (including legal and accounting fees) associated with the relocation, not to exceed Five Thousand Dollars (\$5,000).

### **3. AGREEMENT TERM**

The initial term of this Agreement will expire on the earlier of: (a) the tenth (10<sup>th</sup>) anniversary of the Agreement Date; or (b) the expiration date of your lease for the Approved Location. You will have an opportunity to continue the franchise relationship with us when the term expires, as provided in Section 20.

### **4. CONSTRUCTING AND OPENING THE STORE**

**4.1. Construction.** You must construct and equip the Store at your own expense. Before starting construction, you must engage a qualified architect or engineer to prepare preliminary and final architectural and engineering drawings and specifications consistent with the representative plans furnished by us. At our request, you must submit preliminary and final drawings and specifications to us for approval. If we have not approved or rejected the drawings and specifications within thirty (30) days after receipt of a complete set of drawings and specifications, then our approval will be deemed received. Once we approve the drawings and specifications, you cannot change them without our prior written consent. You must complete construction and installation of all furniture, fixtures, equipment, and signs in accordance with the final plans and specifications approved by us and you must notify us of the anticipated construction completion date. During the entire period of construction of the Store, you must permit our representatives to inspect the site at all reasonable times.

**4.2. Permits.** You must obtain, at your own expense, all permits and clearances (including but not limited to certificates of occupancy, health and environmental permits, sign permits, and mall or strip center clearances) that may be required by federal, state, or local laws or regulations. You have sole responsibility for constructing your Store in compliance with all permits.

**4.3. Approval to Open.** You agree not to open the Store for business until we notify you that (1) all of your obligations under this Section 4 have been fulfilled; (2) pre-opening training of your Store personnel has been completed as required by Section 5; and (3) we have been furnished with copies of all certificates of insurance required by Section 10.1.

**4.4. Opening Deadline.** You must open the Store within six (6) months after we sign this Agreement. The parties agree that time is of the essence.

**4.5. Lease Terms.** If you will occupy the Approved Location under a lease, you must submit the proposed lease to us for approval before signing it. As a condition of our approval, we may require that the lessor sign a lease rider containing some or all of the provisions set out in Appendix B to this Agreement. You must furnish us with a copy of each signed lease and lease rider within ten (10) days after their execution.

### **5. TRAINING**

**5.1. Initial Training Program.** Before you open the Store, the Designated Operator must successfully complete an initial training program at our headquarters or another location that we specify. Provided that space is available, you may send one (1) other person to the initial training program without charge. We have the right to reduce the duration and content of initial training if the trainee has prior experience with the Chanello's franchise concept or in similar businesses.

**5.2. Additional Training.** After the Store opens for business:

**5.2.1** Any new person named as Designated Operator, before starting his or her duties, must complete the initial training program to our satisfaction;

**5.2.2** The Designated Operator and/or such of your employees as we may reasonably designate must attend and complete, to our satisfaction, any additional training programs that we require from time to time. If we require additional training as a result of your failure to comply with the quality assurance program under Section 7.5, you must pay us a reasonable training fee (plus travel, meals and lodging expenses for our representatives, if we conduct the training at your Store);

**5.2.3** We may offer optional training programs, for which we may charge a training fee; and

**5.2.4** If you request that we provide additional onsite supervision or supplemental assistance at the Store, then you must pay per diem charges of Five Hundred Dollars (\$500.00) per trainer, plus our out-of-pocket expenses.

**5.3. Multi-Unit Management Training.** If this Agreement is for your fifth (5<sup>th</sup>) or a subsequent Chanello's Store, you must hire an area manager, subject to our approval, who must successfully complete a training program in multi-unit management of Chanello's Stores. If your area manager leaves, you must replace him or her within thirty (30) days, and the new area manager must successfully complete the multi-unit training program.

**5.4. Satisfactory Completion.** We alone have the right to judge whether a person has successfully completed a training program. If any person fails to complete a required training program to our satisfaction, he or she may repeat the course or you may send a substitute to the next available scheduled training session, but we will have no obligation to extend the Store opening deadline in Section 4.4 for this purpose. We reserve the right to charge a reasonable fee for re-training persons who are repeating a course or their substitutes.

**5.5. Training Methods; Expenses.** Except for the initial training program, we have the right to provide training programs in person, by video, via the Internet, or by other means, as we determine. Except as otherwise provided in this Section 5, we will provide instructors, facilities, and materials for training at no charge. For all training, including initial training, you are responsible for all travel expenses, living expenses, wages, and other expenses incurred by your trainees.

**5.6. Store Personnel.** You are responsible for ensuring that all personnel of the Store are properly trained to perform their duties. Before opening the Store, you must hire and train the number and level of management and hourly personnel required for the initial operation of the Store, in accordance with guidelines we establish time to time.

## **6. PURCHASING REQUIREMENTS AND RESTRICTIONS**

**6.1. Sourcing of Products, Equipment and Services.** We have the right to require that all current and future food and beverage items, paper products, ingredients, supplies, equipment, furnishings, Merchandise, promotional items, information technology services (including the POS System), credit card processing services, and other products and services that you purchase for operation of or sale in the Store: (a) meet specifications that we establish from time to time; and/or (b) be purchased only from suppliers that we have expressly approved; and/or (c) be purchased only from a Designated Supplier (which may be us or an affiliate or a buying cooperative that we designate). To the extent that we establish specifications, require approval of suppliers, or designate specific suppliers for particular items, we will provide the requirements to you in writing.

**6.2. Franchisor as Designated Supplier.** If we elect to act as the Designated Supplier for a particular item, you must purchase all of your requirements of the item from us. You must submit orders in accordance with the terms and procedures we specify from time to time. Any conflicting terms and conditions of sale stated in your purchase order will have no effect. In case of shortages, we will have complete discretion to allocate products among Chanello's Stores (and, at our option, other channels of distribution). If because of shortages or an event of force majeure under Section 6.3, we are not able to supply the Store with its requirements, we will authorize you to purchase from other sources until we are again able to meet the Store's requirements, provided that the alternative supplies meet our specifications and that we have given our prior written approval.

**6.3. Force Majeure.** We will not be liable for any delay in performance under Section 6.2 due to natural disaster, riot, war, acts of terrorism, general strike, or similar causes beyond our reasonable control.

**6.4. Supplier Review Process.** If we require you to use an approved supplier for a particular item, but you wish to purchase the item from a supplier that we have not approved, you may submit a written request for approval of the supplier, unless it is an item for which there is a Designated Supplier. We have no obligation to review or approve a greater number of suppliers for an item than the number we deem reasonable. We will provide our standards and specifications to you or to the proposed supplier, subject to the supplier's execution of a confidentiality agreement in a form acceptable to us. We have the right to inspect the proposed supplier's facilities and to require delivery of original, unopened samples either to us or to an independent laboratory

designated by us for testing. Upon completion of our analysis, we will notify you in writing of approval or disapproval of the proposed supplier. You agree to pay a charge not to exceed our reasonable costs incurred in evaluating the supplier, whether or not the supplier is approved. You may not purchase, sell, or offer for sale any products or services of the proposed supplier until you receive our written approval of the proposed supplier. We have the right to re-inspect the facilities and products of any approved supplier and to revoke approval upon the supplier's failure to meet any of our then-current criteria. If you receive a notice of revocation of approval, you agree to cease purchasing products from the disapproved supplier and, in the case of revocation based on failure of products to meet our standards, you agree to dispose of your remaining inventory of the disapproved supplier's products as we direct.

**6.5. Franchisor Not Liable for Unaffiliated Suppliers.** We and our affiliates disclaim all express and implied warranties (including any warranties of merchantability, fitness for a particular purpose, availability, quality, pricing or profitability) concerning any products or services that you obtain from approved suppliers and Designated Suppliers other than us and our affiliates. You agree not to assert any claims against us or our affiliates with respect to any products and services that you obtain from other suppliers. You must assert any such claims only against the supplier in question. You must provide us with written notice before taking any action on a claim against an approved supplier or Designated Supplier.

**6.6. Supplier Payments.** We and/or our affiliates may receive (a) profits from direct sales to you; and/or (b) commissions, rebates, promotional allowances, volume discounts, and other payments or benefits based on your purchases from other suppliers. Except as limited by applicable law or by agreement with the supplier, we have the right to retain any payments received from suppliers.

## **7. RESTAURANT OPERATIONS**

**7.1. Compliance with System Standards.** In order to protect the reputation and goodwill of the Chanello's brand and to maintain high standards of operation under the System, you agree to comply strictly with the mandatory System Standards. The System Standards may relate to any aspect of the appearance, function, cleanliness, and operation of the Store. Any material failure to comply with the mandatory System Standards or to pass our periodic quality control inspections will constitute a material breach of this Agreement. However, we have the right to vary our standards and specifications, in our reasonable judgment, to accommodate the individual circumstances of different franchisees.

**7.2. Approved Products and Services.** You must offer for sale in the Store all Menu Items, Proprietary Products, Merchandise, and other products and services that we designate from time to time as required items. You may also offer for sale any optional products and services that we have approved for sale in Chanello's Stores, but you are prohibited from selling any unapproved food or beverage products or other products or services without our prior written consent. To ensure that all Menu Items meet System Standards for taste, texture, appearance and freshness, all Menu Items must be prepared only by properly trained personnel in accordance with our recipes, cooking techniques, and processes as prescribed in the Operations Manuals. The recipes, cooking techniques and processes are integral to the System and failure to adhere to them strictly (including the handling and storage of ingredients and fully prepared Menu Items) will constitute a default of this Agreement. All products must be sold only in the weights, sizes, forms, and packages that we have approved. You must discontinue selling or offering for sale any Menu Items, Merchandise, products or services that we disapprove at any time, in our sole discretion.

**7.3. Inventory.** You must maintain a sufficient inventory of food and beverage products, ingredients and supplies to meet the System Standards (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards).

**7.4. On-Site Management.** The Store must at all times be under the on-site supervision of the Designated Operator who has been approved by us and who has completed our training program. If your Designated Operator leaves, you must name a replacement within thirty (30) days.

**7.5. Quality Assurance Program.** You must comply fully with our quality assurance program. The program may include, among other things, customer satisfaction surveys, mystery shopper reports, employee satisfaction and perception surveys, health and safety reviews, product and ingredient testing, and observation

of food preparation areas and processes (collectively, “**QA Tests**”). We will bear the cost of the quality assurance program unless we have notified you that the Store is not meeting System Standards, in which case you must reimburse us for the cost of any further QA Tests until the Store is in compliance with System Standards. If you fail to achieve the minimum score that we prescribe for a specific quality assurance category, we may require you and/or your employees to complete additional training at the Store or a location that we designate, at your expense as provided in Section 5.2. If you fail to achieve the prescribed minimum score on two (2) consecutive assessment occasions or on three (3) or more assessment occasions in any five (5) year period, we will have the right to terminate this Agreement under Section 17.2.15.

**7.6. Use of Approved Location; Hours of Operation.** You must use the Approved Location only for the operation of the Store, must keep the Store open and in normal operation for the minimum hours and days specified in the Operations Manuals and as permitted by applicable laws, and must refrain from using or permitting the use of the Approved Location for any other purpose or activity at any time without first obtaining our written consent. We may vary the minimum hours and days of operation by market, type of facility, or other reasonable basis.

**7.7. Furnishings and Equipment.** You must acquire and install in the Store, at your expense, the fixtures, furnishings, equipment, décor, menu boards and signs that we require from time to time. You must not install or permit to be installed on or about the Approved Location, without our prior written consent, any fixtures, furnishings, equipment, décor, menu boards, signs, or other items not previously approved by us.

**7.8. Access for Inspections.** You must permit us and our agents to enter the Store at any time during normal business hours to conduct inspections and to interview your employees, customers and vendors. You must cooperate with inspections by rendering assistance as reasonably requested by our representatives. Upon notice from us or our agents, you must begin steps to correct any deficiencies noted during an inspection.

**7.9. Condition of Approved Location.** You must maintain the Approved Location (including adjacent public areas) in a clean, safe condition and in excellent repair. At your own expense, you must make such additions, alterations, repairs, and replacement as may be required for that purpose. At our request, you must provide us with copies of any report of inspection conducted by a third party.

**7.10. Remodeling.** At our request (which will not be made more often than once every ten (10) years), or sooner if required by your lease, you must remodel the Store to conform to our then-current design and service system, trade dress, and color schemes for Chanello's Stores. Remodeling may require expenditures for structural changes, installation of new equipment, redecoration, and modifications to existing improvements. We will consider the useful life of the capital improvements in developing our standards for remodeling.

**7.11. Pricing and Promotional Activities.** To the extent permitted by applicable law, we have the right to establish maximum and/or minimum prices that you must follow for the Menu Items, Merchandise, and other products and services sold in the Store. You must participate in and comply with the terms of special promotional activities that we prescribe for Chanello's Stores generally or in specific geographic areas or for specific types of venues. These activities may include value menu, special offer, limited time offer, and other pricing promotions and that the featured price(s) may be less than your cost for the promoted item(s). You agree to bear your own costs of participating in these activities. You must display promotional signs and materials and otherwise participate in the manner we request.

**7.12. Payment Cards.** You must honor all credit, charge, courtesy or cash cards or other credit devices that we require or approve in writing. You must comply with the then-current Payment Card Industry Data Security Standards (PCI/DSS), as those standards may be revised by the PCI Security Standards Council, LLC (see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)) or successor organization. Among other things, you agree to implement the security requirements that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards. You must demonstrate compliance on our reasonable request, which may include having an independent third party conduct a PCI/DSS audit.

**7.13. Electronic Money Programs and Loyalty Programs.** You must participate in programs relating to gift cards, gift certificates, stored value cards, online or mobile coupons or credits, online or mobile ordering systems, and other electronic money programs as we may prescribe from time to time for Chanello's Stores.

Participation includes both issuing program benefits or credits and accepting them for payment by customers, and may require you to purchase additional equipment. We will coordinate the crediting and debiting of funds among Chanello's Stores based on customer purchases and redemption of stored value. You must also participate in any "frequent guest" or customer loyalty programs we prescribe from time to time. You may not offer your own gift card, electronic money, or loyalty program for the Store without our prior approval.

**7.14. Delivery.** You may or will be required to incur certain expenses in connection with serving Delivery Customers, including obtaining delivery vehicles, supplies, containers, uniforms, additional insurance and other items, all of which must conform to System Standards. We have the right (but no obligation) to establish a centralized system for accepting orders for Delivery Customers either on our own or in conjunction with one or more outside vendors ("**Centralized Ordering**"). Centralized Ordering may be mandatory or optional for franchisees and may include online and telephone ordering systems. If we establish mandatory Centralized Ordering or you choose to participate in a voluntary program, you agree to pay the fees and costs associated with participating and to comply with all other rules and procedures that we specify for the program in the Manual or otherwise in writing. You may have to purchase equipment in order to participate in Centralized Ordering. We can modify or terminate Centralized Ordering by notice to the participating Stores.

**7.15. Employer Responsibilities.** You have sole responsibility for all employment decisions and functions of the Store, including but not limited to decisions related to recruiting, screening, hiring, firing, scheduling, training (other than the training in Section 5), compensation, benefits, wage and hour requirements, recordkeeping, supervision, safety, security and discipline of employees. Any information we provide about employment matters, whether voluntarily or in response to your request, and whether directly or by means of any technology tools, is a recommendation only and not intended to exercise control over the wages, hours or working conditions of your employees or the means and manner by which they carry out their duties. You alone will direct and control all employees of the Store, subject only to the System Standards that we prescribe to protect the goodwill associated with the Chanello's Marks, which may include the requirement of initial and periodic drug testing and background checks. You must clearly inform all workers, before hiring and periodically thereafter, that Franchisee, and not Franchisor, is their employer and that Franchisor does not assume and will not accept any employer, co-employer, or joint employer obligations. You agree to indemnify us for any liability, cost, expense, loss or damage, including attorney's fees and costs, arising from any claim or allegation that Franchisor or any affiliate is the employer, co-employer, or joint employer of Franchisee, its Owners, or any workers in the Store.

**7.16. Compliance with Lease.** You must comply with all terms of the lease or sublease for the Approved Location and all other agreements affecting the operation of the Store. You must use best efforts to maintain a good working relationship with your landlord and refrain from any activity which may jeopardize your right to remain in possession of, or to renew the lease or sublease for, the Approved Location.

**7.17. Compliance with Laws.** You must operate the Store in full compliance with all applicable municipal, county, state and federal laws, rules, regulations and ordinances. You have sole responsibility for compliance despite any information or advice that we may provide.

**7.18. Taxes and Indebtedness.** You must promptly pay when due all taxes and all accounts and other indebtedness you incur in the operation of the Store. In the event of any bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law, but you may not permit a tax sale or seizure or attachment by a creditor against the Store or any of its key equipment.

**7.19. Attendance at Meetings, Seminars and Conferences.** The Designated Operator or an individual designated by Franchisee and approved by us must attend all meetings, seminars and conferences that we specify as mandatory, including but not limited to marketing meetings for the marketing area in which the Store is located, meetings related to new products or product preparation procedures, new System programs, new operations procedures or programs, financial management, sales or sales promotion, or similar topics and annual conferences. If the representative of Franchisee approved by us is not able to attend a mandatory meeting, seminar or conference, you must notify us before the meeting, seminar or conference and substitute another person from your organization to attend. If we hold an annual convention, we have the right to charge a registration fee not to exceed Seven Hundred Fifty Dollars (\$750.00) per person.

**7.20. Participation in Advisory or Other Committees.** We may establish committees of franchisees to advise us on various matters involving the System from time to time. You will be eligible to participate on committees in accordance with the rules established by us and by each committee, but only if you are in “good standing” at that time and have been in good standing for the six (6) month period before serving on the committee. In order to be in “good standing,” you must: (a) be current in all monetary obligations to us and our affiliates, and (b) have no outstanding notices of default.

**7.21. Store Portal.** We have the right (but no obligation) to establish one or more websites, mobile applications or other digital channels that are open only to operators of Chanello’s Stores (the “**Store Portal**”) and to require you to use the Store Portal for reporting, training, ordering merchandise and supplies, or other purposes as we direct. We may charge a reasonable user fee to support the costs of establishing and maintaining the Store Portal.

**7.22. Prohibited Products and Services.** If you sell any food, beverage, products, premiums, novelty items, clothing, or souvenirs or perform any services that we have not authorized, you must: (i) cease and desist offering or providing the unauthorized or unapproved item or service; and (ii) pay to us, on demand, Two Hundred Fifty Dollars (\$250.00) per day for each day you offered or provided the unauthorized or unapproved item or service. This payment is in addition to all other remedies available to us under this Agreement or at law.

## **8. FEES**

**8.1. Franchise Fee.** You must pay us a non-refundable initial franchise fee of Twenty Thousand Dollars (\$20,000.00) when you sign this Agreement.

**8.2. Royalty Fee.** You must pay us a weekly royalty fee in an amount equal to five percent (5.0%) of the Gross Sales of the Store for the preceding week. Unless we specify otherwise, the accounting week ends on Sunday and payment is due on the following Wednesday. We have the right to change to a monthly or other periodic payment system on reasonable notice to Chanello’s franchisees.

**8.3. Production Fund Contribution.** You must contribute to the Production Fund an amount equal to two percent (2.0%) of the Gross Sales of the Store. Production Fund contributions will be calculated for the same period and paid in the same manner as the royalty fee.

**8.4. Interest and Late Fees.** If any payment to us is overdue, you must pay to us, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid in full, at the rate of 18% per annum or the maximum rate permitted by law, whichever is less. Unpaid interest charges will compound annually. In addition, we will have the right to charge a late fee of One Hundred Dollars (\$100.00) for the second occurrence of a payment that is more than thirty (30) days past due, Two Hundred Dollars (\$200.00) for the third such occurrence, and Three Hundred Dollars (\$300) for the fourth and each subsequent occurrence. The late fee is to compensate us for our administrative costs incurred in enforcing your obligation to pay us.

**8.5. Payment Method.** For all amounts payable to us (including amounts due for product purchases under Section 6, if applicable), you must use the payment method(s) that we designate from time to time. If we require payment by electronic funds transfer, you must designate an account at a commercial bank of your choice (the “**Account**”) and furnish the bank with authorizations necessary to permit us to make withdrawals from the Account by electronic funds transfer. You agree to maintain sufficient funds in the Account to cover the amounts payable to us and our affiliates. If funds in the Account are insufficient to cover the amounts payable at the time we make our periodic electronic funds transfer, the amount of the shortfall will be deemed overdue.

## **9. BUSINESS RECORDS AND REPORTING**

**9.1. POS System.** You must acquire and install in the Store, at your own expense, all components of the POS System, which may include point-of-sale equipment, back-office computer equipment, digital menu boards, software applications, and other hardware and software as we specify from time to time. You must maintain an electronic connection between your POS System and our systems at all times; must use the POS System in accordance with all policies and operational procedures that we issue from time to time; must give us independent access to your POS System at the times we specify and provide us with any user names and

passwords necessary for that purpose; must maintain your POS System in good working order at all times; must promptly install upgrades, additions, modifications, and/or replacements of hardware, software, data connectivity, electrical power, and other information system components as we direct; and must ensure that your employees are adequately trained in the use of the POS System and our related policies and procedures. You must bear all costs of installation, operation, maintenance and upgrade of your POS System. If the POS System is proprietary to us or a third party, you may be required to pay an up-front and/or monthly fee to use the POS System.

**9.2. Books and Records; Payroll Processing.** You must prepare complete and accurate books, records, and accounts, in accordance with generally accepted accounting principles and in the form and manner we prescribe, which may include a prescribed chart of accounts and/or use of a designated accounting program or platform. You must preserve business records for at least three (3) years from the dates of their preparation. At our request, you must engage a reputable payroll company for payroll processing and/or an independent certified public accountant to prepare financial statements.

**9.3. Reports.** You must submit to us, at your expense, in the form we prescribe:

**9.3.1** A weekly report of Gross Sales for the preceding accounting week;

**9.3.2** A quarterly reconciliation and proof of payment of payroll taxes for the Store;

**9.3.3** Such other reports and data as we may reasonably request on an ad hoc basis.

**9.4. Financial Statements.** Within thirty (30) days after the end of each quarter of your fiscal year, you must provide a statement of financial condition (a balance sheet) as of the end of the fiscal quarter and a statement of income and expenses relating to the Store for the fiscal quarter and for the fiscal year-to-date. The financial statements must be certified as correct and complete by the Designated Operator. If you receive a written notice of default from us for non-payment of any amounts due, or if an examination or audit under Section 9.6 reveals that the Gross Sales you reported for any period were more than five percent (5%) below the actual Gross Sales for the period, we have the right to require that subsequent financial statements under this Section be audited by an independent certified public accountant.

**9.5. Parent and Guarantor Financial Statements.** At our request, you agree to furnish a statement of financial condition as of the end of the fiscal quarter for each individual or corporate guarantor of your obligations to us and, if applicable, for each of Franchisee's direct and indirect corporate parents.

**9.6. Right to Examine or Audit.** We are entitled: (i) upon seventy-two (72) hours' notice, to examine or audit your books and records at your offices, using any combination of our own personnel and/or outside service providers; and (ii) upon fourteen (14) days' notice, to require you to assemble, copy and deliver financial statements, books and records to us for examination or audit at our offices. In any such examination or audit: (a) all books, records, accounts, correspondence, data, financial statements, and tax returns related to the Store must be made available for inspection; and (b) you must cooperate fully with the persons making the examination or audit on our behalf.

**9.7. Cost of Examination or Audit.** If we perform an examination or audit due to: (i) your failure to permit access to the POS system or to submit reports of Gross Sales or financial statements, or (ii) your failure to maintain books and records as required by this Agreement, or if the cumulative Gross Sales you report for any period are more than two percent (2%) below the actual Gross Sales for the period as determined by the examination or audit, then you must pay us the reasonable and customary cost of the examination or audit, including travel and lodging expenses for the examiners or auditors. For purposes of calculating the reasonable and customary cost, we will use hourly rates for our own personnel that are commensurate with the rates of mid-level professionals of independent accounting firms.

**9.8. Ownership of Customer Data.** To the extent permitted by applicable law, all data that you collect from customers of the Store is deemed to be owned exclusively by us and our affiliates. The customer data is Confidential Information subject to Section 14 and you agree to install and maintain the security measures and devices necessary to protect the customer data from unauthorized access or disclosure, including (but not limited

to) the measures in Section 7.12. You may not sell or disclose to anyone else any personal or aggregated information concerning any customers without first obtaining our written consent. You have the right to use the customer data only in connection with the Store while this Agreement is in effect. In the event of an approved sale of the Store to a new owner who will continue to operate the Store under an agreement with us, you may transfer the customer data to the buyer as part of the going concern value of the business.

## 10. INSURANCE

**10.1. Basic Requirements.** You must at your own expense maintain the types and minimum amounts of insurance coverage specified in the Operations Manuals. The policy or policies must be written by a responsible carrier or carriers acceptable to us; must name us, our affiliates, and their respective officers, directors, shareholders, and employees as additional insureds as specified by us; and must not have deductibles, exclusions or co-insurance that are unacceptable to us. You must provide us with evidence of all required insurance coverage and payment of premiums before beginning construction of the Store. At least thirty (30) days before each insurance policy expires, you must furnish a copy of renewal or replacement insurance and evidence of payment of the premium. Your obligation to obtain coverage is not limited by any insurance that we maintain.

**10.2. Changes.** We have the right to increase the amounts of coverage required and require different or additional kinds of insurance on reasonable notice to reflect inflation, new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. All public liability and property damage policies must contain a waiver of subrogation rights against us and our affiliates, successors and assigns. If you fail to maintain the insurance required by this Agreement, we have the right (but no obligation) to obtain insurance on your behalf. If we do so, you agree to reimburse us for the cost of insurance, plus a reasonable fee for our services.

## 11. MARKETING AND ADVERTISING

**11.1. Market Introduction Plan.** At your expense, we will conduct initial marketing for the Store on your behalf in accordance with a market introduction plan that you will create, subject to our approval (the “**Market Introduction Plan**”). You must deposit Twenty Thousand Dollars (\$20,000) with us to implement the Market Introduction Plan. We will spend fifty percent (50%) of the funds within thirty (30) days after the Store's opening and the remaining fifty percent (50%) within ninety (90) days after the Store's opening.

**11.2. Local Store Marketing.** During the first year following the opening of the Store, you must spend for local advertising and promotion of the Store (“**Local Store Marketing**”) each month not less than five percent (5%) of Gross Sales or Two Thousand Dollars (\$2,000.00), whichever is greater. Following the first year, you must spend not less than five percent (5%) of Gross Sales each month on Local Store Marketing. Food and beverage products that you give away in order to promote the Store will count toward your obligation in this Section, but only at your cost (not the retail value) of the products, and the maximum that we will count toward Local Store Marketing is one percent (1%) of the Gross Sales of the Store. All Local Store Marketing must be conducted according to an annual plan approved by us. At our request, you must provide invoices and other documentation to verify the type and amount of spending for Local Store Marketing. In addition, the quarterly income statement and balance sheet required by Section 9.4 above must include a specific line for Local Store Marketing expenditures. If we determine that you have spent less than the required amount for Local Store Marketing, upon reasonable notice to you, we have the right to collect funds from you weekly for Local Store Marketing in the same manner as royalty payments, and the Local Store Marketing funds thus collected will be used to reimburse you for the costs you incur in implementing the Local Store Marketing plan.

**11.3. Production Fund.** We have the right to establish a Production Fund on reasonable notice to all Chanello's franchisees. If we establish the Production Fund, you must contribute to the Production Fund as provided in Section 8.3. We may use Production Fund monies received from you in any manner consistent with this Section 11.3.

**11.3.1** We will have the right to direct all advertising, media placement, marketing, public relations programs, and other activities financed by the Production Fund, with final discretion over strategic direction, creative concepts, materials and endorsements used therein, media mix, and geographic markets.

We can use the Production Fund to pay various costs and expenses as we determine in our sole discretion, which may include but are not limited to costs of: creation and implementation of advertising and marketing programs (including but not limited to media costs and preparation and production of video, audio, print, online and mobile materials, in-store promotional materials, and direct mail); employing advertising agencies, public relations firms and design firms; promotional activities; product testing and test marketing programs; fulfillment charges; development and testing of trade dress and design prototypes; consumer research and customer surveys; sponsorship of sporting, charitable, or similar events; design, establishment, and maintenance of websites, social networking profiles, mobile applications, and other electronic identifiers; reasonable salaries and expenses of our employees and affiliates working for or on behalf of the Production Fund or on advertising, marketing, public relations, programs, or activities or promotions prepared, planned or undertaken on behalf of the Production Fund; hiring outside consultants or experts (including legal counsel to review or defend advertising and related materials); and other administrative costs and overhead incurred in activities reasonably related to the administration and activities of the Production Fund.

**11.3.2** We will seek the advice of Chanello's franchisees by formal or informal means with respect to the creative concepts and media used for programs financed by the Production Fund, but the final authority on all programs financed by the Production Fund will rest with us, as provided in Section 11.3.1. We have the right to change or dissolve the Production Fund.

**11.3.3** The Production Fund and any earnings thereon will be used to promote general public recognition, acceptance, and patronage of Chanello's Stores on a regional or system-wide basis, and that we are not obligated, in administering the Production Fund, to make expenditures for you or the Store which are equivalent or proportional to your contributions, or to ensure that any particular franchisee or Chanello's Store benefits directly or pro rata from expenditures by the Production Fund. Your failure to derive any such benefit will not serve as a basis for a reduction or elimination of your obligation to contribute to the Production Fund. The failure by any other franchisee (whether with or without our permission) to make contributions to the Production Fund will not release you from or reduce your obligation to contribute.

**11.3.4** We will prepare an annual unaudited statement of contributions to and expenditures of the Production Fund, which will be provided to you on written request. We have no obligation to have the Production Fund independently audited. Any expenditures for independent accounting services in connection with the annual statement will be charged to the Production Fund. Any unspent contributions remaining in the Production Fund at the end of the year will remain in the Production Fund for use in subsequent periods. We may, but we have no obligation to, loan money to the Production Fund from time to time and may charge reasonable interest for any such loans.

**11.3.5** We may, but are not required to, contribute any payments received from suppliers (as described in Section 6.6) to the Production Fund.

**11.3.6** Nothing in this Agreement is intended or may be construed to create a trust or give us a fiduciary obligation with respect to the Production Fund. Other than as expressly provided in this Section 11.3, we assume no direct or indirect liability or obligation to you with respect to maintenance, direction, or administration of the Production Fund.

**11.4. Non-Production Fund Materials.** In addition to the materials produced by the Production Fund, we will make available to you any advertising and promotional materials that we elect to produce with our own funds. We may charge a reasonable purchase price for non-Production Fund materials.

**11.5. Joint Marketing Programs and Cooperatives.** We have the right at any time and from time to time to establish, and thereafter modify (1) co-marketing programs in which we, franchisees and licensees join with suppliers or other third parties to cross-promote goods and services; (2) local joint marketing efforts in which multiple franchisees and/or licensees contribute to a specific ad or event; and/or (3) local or regional marketing co-operatives ("**Cooperatives**") that pool funds of franchisees on an ongoing basis to jointly promote the Chanello's Marks and the Chanello's Stores of the members. You must participate in each applicable joint marketing program and comply with the rules of the program. The following provisions apply to Cooperatives:

**11.5.1** We have the right, in our sole discretion, to designate geographic areas or a set of common characteristics for purposes of establishing Cooperatives. If an existing Cooperative is applicable to the Store at the time the Store opens for business, you must immediately begin participating in the Cooperative. If a Cooperative applicable to the Store is established during the term of this Agreement, you must begin participating no later than thirty (30) days after the date we approve for the Cooperative to begin operation. In no event will the Store be required to contribute to more than one Cooperative at the same time. We (or our affiliates, as the case may be) will become a member in any Cooperative that is applicable to a Chanello's Store owned by us or our affiliates.

**11.5.2** Each Cooperative will be organized and governed in a form and manner and will begin operations on a date we approve in advance. We reserve the right to change the form of organization and the manner of governance of any Cooperative. No changes in the bylaws or other governing documents of a Cooperative may be made without our prior written consent.

**11.5.3** Each Cooperative will be organized for the exclusive purpose of administering advertising programs and developing promotional materials for use by its members.

**11.5.4** No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without our prior approval pursuant to Section 11.6 below.

**11.5.5** You and each other member of the Cooperative must contribute monthly to the Cooperative the amount determined by the membership. The required contribution will not exceed two percent (2%) of Gross Sales unless approved by a unanimous vote of eligible members. Your obligation to make Local Store Marketing expenditures under Section 11.2 above will be reduced by the amount of your contributions to the Cooperative.

**11.5.6** We may grant any franchisee an exemption for any length of time from the requirement of membership in a Cooperative, and/or from the obligation to contribute (including a reduction, deferral or waiver of contributions), upon written request stating reasons which we deem sufficient to support the exemption. Our decision concerning any request for exemption will be final.

**11.5.7** We and our designated agents will have the right to examine and copy, at our expense, on reasonable notice and during normal business hours, the books, records, and accounts of any Cooperative. We will also have the right, at any time, to have an independent audit made of the books of any Cooperative.

**11.6. Approval of Materials.** You or the Cooperative must submit samples of all proposed advertising and promotional plans and materials to us for our approval at least thirty (30) days before their intended use, unless the plans or materials were prepared by us or have been approved by us within the last twelve (12) months. Proposed advertising plans or materials will be deemed to have been approved if we have not disapproved them within fifteen (15) days after receipt. All advertising and promotion must be in the media and of the type and format as we approve, must be conducted in a dignified manner, and must conform to the standards and requirements we specify.

**11.7. Electronic Marketing and Electronic Communications.** Unless approved in writing by us, you may not use, register, maintain, or sponsor any URL, social networking channel, blog, messaging system, email account, user name, text address, mobile application, or other electronic, mobile or Internet presence that uses or displays any of the Chanello's Marks (or any derivative thereof) or that promotes any products or services of the Store. The use of any electronic medium constitutes advertising and promotion subject to our approval under Section 11.6. You agree not to transmit or cause any other party to transmit advertisements or solicitations by telephone, e-mail, text message, instant message, social networking website, VoIP, streaming media, or other electronic media without first obtaining our written consent as to: (a) the content of the advertisements or solicitations; and (b) the type of media intended to be used. All telephone answering messages, email auto-signatures, and other identifiers of the Store must be in the form we prescribe. If we approve the use of an electronic medium, our approval will be conditioned on your compliance with any standards and procedures we issue with respect to that type of electronic medium, including the use of any disclaimers, warnings, and other statements that we may prescribe.

## 12. PROPRIETARY MARKS AND COPYRIGHTS

**12.1. Identification of the Store.** You must operate, advertise, and promote the Store only under the Chanello's Marks. In conjunction with any use of the Chanello's Marks, you must identify yourself to the public as an independent franchisee operating under authority of this Agreement

**12.2. Your Acknowledgments.** You acknowledge that: (a) the Chanello's Marks are valid and serve to identify the Proprietary Products and the businesses operating under the System; (b) your use of the Chanello's Marks under this Agreement does not give you any ownership interest in the Chanello's Marks; and (c) all goodwill associated with and identified by the Chanello's Marks belongs exclusively to us and our affiliates. Upon the expiration or termination of this Agreement, no monetary amount will be attributable to goodwill associated with your activities as a franchisee under the Chanello's Marks. During the Agreement Term and after expiration or termination of this Agreement, you agree not to directly or indirectly contest or aid in contesting the validity or ownership of the Chanello's Marks or take any action in derogation of our or our affiliates' rights in the Chanello's Marks.

**12.3. Limitations on Use of the Chanello's Marks.** You agree to:

**12.3.1** Use only the Chanello's Marks designated by us and use the Chanello's Marks only in the manner authorized by us;

**12.3.2** Use the Chanello's Marks only for the operation of the Store at the Approved Location and for approved marketing and advertising for the Store;

**12.3.3** Operate and advertise the Store only under the name "Chanello's" or as we otherwise designate, without prefix or suffix;

**12.3.4** Not use any of the Chanello's Marks as part of your corporate or legal name;

**12.3.5** Comply with our instructions in filing and maintaining any requisite trade name or fictitious name registrations, and sign any documents we deem necessary to obtain protection for the Chanello's Marks or to maintain their continued validity and enforceability;

**12.3.6** Permit us or our representatives to inspect your operations to assure that you are properly using the Chanello's Marks;

**12.3.7** Use the Chanello's Marks to promote and to offer for sale only the products and services that we have approved, and not use any Chanello's Marks in association with the products, materials or services of others;

**12.3.8** Not use the Chanello's Marks to incur any obligation or indebtedness on our behalf; and

**12.3.9** Ensure that the Chanello's Marks bear the "®", "™", or "SM" symbol, as we prescribe from time to time.

**12.4. Changes to the Chanello's Marks.** We have the right, upon reasonable notice, to change, discontinue, or substitute for any of the Chanello's Marks and to adopt new Chanello's Marks for use with the System. You agree to implement any such change at your own expense within the time we reasonably specify.

**12.5. Copyrighted Materials.** We and/or our affiliates are the owners of certain copyrighted or copyrightable works (the "**Works**"), including but not limited to the Operations Manuals, advertisements, promotional materials, labels, menus, posters, coupons, signs, Internet sites, and store designs, plans and specifications. The Works may incorporate the Chanello's Marks or trade dress used as part of the System. We authorize you to use the Works on the condition that you comply with all of the terms and conditions of this Section 12. You acknowledge that this Agreement does not confer any interest in the Works on you, other than the right to use them in the operation of the Store in compliance with the terms of this Agreement. If you prepare any adaptation, translation or work derived from the Works, whether or not authorized by us, you agree that

such material will be our property and you hereby assign all your right, title and interest therein to us (or a person designated by us). You agree to sign any documents we deem necessary to perfect our ownership.

**12.6. Third-Party Challenges.** You agree to notify us promptly of any unauthorized use of the Chanello's Marks or the Works that you suspect or of which you have knowledge. You also agree to inform us promptly of any challenge by any person or entity to the validity of, our ownership of, or our right to license others to use any of the Chanello's Marks or the Works. We will have the exclusive right, but no obligation, to initiate, direct and control any litigation or administrative proceeding relating to the Chanello's Marks or the Works, including but not limited to any settlement. We will defend you against any third-party claim that your use of the Chanello's Marks or the Works infringes the rights of third parties. We will bear the cost of such defense (including the cost of any judgment or settlement) if you have used the Chanello's Marks and the Works in accordance with the terms of this Agreement, but otherwise you must bear the cost of such defense (including the cost of any judgment or settlement). You agree to sign all documents, render any other assistance and do any other acts as our counsel may deem advisable to the defense or prosecution to protect and maintain our interests in the Chanello's Marks or the Works.

### **13. OPERATIONS MANUALS**

We will furnish you with one copy of, or electronic access to, the Operations Manuals. You acknowledge that we own the copyright in the Operations Manuals and that any portions in your possession or control are on loan from us and remain our property. We have the right to modify the Operations Manuals from time to time to reflect changes in the System Standards. In the event of a dispute about the contents of the Operations Manuals, the master copies that we maintain at our principal office take precedence. The Operations Manuals and any digital identification necessary to access digital versions of the Operations Manuals are part of the Confidential Information and must be used and protected accordingly.

### **14. CONFIDENTIAL INFORMATION**

**14.1. Nondisclosure.** You are prohibited, both during and after the term of this Agreement, from communicating or divulging Confidential Information to any unauthorized person and from using Confidential Information for your benefit or for the benefit of any other person, other than for operation of the Store. You may divulge Confidential Information only: (i) to your employees and agents who must have access to it in order to carry out their duties relating to the Store; and (ii) to your contractors and landlord with our prior written approval. All information, knowledge, trade secrets, know-how, techniques, and other data that we designate as confidential will be deemed to be Confidential Information for purposes of this Agreement, except information that you can demonstrate came to your attention by lawful means before we disclosed it to you, or that, at or after the time of our disclosure to you, had become or later becomes a part of the public domain, through publication or communication by others.

**14.2. Owners, Officers, Managers and Third Parties.** At our request, you must require your Owners, officers, and Store managers, and must use your best efforts to require your landlord, contractors, and any other person outside of your organization to whom you wish to disclose any of our Confidential Information, to sign confidentiality agreements in a form satisfactory to us, including naming us as a third party beneficiary with the independent right to enforce the agreement.

**14.3. Improvements.** If you or any Owner, employee or agent of Franchisee develops any new concept (including any advertising concept or idea), product, process, or improvement or slogan relating to the operation or promotion of the Store ("**Improvement**"), you must promptly notify us and provide us with all related information, without compensation. You and the Owners, for yourselves and on behalf of all employees and agents, acknowledge that any Improvement is our property and agree to sign all documents necessary to evidence the assignment of the Improvement to us. We have the right to use, disclose and/or license the Improvement for use by others. You may not introduce any Improvement into the Store without our prior written consent.

## 15. RESTRICTIONS ON COMPETITION

**15.1. During the Term.** The relationship contemplated by this Agreement will provide you with access to valuable Confidential Information and business opportunities that you did not possess before entering into this Agreement. Accordingly, while this Agreement is in effect, except as we otherwise approve in writing, you may not, either directly or indirectly, for yourself or through, on behalf of, or in conjunction with any person or legal entity:

**15.1.1** Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any interest in any Competing Business, as defined in Section 15.3 below; or

**15.1.2** Appropriate or duplicate any part of the System for a purpose other than to operate a Chanello's Store under a valid agreement with us, or divert or attempt to divert any present or prospective business or customer to any Competing Business, or do anything else harmful to the goodwill associated with the Chanello's Marks and the System.

**15.2. After Expiration, Termination or Transfer.** For two (2) years after the expiration or termination of this Agreement or the approved transfer of this Agreement to a new operator, you may not, without our prior written consent, either directly or indirectly, for yourself or through, on behalf of, or in conjunction with any person or legal entity:

**15.2.1** Own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in any Competing Business located or regularly delivering within ten (10) miles of the Store or within five (5) miles of any other Chanello's Store; or

**15.2.2** Appropriate or duplicate any part of the System for a purpose other than to operate a Chanello's Store under a valid agreement with us, or divert or attempt to divert any present or prospective business or customer to any Competing Business, or do anything else harmful to the goodwill associated with the Chanello's Marks and the System.

**15.3. Definition of Competing Business.** In this Agreement, "**Competing Business**" means: (a) a pizza take-out and delivery business; or (b) a foodservice business for which pizza constitutes more than 30% of annual sales. "Competing Business" also includes an organization that grants franchises or licenses to others to operate a type of business specified in clause (a) or (b).

**15.4. Exception for Publicly-Held Shares.** Sections 15.1.1 and 15.2.1 do not apply to ownership of less than five percent (5%) beneficial interest in the equity securities of any publicly-held corporation.

**15.5. Owner and Officer Restrictions.** As to the Owner(s) and officers of Franchisee who are bound personally by the provisions of this Section 15 or a separate Confidentiality and Non-Competition Agreement, the time periods in Section 15.2 will run from the expiration, termination, or transfer of this Agreement or from the termination of the individual's relationship with Franchisee, whichever occurs first.

### **15.6. Enforcement.**

**15.6.1** Neither Franchisee nor any person bound by the restrictions of this Section 15 may circumvent the restrictions by engaging in prohibited activity indirectly through any family member or other person or business entity.

**15.6.2** We have the right, in our sole discretion, to reduce the scope of any restriction set forth in this Section 15, without the consent of Franchisee or its officers or Owners, effective immediately upon written notice to Franchisee.

**15.6.3** Franchisee and its Owners and officers agree that the existence of any claim that any of them may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of this Section 15 or any Confidentiality and Non-Competition Agreement.

**15.6.4** Franchisee and the Owners acknowledge that a violation of this Section 15 would result in irreparable injury to us and consent to the issuance of an injunction prohibiting any conduct in violation of this Section 15, without the need to post bond. Injunctive relief is in addition to any other remedies we may have. Franchisee agrees to pay all costs and expenses that we reasonably incur in enforcing this Section 15, including reasonable attorneys' fees.

**15.6.5** If Franchisee or any of its officers or Owners fails to abide by any of the restrictions in Section 15.2 and we obtain enforcement in a judicial proceeding, the obligations under the breached restriction will continue in effect for a period of time ending two (2) years after the date of the order enforcing the restriction.

## **16. SALE OR ASSIGNMENT**

**16.1. Definition of Transfer.** In this Agreement, "**Transfer**" as a verb means to sell, assign, give away, pledge, or encumber, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings), any interest in this Agreement, in the assets of the Store, or in the ownership of Franchisee (if the Franchisee is a corporation, partnership, or limited liability company). "**Transfer**" as a noun means any such sale, assignment, etc.

**16.2. No Transfer Without Our Consent.** Neither you nor any of the Owners may make any Transfer or permit any Transfer to occur without obtaining our prior written consent. We will not unreasonably withhold our consent, but we can impose reasonable conditions. You agree that the conditions in Sections 16.3 through 16.8 below are reasonable and that they do not preclude other reasonable conditions that we may impose. We have the right to communicate with and counsel you, the proposed transferee, and your landlord and vendors on any aspect of a proposed Transfer. No Transfer that requires our consent may be completed until at least sixty (60) days after we receive written notice of the proposed Transfer. If we have not responded within sixty (60) days after we receive your written notice of the proposed Transfer, our consent will be deemed to have been given. You agree to provide any information and documentation relating to the proposed Transfer that we reasonably require. Unless otherwise agreed, our consent to a Transfer does not constitute a waiver of any claims that we have against the transferor, nor is it a waiver of our right to demand exact compliance with the terms of this Agreement.

**16.3. Transfer of Entire Business.** For a proposed Transfer of the assets of the Store and/or the rights granted by this Agreement, the conditions set forth in this Section apply (unless waived by us). If Franchisee is a corporation, limited liability company or other entity, this Section also applies to a Transfer of direct or indirect ownership interests that would result in a change of control of Franchisee:

**16.3.1** You must be in compliance with all obligations to us under this Agreement and any other agreement you have with us and our affiliates as of the date of the request for our approval of the Transfer, or you must make arrangements satisfactory to us to come into compliance by the date of the Transfer.

**16.3.2** The proposed transferee must:

(a) Demonstrate to our satisfaction that he or she meets all of our then-current qualifications to become a Chanello's franchisee. If the proposed transferee is already a Chanello's franchisee, that fact does not guarantee approval to become the operator of the Store. We have no less discretion with respect to a proposed transferee than we have with granting a new Chanello's franchise.

(b) Sign our then-current standard form of Franchise Agreement (or the standard form most recently offered to new franchisees, if we are not then offering franchises to new franchisees). There is no limitation on the extent to which the terms of the new Franchise Agreement may differ from the terms of this Agreement.

(c) Unless the proposed transferee is another Chanello's franchisee, pay the then-current fee for training (at closing, out of escrow if an escrow is established for the transaction) and successfully complete our then-current training requirements.

(d) Make arrangements to modernize and upgrade the Store, at the transferee's expense, to the current System Standards.

(e) If the proposed transferee is another Chanello's franchisee, he or she must not be in default under his or her agreements with us, must have a good record of customer service and compliance with the System Standards, and must sign a general release in a form acceptable to us.

(f) If the transferee is a corporation or other business entity, the owner or owners of a beneficial interest in the transferee must sign our then-current form of personal guarantee.

**16.3.3** You must pay us a Transfer fee equal to twenty-five percent (25%) of the initial franchise fee that we are then charging to new Chanello's franchisees (or twenty-five percent (25%) of the franchise fee in Section 8.1, if we are not then offering franchises to new franchisees), plus One Thousand Dollars (\$1,000.00) for each individual associated with the proposed transferee to cover our costs of investigating the individual's qualifications and background. Notwithstanding the foregoing, the Transfer fee is Five Thousand Dollars (\$5,000.00) if the transferee (i) has been a Chanello's franchisee for at least three (3) years and is in compliance with its agreement(s) with us; (ii) has been employed by a Chanello's Store at the manager level or above for at least five (5) years; or (iii) is a member of the transferring Owner's immediate family.

**16.3.4** You and all Owners must sign a general release, in a form satisfactory to us, of all claims against us and our past, present and future affiliates, officers, directors, shareholders, agents and employees. You and the Owners will remain liable to us for all obligations arising before the effective date of the Transfer.

**16.3.5** The price and other proposed terms of the Transfer must not, in our reasonable business judgment, have the effect of negatively impacting the future viability of the Store.

**16.3.6** Any financing incurred in connection with the Transfer must be expressly subordinated to the transferee's obligations to us.

**16.4.** Transfer of Minority Ownership Interest. For any proposal to admit a new Owner, to remove an existing Owner, or to change the distribution of ownership shown on the cover page of this Agreement, or for any other transaction that amounts to the Transfer of a minority interest in the Store, you must give us advance notice and submit a copy of all proposed contracts and other information concerning the Transfer that we may request. We will have a reasonable time (not less than forty-five (45) days) after we have received all requested information to evaluate the proposed Transfer. We may withhold our consent or give our consent subject to the conditions of Sections 16.3 that we deem to be applicable. Any proposed new owner must submit a personal application and sign a personal guarantee in our then-current form.

**16.5.** Transfer to a Business Entity. We will consent to the assignment of this Agreement to and assumption of this Agreement by a corporation or limited liability company that you form solely for the convenience of ownership (a "**Company**"), without payment of a Transfer fee, provided that you comply with all of the following (unless waived by us):

**16.5.1** You must provide us with proof that the Company is in existence and in good standing in the state where it was organized. The Company must have no other business besides the Store. The legal name of the Company must not contain the words "Chanello's" or any other words or phrases similar to the Marks.

**16.5.2** The Owners must hold equity interests in the Company in the same proportion shown on the cover page of this Agreement.

**16.5.3** Your Designated Operator, regardless of whether he or she is an Owner, must have the authority to bind the Company in all operational decisions and all dealings with us.

**16.5.4** All Owners must sign a Personal Guarantee of the Company's obligations in the form attached to this Agreement.

**16.5.5** You must reimburse us for any reasonable costs and expenses we incur in connection with the assignment, including legal fees.

**16.5.6** You and the Company must comply with the requirements in Section 19 for the remaining term of this Agreement.

**16.6. Transfer on Death or Incapacity.** If you or any Owner dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must apply to us in writing within three (3) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to Transfer the person's interest. The Transfer will be subject to the provisions of Sections 16.2 through 16.8, as applicable. In addition, if the deceased or incapacitated person is the Designated Operator, we will have the right (but no obligation) to take over operation of the Store upon giving notice to the executor, administrator, personal representative, or trustee and to manage the Store until the Transfer is completed. If we exercise this right, we can charge a management fee of Five Hundred Dollars (\$500.00) per day, plus expenses, for our services. For purposes of this Section, "incapacity" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement (i) for a period of thirty (30) or more consecutive days or (ii) for sixty (60) or more total days during a calendar year. In the case of Transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 16.3, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for Transfers contained in this Agreement. If an interest is not disposed of under this Section 16.6 within one (1) year after the date of death or appointment of a personal representative or trustee, we can terminate this Agreement under Section 17.2.6.

**16.7. Non-Conforming Transfers.** Any purported Transfer that is not in compliance with this Section 16 is null and void and constitutes a material breach of this Agreement, for which we may terminate this Agreement without opportunity to cure.

**16.8. Our Right of First Refusal.** We have the right, exercisable within forty-five (45) days after receipt of the notice specified in Section 16.2, to send written notice to you that we intend to purchase the interest proposed to be Transferred. The request for approval of Transfer must include a true and complete copy of the term sheet, letter of intent, proposed purchase agreement, assignment document, description of financing or other contingencies, and any other documents reasonably necessary to support a prudent business decision on whether to exercise the right of first refusal. We can assign our right of first refusal to someone else either before or after we exercise it. However, our right of first refusal will not apply with regard to a Transfer under Section 16.5 or Section 16.9.2 or a Transfer to your spouse or adult son or daughter (including Transfers to your spouse, son, or daughter as a result of death or incapacity as described in Section 16.6).

**16.8.1** If the Transfer is proposed to be made pursuant to a sale, we or our designee may purchase the interest proposed to be Transferred on the same economic terms and conditions offered by the third-party. Closing on our purchase must occur within sixty (60) days after the date of our notice to the seller electing to purchase the interest. If we cannot reasonably be expected to furnish the same consideration as the third-party, then we may substitute the reasonable equivalent in cash. If the parties cannot agree within thirty (30) days on the reasonable equivalent in cash, you and we will jointly designate and pay the cost of an independent appraiser, and the appraiser's determination will be final. Any material change in the terms of the offer from a third-party after we have elected not to purchase the seller's interest will constitute a new offer subject to the same right of first refusal as the third party's initial offer.

**16.8.2** If a Transfer is proposed to be made by gift, you and we will jointly designate, at our expense, an independent appraiser to determine the fair market value of the interest proposed to be transferred. We may purchase the interest at the fair market value determined by the appraiser. Closing on the purchase will occur within forty-five (45) days after our notice to the transferor of the appraiser's determination of fair market value.

**16.8.3** If we elect not to exercise our rights under this Section, the transferor may complete the Transfer after complying with Sections 16.2 through 16.6. Closing of the Transfer must occur within sixty (60) days of our election (or such longer period as applicable law may require); otherwise, the third-party's offer will

be treated as a new offer subject to our right of first refusal. The Transfer is conditional upon our determination that the Transfer was on terms substantially the same as those offered to us.

**16.9. Security Interest.** Any security interest that may be created in this Agreement by virtue of Section 9-408 of the Uniform Commercial Code will be limited as described in Section 9-408(d) of the Uniform Commercial Code.

**16.10. Securities Offering.** If you or an Owner desires to offer securities, the offering will be subject to all of the conditions of this Section 16, including our right of first refusal under Section 16.8. All materials required for the offering by federal or state law must be submitted to us for review and consent prior to their use. No offering may imply, by use of the Chanello's Marks or otherwise, that we are participating in or underwriting the offering or issuing or offering the securities. Our review of the offering materials will be limited solely to the subject of the relationship between you and us. All participants in the offering must fully indemnify us in connection with the offering. For each proposed offering, we may require you to pay, in addition to the transfer fee under Section 16.3, a non-refundable fee of up to Ten Thousand Dollars (\$10,000.00) to reimburse us for our costs and expenses associated with reviewing the proposed offering. You must give us written notice at least thirty (30) days prior to the date of commencement of any offering for which we have approved the offering materials.

**16.11. Sale or Assignment by Us.** We have the right to transfer or assign all or any part of our rights or obligations under this Agreement to any person or legal entity. With respect to any assignment that results in the subsequent performance by the assignee of all of our obligations under this Agreement, the assignee will expressly assume our obligations and become solely responsible for them from the date of assignment. We can sell our assets, sell securities in a public offering or in a private placement; merge with, acquire, or be acquired by another company; or undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring, without restriction and without affecting your obligations under this Agreement.

## **17. DEFAULT AND TERMINATION**

**17.1. Termination Without Notice.** You will be deemed to be in material default under this Agreement and, to the extent permitted by law, all rights granted by this Agreement will automatically terminate without notice to you if you become insolvent or make an assignment for the benefit of your creditors; if a receiver is appointed for the Store; if execution is levied against your business assets; if a suit to foreclose any lien or mortgage is filed against you and not dismissed within sixty (60) days after filing; if a bankruptcy petition is filed by or against you and not dismissed within sixty (60) days after filing; or if your business entity is dissolved.

**17.2. Termination Without Cure Period.** If any of the following events of default occurs, we will have the right to terminate this Agreement without providing you any opportunity to cure the default, effective immediately upon delivery of written notice:

**17.2.1** If you fail to complete the requirements for our approval to open the Store within the time specified in Section 4.4;

**17.2.2** If you close the Store for three (3) or more consecutive business days without our prior approval, or cease to operate for any period in circumstances where it is reasonable for us to conclude that you do not intend to promptly resume operation of the Store;

**17.2.3** If you lose the right to possession of the Approved Location, or otherwise forfeit the right to do business in the jurisdiction where the Approved Location is located. However, if, through no fault of your own, the Store premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) days thereafter, then you will have thirty (30) days after that event in which to apply for our approval to relocate and/or reconstruct the Store, which approval will not be unreasonably withheld;

**17.2.4** If you refuse to permit us to inspect the Store or your books, records, or accounts as provided in this Agreement;

**17.2.5** If you fail to comply with the restrictions on competition in Section 15;

**17.2.6** If any Transfer occurs that does not comply with Section 16;

**17.2.7** If any entity that controls Franchisee becomes a publicly-held corporation.

**17.2.8** If you disclose or divulge any contents of the Operations Manuals or other Confidential Information;

**17.2.9** If you knowingly maintain false or misleading books or records or knowingly submit any false or misleading information to us;

**17.2.10** If you or any Owner is convicted of or pleads guilty or no contest to a felony or other crime or offense that we believe is reasonably likely to have an adverse effect on the operation of the Store, the System, the Chanello's Marks, the goodwill associated therewith, or our interest therein;

**17.2.11** If you or any Owner appears on any government list of "blocked" persons or your assets, property, or interests are "blocked" under any anti-terrorism law or similar law that prohibits us from doing business with you or the Owner;

**17.2.12** If you or the principal Owner is declared or becomes insolvent or makes an assignment for the benefit of creditors, or a bankruptcy petition is filed by or against you or the principal Owner, or a receiver is appointed for your or the principal Owner's assets or business, or a proceeding is commenced by or against you or the principal Owner for appointment of a receiver or for a reorganization or similar arrangement under any applicable law and the proceeding is not dismissed within sixty (60) days of filing;

**17.2.13** If, after curing a default under Section 17.3 or Section 17.4, you commit the same default again within one (1) year, whether or not cured after notice;

**17.2.14** If you are in default under Section 17.3 and/or Section 17.4 three (3) times within any twelve (12) month period, whether the defaults are of a similar or different nature and whether or not any of them is cured after notice; or

**17.2.15** If you fail to achieve the prescribed minimum score for our quality assurance program on two (2) consecutive assessment occasions, or on any three (3) or more assessment occasions during any five (5) year period.

**17.3. Termination for Non-Payment.** If you fail to pay any monies owing to us or our affiliates within seven (7) days after receipt of notice of default from us, this Agreement will terminate at the end of the seven (7) day period without further notice from us.

**17.4. Termination Following Expiration of Cure Period.** Except as provided in Sections 17.1 through 17.3, we can terminate this Agreement only by giving you written notice of termination stating the nature of the default at least thirty (30) days before the effective date of termination. If the default is not cured to our reasonable satisfaction within the thirty (30) day period (or such longer period as applicable law may require) this Agreement will terminate without further notice to you, effective at the end of the cure period. Any material failure to comply with the requirements imposed by this Agreement (as reasonably supplemented by the Operations Manuals) will be a default under this Section 17.4.

**17.5. Cross-Default.** Any default under any other Chanello's franchise agreement that you or an affiliate have with us will constitute a default under this Agreement, subject to any applicable provisions for notice and cure set forth in the other agreement. For purposes of this section, "affiliate" means a person or business entity controlling, controlled by, or under common control with Franchisee.

**17.6. Emergency Closing.** If we in good faith believe that you are serving products or utilizing procedures at the Store that are unsafe to customers and/or employees, we have the right, without prior notice, to immediately close the Store until such time as the unsafe products or procedures are no longer served or used. You will have twenty-four (24) hours after the closing of the Store to prepare a written plan detailing the procedures that you will put in place to ensure that the unsafe practice has been fully remedied and will not

recur. If you and we cannot agree on a plan, or if you intentionally fail to follow the plan agreed upon, then we will have the right to terminate this Agreement by written notice, with no further opportunity for you to cure the default.

**17.7. Termination by Franchisee.** You may terminate this Agreement only if: (a) we commit a material breach of this Agreement; (b) you give us written notice of the breach; (c) we fail to cure the breach, or to take reasonable steps to begin curing the breach, within sixty (60) days after receipt of your notice; and (d) you are in full compliance with your obligations under this Agreement. Termination will be effective no less than ten (10) days after you deliver to us written notice of termination for failure to cure within the allowed period.

**17.8. Liquidated Damages.** If we terminate this Agreement based on your default, you must pay us liquidated damages, calculated as follows: (i) the average monthly Royalty fees and Production Fund contributions due for the last twelve (12) months before our delivery of notice of default, (ii) multiplied by the lesser of twenty-four (24) or the number of months remaining in the Agreement Term. The liquidated damages are in addition to costs and expenses that you may owe us under Section 24.9.

## **18. OBLIGATIONS UPON TERMINATION OR EXPIRATION**

**18.1. De-identification.** Except as provided in Section 18.2 below, upon termination or expiration of this Agreement under any circumstances, you must:

**18.1.1** Cease to operate the Store, change your business telephone number, and make such specific additional changes as we may reasonably request to dissociate yourself and the Store from the System;

**18.1.2** Remove all branded presence of the Store online and in any mobile network or other electronic marketing or communications channel, including but not limited to any social media, blog, messaging system, email account, user name, text address, directory, or smart phone application;

**18.1.3** Cease to use the Confidential Information and the Chanello's Marks, the Works, and all other distinctive elements associated with the System, and return all materials in your possession or control, in any medium, that contain Confidential Information, bear any of the Chanello's Marks, or constitute Works;

**18.1.4** Withdraw all advertising that can be canceled and remove from the Approved Location all signs, letterhead, and other items that display the Chanello's Marks;

**18.1.5** Cancel any assumed name registration or equivalent registration that contains "Chanello's" or any variation thereof or any other Chanello's Marks, and furnish evidence satisfactory to us of compliance with this obligation within five (5) days after termination or expiration of this Agreement;

**18.1.6** Not directly or indirectly represent yourself to the public or hold yourself out as a present or former Chanello's franchisee; and

**18.1.7** Not use any reproduction, counterfeit, copy, or colorable imitation of the Chanello's Marks or the Works in connection with any other business that, in our sole discretion, is likely to cause confusion, mistake, or deception or to dilute our and our affiliates' rights in and to the Chanello's Marks and the Works. You must not use any designation of origin or description or representation which, in our sole discretion, falsely suggests or represents an association or connection with us.

You hereby appoint us as your attorney-in-fact to carry out the requirements of this Section 18.1 if you fail to do so within a reasonable time. You agree that we will have the right to enter the Approved Location and to contact third parties to make any required changes that you fail to make. You agree to reimburse us on demand for any costs that we incur to carry out your obligations.

**18.2. Our Rights to Acquire Approved Location and Store Assets.** At our option, upon termination or expiration of this Agreement under any circumstances, you must:

**18.2.1** Assign to us your interest in the lease or sublease for the Approved Location (or provide us with a commercially reasonable lease in the event you own the Approved Location). If we elect not to exercise our option to acquire the lease, you must make such modifications or alterations to the Approved Location as may be necessary to comply with Section 18.1 and to distinguish the Approved Location from those of a Store.

**18.2.2** Sell to us such of the furnishings, equipment, signs, and fixtures of the Store as we may designate, at fair market value, and such of the inventory and supplies of the Store as we may designate, at fair market wholesale value. If the parties cannot agree on the price of any such items within a reasonable time, we will appoint an independent appraiser at our expense, and the appraiser's determination will be binding on both parties. If we exercise our option to purchase any items, we will have the right to set off all amounts due from you against any payment for such items. We can exercise either or both of our options under Sections 18.2.1 and 18.2.2: (a) at any time before the expiration of the Agreement Term, in the case of expiration of this Agreement; and (b) at any time between the date of delivery of written notice of termination and thirty (30) days after the effective date of termination, in the case of termination of this Agreement. To preserve the value of these options, we may issue to you, and you must comply with, written instructions to refrain from, delay, or reverse any of the actions required of you under Section 18.1.

**18.3. Continuing Obligations.** After termination or expiration of this Agreement under any circumstances, you will remain liable to us for certain obligations. Among other things, you must:

**18.3.1** Promptly pay all sums owing to us and our affiliates;

**18.3.2** Permit access to and examination of books and records as provided in Sections 9.6 and 9.7 to determine any amounts due;

**18.3.3** Protect the Confidential Information as provided in Section 14;

**18.3.4** Not make any statements about us or any Chanello's franchisee or affiliate that may constitute trade disparagement;

**18.3.5** Comply with the post-term restrictions on competition contained in Section 15.2; and

**18.3.6** Indemnify us with respect to the period through the effective date of expiration or termination as provided in Section 21.

**18.4. Enforcement Expenses.** You must reimburse us for all damages, costs, and expenses (including, but not limited to, reasonable attorneys' fees) incurred in obtaining injunctive, declaratory, or other relief to enforce this Section 18.

## **19. CORPORATE REQUIREMENTS**

**19.1. Ownership Information.** If Franchisee is a limited liability company, corporation, partnership, or other entity, Franchisee and each of the Owners represents and warrants that the ownership information on the cover page is correct and complete as of the Agreement Date. You must maintain a current list of all stockholders, general partners, limited partners, members, or other direct and indirect beneficial owners (as applicable) and furnish the list to us upon request.

**19.2. Personal Obligations of Owners and Officers.** Each person who is or becomes an Owner must sign a Personal Guarantee in the form we prescribe, undertaking to be bound jointly and severally by the terms of this Agreement. The current form of Personal Guarantee is attached to this Agreement as Appendix C. Each person who is or becomes an Owner or executive officer of Franchisee must sign a Confidentiality and Non-competition Agreement in the form we prescribe, the current form of which is attached to this Agreement as Appendix D.

**19.3. Designated Operator.** You represent that the individual designated on the cover page as the Designated Operator has the authority to bind Franchisee in all operational decisions and all dealings with us. We have the right to rely on any statement, agreement, or representation by the Designated Operator regardless

of any conflict with your Company's governing documents. You may not change the Designated Operator without our prior approval.

**19.4. Governing Documents.** At our request, you must promptly furnish us with copies of your company's articles of incorporation, bylaws, partnership agreement, certificate of formation, limited liability company operating agreement, or other governing documents, as applicable. You must give us at least thirty (30) days prior written notice of any proposed amendments to your governing documents. Your governing documents must provide at all times that your activities are confined exclusively to developing and operating Chanello's Stores.

**19.5. Control Arrangements.** Any voting trust, management agreement, or other arrangement affecting the power to direct and control the affairs of Franchisee requires our prior written consent. You must furnish such information and documentation as we may request concerning any proposed control arrangement.

## **20. SUCCESSOR FRANCHISE AGREEMENT**

You do not have a unilateral option to renew the franchise relationship when the term in Section 3 ends. Continuation of the franchise relationship requires our consent. We will not unreasonably withhold our consent, provided that you satisfy the requirements in this Section. If we give our consent, the first renewal term will be for five (5) years. At the end of the first renewal term, if we give our consent again, you will have one final renewal term of five (5) years. Notwithstanding the foregoing, you will not have an opportunity to renew if, before the end of the expiring term, we have announced a decision to: (a) stop franchising Chanello's Stores; or (b) withdraw the Chanello's Store concept from the geographic market in which the Store is located. We may require you to satisfy any or all of the following requirements as a condition of continuing the franchise relationship with us at the end of each term:

**20.1.** You must give us written notice of your desire to continue the relationship not less than twelve (12) months and not more than eighteen (18) months before the end of the expiring term;

**20.2.** You must cooperate with us in completing any review process that we may establish to determine your eligibility for a new term, such as (but not limited to) furnishing all required information and participating in meetings, which may be held at our headquarters;

**20.3.** You must not be in default of this Agreement or any other agreement with us, our affiliates, or our suppliers at the time you give the notice in Section 20.1 or during the remainder of the expiring term;

**20.4.** You must, during the final one (1) year of the expiring term, satisfy such financial performance standards as may be reasonably determined by us;

**20.5.** You must have exceeded the prescribed minimum score for our quality assurance program in your last three assessments,;

**20.6.** You must have a good record of customer service and of compliance with System Standards and your contractual obligations to us;

**20.7.** You must sign the standard form of franchise agreement that we are then offering to new Chanello's Store franchisees (the "**Successor Franchise Agreement**"). The terms of the Successor Franchise Agreement may be substantially different from the terms of this Agreement. All Owners must sign a personal guaranty of the Successor Franchise Agreement;

**20.8.** You must pay us a renewal fee equal to twenty-five percent (25%) of the initial franchise fee that we are then charging to new Chanello's franchisees (or twenty-five percent (25%) of the franchise fee in Section 8.1, if we are not then offering franchises to new franchisees).

**20.9.** You and all Owners must sign a general release, in a form we prescribe, of any and all claims against us, our affiliates, and our officers, directors, shareholders and employees arising out of or relating to the Store through the date of execution of the Successor Franchise Agreement;

**20.10.** The Designated Operator must successfully complete any additional or refresher training courses that we may require;

**20.11.** You must demonstrate that you have the right to remain in possession of the Approved Location for the full new term; and

**20.12.** If the Store is due for remodeling under Section 7.10, you must complete the remodeling before the end of the expiring term or obtain our approval of arrangements to complete the remodeling on a schedule satisfactory to us.

## **21. INDEMNIFICATION**

You agree to hold harmless, defend, and indemnify us, our affiliates, and their respective past, present, and future officers, directors, shareholders, employees, and agents against any claims, losses, costs, expenses, liabilities, and damages (collectively, “**Claims**”) arising directly or indirectly from, as a result of, or in connection with your activities under this Agreement, as well as the costs of defending against such Claims (including, but not limited to, reasonable attorneys’ fees, costs of investigation, settlement costs, and interest). To the extent permitted by law, this indemnity includes Claims alleged to be caused by our negligence, unless (and then only to the extent that) the Claim is finally determined by a court to have been caused solely by our gross negligence or willful misconduct. With respect to any threatened or actual litigation, proceeding, or dispute which could directly or indirectly affect any of the indemnitees hereunder, the indemnitees will have the right, but not the obligation, to: (i) choose counsel; (ii) direct, manage, and control the handling of the matter; and (iii) settle, on behalf of the indemnitees, any claim against the indemnitees. Your obligation under this Section is not limited by the amount of your insurance coverage. This Section will survive the expiration or termination of this Agreement.

## **22. NOTICES**

All notices related to this Agreement must be in writing and must be delivered in person or sent by certified mail, by national commercial delivery service, or by other written or electronic means which affords the sender evidence of delivery or attempted delivery, to the addresses shown on the signature page unless and until a party has given notice of a different address.

## **23. GENERAL PROVISIONS**

**23.1. Notice of Suit.** You must immediately notify us in writing of any lawsuit or legal proceeding or any order, writ, injunction, award, or decree of any court or government agency that may adversely affect the operation or financial condition of the Store.

**23.2. Independent Contractor.** Nothing in this Agreement is intended to make us or you an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever. 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. We will not assume liability for, or be deemed liable as a result of, any such action, nor will we be liable by reason of any act or omission of yours or any claim or judgment arising therefrom against you or us. You must hold yourself out to the public as an independent contractor operating under this Agreement. This Agreement does not create a fiduciary relationship between us and you.

**23.3. Public Notice of Independent Status.** You must conspicuously identify yourself and the Store in all dealings with customers, contractors, suppliers, public officials, and employees as a franchisee and display a conspicuous notice of independent ownership in the Store and on all business cards, stationery, advertising, payroll forms, purchase orders and other materials as we specify from time to time.

**23.4. Severability.** If any provision of this Agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, the invalidity will not impair the operation of any other provisions of this Agreement that remain otherwise intelligible. The

latter will continue to be given full force and effect and the invalid provision(s) will be deemed not to be a part of this Agreement.

**23.5. No Implied Waiver.** No failure by us to exercise any right reserved to us in this Agreement or to insist upon your strict compliance with any obligation or condition in this Agreement, and no custom or practice of the parties, will constitute a waiver of our right to exercise such right or to demand your compliance with this Agreement. Waiver by us of any particular default by you will not affect or impair our rights with respect to any subsequent default of the same or different nature; nor will any delay, forbearance, or omission by us to exercise any power or right arising out of your breach or default affect or impair our right to exercise the same; nor will it constitute a waiver of our right to declare any subsequent breach or default and to terminate this Agreement.

**23.6. No Implied Third Party Beneficiaries.** Except as expressly provided to the contrary, nothing in this Agreement is intended, nor will be deemed, to confer any rights or remedies upon any person or legal entity other than us, Franchisee, the Owners, and such of their successors and assigns as may be contemplated by Section 8 above.

**23.7. No Implied Consent.** Whenever this Agreement requires our prior approval or consent, you or the Owners must make a timely written request, and the approval or consent must be obtained in writing and signed by one of our officers. We make no warranties or guarantees upon which you may rely and assume no liability or obligation to you by providing any waiver, approval, consent or suggestion in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

**23.8. Survival of Obligations.** All obligations which expressly or by reasonable implication are to be performed, in whole or in part, after the expiration, termination, or assignment of this Agreement will survive such expiration, termination, or assignment.

**23.9. Our Business Judgment.** Whenever we exercise a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly provided in this Agreement, we can make our decision or exercise our discretion on the basis of our judgment of what is in our best interests. "Best interests" includes what we believe to be the best interests of the Chanello's brand at the time the decision is made or the right or discretion is exercised, even though (a) there may have been other alternative decisions or actions that could have been taken; (b) our decision or action taken promotes our own financial interest; or (c) our decision or the action may apply differently to different Chanello's franchisees or any company-owned Chanello's Stores. In the absence of an applicable statute, we will have no liability to you for any such decision or action. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement.

**23.10. Entire Agreement.** This Agreement and its Appendices constitute the entire agreement between you and us concerning the subject matter hereof and supersede all prior agreements, negotiations, representations, and correspondence concerning the same subject matter, except that nothing in this Agreement is intended to disclaim any representations made to you in any Franchise Disclosure Document that you received from us. No amendment, change, or variance from this Agreement will be binding unless agreed to in writing and signed by authorized representatives of each party.

## **24. DISPUTES**

**24.1. Governing Law.** This Agreement is governed by the laws of the Commonwealth of Virginia. In the event of any conflict of law question, the laws of Virginia will prevail, without regard to the application of Virginia conflict-of-law rules. This Section 24.1 is not intended to subject this Agreement to any Virginia statute or regulation that would not by its own terms apply to this Agreement.

**24.2. Venue for Litigation.** You and the Owners must file any lawsuit against us, and we may file any lawsuit against you or the Owners, in the federal or state court where our principal office is located at the time the suit is filed. The parties waive all objections to personal jurisdiction and venue for the purpose of carrying out this provision.

**24.3. Time Limit on Filing.** Any claim or action arising out of or relating to this Agreement or the relationship between you and us must be commenced within one (1) year from the occurrence of the facts giving rise to the claim or action, or the claim or action is barred.

**24.4. Waiver of Jury Trial.** We, you, and the Owners irrevocably waive trial by jury in any action, proceeding, or counterclaim.

**24.5. Waiver of Exemplary Damages.** We, you, and the Owners waive to the fullest extent permitted by law any right to or claim of any punitive, exemplary, multiple, or consequential damages against the other and agree that, in the event of a dispute, each will be limited to the recovery of any actual damages sustained.

**24.6. Class Action Waiver.** TO THE EXTENT PERMITTED BY LAW, YOU AND THE OWNERS WAIVE THE RIGHT TO SEEK CERTIFICATION OF A CLASS IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM AGAINST US.

**24.7. Attorney's Fees and Costs.** You must reimburse us for all expenses reasonably incurred by us (including attorneys' fees): (a) to enforce the terms of this Agreement; and (b) in the defense of any claim asserted by Franchisee or the Owners on which we substantially prevail in court or other formal legal proceedings.

**24.8. Remedies are Cumulative.** Except as otherwise provided in this Section 24, no right or remedy under this Agreement is exclusive of any other right or remedy provided herein or permitted by law or equity.

**24.9. No Right of Set-Off.** You have no right to withhold or set-off any amount owed to us under this Agreement based on any claim that you may have or purport to have against us.

**OVER THE TOP PIZZA, INC.**

**FRANCHISEE:**

By: \_\_\_\_\_

\_\_\_\_\_

Title:

(Name of corporation, partnership, limited liability company or other legal entity)

By: \_\_\_\_\_

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

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

**If individuals:**

\_\_\_\_\_

(Print Name) \_\_\_\_\_

Notice address: Over the Top Pizza, Inc.  
905 W. 21<sup>st</sup> Street

Notice address: Store address on cover page

Norfolk, Virginia 23517  
Attn:

**APPENDIX A TO FRANCHISE AGREEMENT**  
**PROTECTED AREA**

## APPENDIX B TO FRANCHISE AGREEMENT

### FORM OF LEASE RIDER

THIS ADDENDUM is dated \_\_\_\_\_ amends and supplements the Lease Agreement dated \_\_\_\_\_ (the "**Lease**") between \_\_\_\_\_ ("**Lessor**") and \_\_\_\_\_ ("**Lessee**"), a franchisee of OVER THE TOP PIZZA, INC. ("**Company**").

1. Lessor acknowledges that Lessee intends to operate a Chanello's Store (the "**Store**") at the premises specified in the Lease (the "**Premises**") pursuant to the terms of a Franchise Agreement between Lessee and Company (the "**Franchise Agreement**").

2. Lessor and Lessee agree as follows:

(a) Lessor consents to Lessee's use of the Marks, signage, décor items and color scheme prescribed by Company for the Restaurant;

(b) The use of the Premises is restricted solely to the operation of the Store during the term of the Franchise Agreement;

(c) Lessee is prohibited from subleasing or assigning all or any part of its occupancy rights or from extending the term of or renewing the lease without Company's prior written consent;

(d) Lessor will provide Company with copies of all notices of default given to Lessee under the Lease and a reasonable opportunity to cure the default on Lessee's behalf;

(e) Company has the right to enter the Premises to make modifications necessary to protect its Marks and System (as defined in the Franchise Agreement) or to cure any default under the Franchise Agreement or under the Lease;

(f) Company has the option, within thirty (30) days after expiration or termination of the Franchise Agreement, and upon notice to Lessor, to assume (or to have Company's designee assume) all of Lessee's rights and obligations under the Lease, including any right to assign or sublease;

(g) Lessee has the right, without the prior approval of Lessor, to remodel the Premises as and when required by the Franchise Agreement;

(h) Lessee has the right, without Lessor's prior approval, to assign the Lease or sublet the leased Premises to Company or any of its affiliates, or to any other franchisee of Company;

(i) Lessor and its affiliates will not lease space in property owned, managed or controlled by them within \_\_\_\_\_ of the Premises to any (a) pizza take-out and delivery business; or (b) foodservice business for which pizza constitutes more than 30% of annual sales (a "**Competing Business**"); and

(j) Lessor and Lessee will not amend the lease in any manner which could materially affect the foregoing requirements without Company's prior written consent.

3. Company is a third party beneficiary with the independent right to enforce the provisions of this Addendum.

LESSOR

By: \_\_\_\_\_

LESSEE

By: \_\_\_\_\_

## APPENDIX C TO FRANCHISE AGREEMENT

### PERSONAL GUARANTEE

As an inducement to OVER THE TOP PIZZA, INC. (“**Franchisor**”), a Virginia corporation, to sign a Franchise Agreement (the “**Agreement**”) with \_\_\_\_\_ (“**Franchisee**”), a \_\_\_\_\_, the undersigned individuals or business entities (collectively, the “**Guarantors**”), jointly and severally, hereby unconditionally guarantee to Franchisor, its affiliates, and their successors and assigns (collectively, “**The Chanello’s Group**”) that all of Franchisee’s obligations under the Agreement, and under other agreements or arrangements between Franchisee and Chanello’s, will be punctually paid and performed.

1. Guarantee. Upon demand by The Chanello’s Group, the Guarantors will immediately make each contribution or payment required of Franchisee under the Agreement and under other agreements or arrangements between Franchisee and The Chanello’s Group. Each Guarantor waives any right to require The Chanello’s Group to: (a) proceed against Franchisee or any other Guarantor for any contribution or payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee or any other Guarantor; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee or any other Guarantor. Without affecting the obligations of the Guarantors under this Guarantee, The Chanello’s Group may, without notice to the Guarantors, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. The Guarantors waive notice of amendment of the Agreement and notice of demand for contribution or payment and agree to be bound by any and all such amendments and changes to the Agreement.

2. Indemnity. The Guarantors agree to hold harmless and indemnify The Chanello’s Group against any and all losses, damages, liabilities, costs, and expenses (including reasonable attorneys’ fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) arising out of or in connection with any failure by Franchisee to perform any obligation under the Agreement or any other agreement between Franchisee and The Chanello’s Group.

3. Other Personal Obligations. The Guarantors acknowledge and agree to be bound personally by all restrictions on competition, confidentiality provisions, governing law and dispute resolution provisions, and restrictions on transfer of interest contained in the Agreement. Except as expressly authorized by the Agreement, the Guarantors may not make use of any of the intellectual property rights licensed under the Agreement or any goodwill of The Chanello’s Group. The Guarantors may not disclose to any third party or make use of any trade secrets, know-how, systems or methods of which Guarantors may acquire knowledge by virtue of training they may have received from The Chanello’s Group, their involvement in the business, or their ownership interest in Franchisee.

4. Survival of Obligations. Upon the death of a Guarantor, the Guarantor’s estate will be bound by this Guarantee, but only for obligations existing at the time of death. The obligations of the surviving Guarantors will continue in full force and effect.

5. Spouse’s Acknowledgment. If a Guarantor is a married individual and that individual’s spouse is not an Owner of Franchisee or the Store, the Guarantor’s spouse must sign the Spouse’s Acknowledgment in the form attached to this Personal Guarantee.

GUARANTOR:

\_\_\_\_\_

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

GUARANTOR:

\_\_\_\_\_

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

## **SPOUSE ACKNOWLEDGMENT**

My name is \_\_\_\_\_. I am the spouse of \_\_\_\_\_.

I am aware that:

- my spouse is investing in a CHANELLO'S PIZZA franchise;
- in connection with the franchise, my spouse is signing a Development Agreement, Franchise Agreement, personal guarantee, and/or other documents that involve financial obligations to Over the Top Pizza, Inc. and its affiliates (the "Franchise Documents"); and
- Over the Top Pizza, Inc. and affiliates are relying on all assets of my spouse, including jointly owned marital property, in accepting my spouse's obligations under the Franchise Documents.

I have read and know the contents of the Franchise Documents and the financial obligations undertaken by my spouse. I acknowledge that the Franchise Documents are being signed for the benefit of, and will be binding on, my marital community.

I understand that this Spouse Acknowledgment does not subject my separate, non-marital property to my spouse's financial obligations under the Franchise Documents.

I understand that my spouse is bound personally by the following provisions of the Franchise Agreement, and I agree to be bound by them as well: (i) the confidentiality and non-disclosure obligations in Section 14; (ii) the restrictions on competition in Section 15; and (iii) the governing law and dispute resolution provisions in Section 24.

\_\_\_\_\_  
Signature

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

## APPENDIX D TO FRANCHISE AGREEMENT

### OWNER/OFFICER CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

\_\_\_\_\_[name of Franchisee]\_\_\_\_\_ (“**Franchisee**”) has entered into a Franchise Agreement (the “**Agreement**”) with Over the Top Pizza, Inc. (“**Chanello’s**”). The Franchise Agreement requires officers of Franchisee and persons with legal or beneficial ownership interests in Franchisee to be personally bound by the confidentiality and noncompetition covenants contained in the Franchise Agreement. In conjunction with your investment in and/or employment by Franchisee, you acknowledge and agree as follows:

1. Your execution of this Agreement is a condition of your employment by or ownership interest in Franchisee and you have received good and valuable consideration for signing this Agreement. Chanello’s has the right to enforce this Agreement directly against you.
2. You will or might gain access to Confidential Information (as defined in the Franchise Agreement) as a result of your role with Franchisee. You agree that you will: (a) not use the Confidential Information in any other business or capacity; (b) exert best efforts to maintain the confidentiality of the Confidential Information; and (c) not make unauthorized copies of any Confidential Information. If you cease to have an interest in Franchisee, you must deliver to Chanello’s any Confidential Information in your possession or control.
3. While the Franchise Agreement is in effect and you are an officer or legal or beneficial owner of Franchisee, you will not, without Chanello’s consent (which Chanello’s may withhold at its discretion) directly or indirectly (such as through an affiliate or a family member) own, operate, engage in, be employed by, provide assistance to, or have any economic interest in any Competing Business. “**Competing Business**” means: (a) a pizza take-out and delivery business; or (b) a foodservice business for which pizza constitutes more than 30% of annual sales. “Competing Business” also includes an organization that grants franchises or licenses to others to operate a type of business specified in clause (a) or (b).
4. For two (2) years after (i) your relationship with Franchisee ends; (ii) the expiration or termination of the Franchise Agreement; or (iii) the approved transfer of the Franchise Agreement to a new franchisee, whichever comes first, you will not, without Chanello’s consent (which consent Chanello’s may withhold at its discretion) directly or indirectly (such as through an affiliate or a family member) own, operate, engage in, be employed by, provide assistance to, or have any economic interest in any Competing Business operating within ten (10) miles of the Approved Location or five (5) miles of any other Chanello’s Store. If you fail to abide by any of the foregoing restrictions and Franchisee or Chanello’s obtains enforcement in a judicial or arbitration proceeding, the obligations under the breached restriction will continue in effect for a period of time ending two (2) years after the date of the order enforcing the restriction.
5. Enforcement of the restrictions contained in Paragraphs 3 and 4 will not deprive you of the ability to earn a living. If a court rules that any of these restrictions is unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited, and/or length of time, you agree to comply with any lesser restriction deemed enforceable by the court. If Franchisee or Chanello’s initiates a legal proceeding to enforce this Agreement and prevails in the proceeding, you agree to reimburse Franchisee or Chanello’s for its enforcement costs and expenses, including reasonable attorneys’ fees.

**FRANCHISEE:**

**OWNER/OFFICER:**

\_\_\_\_\_  
[name / title ]

## APPENDIX E TO FRANCHISE AGREEMENT

### FRANCHISEE'S ACKNOWLEDGEMENTS

Over the Top Pizza, Inc. ("**we**" or "**us**") wishes to confirm that \_\_\_\_\_ ("**Franchisee**" or "**you**") fully understands that execution of the Franchise Agreement is a business decision complete with associated risks. Franchisee makes the following representations to us, and we rely on them in granting you the Store franchise. If any statement is not correct, or if you are aware of exceptions to them, please note them after paragraph 4 below.

1. You understand that many risks exist in connection with the ownership and operation of a Chanello's Store (the "**Business**") and that the success or failure of the Business is subject to many variables, including the skills and abilities of Franchisee's management team, economic conditions, proximity of competition, Store location(s), labor and supply costs, and lease terms. Further, you understand that the economic and business factors that exist at the time you start the Business may change. You represent that you have conducted an independent investigation of the Business and recognize that the success of the venture involves substantial business risk and will be dependent primarily on Franchisee's ability as an independent organization. You acknowledge that you have had ample time and opportunity to consult with advisors of your own choosing about the potential benefits and risks associated with the Business.

2. You acknowledge that you have not received and are not relying on any oral, written or visual claims, representations, promises, agreements, contracts, commitments, understandings or statements, other than those set forth in the Franchise Disclosure Document that you received from us and the Franchise Agreement and related agreements. We expressly disclaim making any representations or giving any assurances, warranties, guarantees or promises concerning the financial results that you might achieve from operating Chanello's Stores, except that nothing in this Agreement is intended to disclaim any representations made to you in any Franchise Disclosure Document that you received from us.

3. You acknowledge your responsibility to independently choose the Store location and evaluate the terms and conditions of your lease(s), sublease(s) or purchase agreement(s).

4. You acknowledge that it is your responsibility to ensure that the Store's construction or conversion remodeling complies with any and all laws, codes or regulations. To the extent permitted by law, we disclaim liability in connection with the construction plans or the construction or conversion remodeling of the Store. You confirm that you have not relied on any drawings or specifications from us regarding furniture, fixtures and equipment for this purpose.

Franchisee notes the following corrections and/or exceptions to the above statements: *(If no corrections or exceptions, write "none" and initial". Attach additional sheets if necessary.)*

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**OVER THE TOP PIZZA, INC.**

**FRANCHISEE**

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Its \_\_\_\_\_

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Its \_\_\_\_\_

## **EXHIBIT C**

### **TABLE OF CONTENTS OF OPERATIONS MANUAL**



# **Daily Operations Manual**

**2025**



# **DAILY OPERATIONS MANUAL**

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# **Food Manual**

**2025**



# **FOOD MANUAL**

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# **Management Manual**

**2025**



# MANAGEMENT MANUAL

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Focus on the Team Member

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## Recruiting, Hiring, and Managing Team Member

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## Safety and Security

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**EXHIBIT D**

**SAMPLE RELEASE**

**(To be signed when you renew or transfer the franchise; also applies when you develop a new Chanello's Pizza restaurant)**

GENERAL RELEASE

THIS RELEASE is executed on \_\_\_\_\_ by \_\_\_\_\_  
 \_\_\_\_\_ (“Franchisee” or “you”) and \_\_\_\_\_  
 \_\_\_\_\_ and \_\_\_\_\_ (the “Owners”) as an  
 express condition of transfer or renewal of the Franchise Agreement dated \_\_\_\_\_  
 between Over the Top Pizza, Inc. (“Chanello’s”) and Franchisee.

1. Release. You and each of the Owners, on behalf of yourselves and all past, present and future parents, subsidiaries, shareholders, members, partners, managers, directors, officers, employees, successors, assigns, agents and legal representatives, and any of the aforementioned persons' heirs, executors, administrators or personal representatives, and all other persons acting on your behalf or claiming under you (collectively, the **"Franchisee Releasers"**), hereby release and forever discharge Chanello's, its affiliates, and their respective past and present officers, directors, shareholders, members, parents, subsidiaries, affiliates, agents, employees, attorneys, insurers, representatives, predecessors, successors, and assigns, and each of them, from any and all claims, debts, liabilities, demands, obligations, costs, expenses, suits, actions, and causes of action, of whatever nature, known or unknown, suspected or unsuspected, vested or contingent (collectively, **"Claims"**) that the Franchisee Releasers ever had, now have, or may in the future have, arising out of or relating to any act, omission or event occurring on or before the date of this Release.

2. Risk of changed facts. You and the Owners understand that the facts in respect of which the release in Section 1 is given may turn out to be different from the facts that you and the Owners now know or believe to be true. You and the Owners, on behalf of yourselves and the Franchisee Releasors, hereby accept and assume the risk of the facts turning out to be different and agree that the release will nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

3. No prior assignment. You and the Owners, for yourselves and on behalf of the Franchisee Releasors, represent and warrant that the Franchisee Releasors have not assigned or transferred, or purported to assign or transfer, any Claim released under Section 1 above to any person or business entity that is not a Franchisee Releasor.

4. Covenant not to sue. You and the Owners, for yourselves and on behalf of the Franchisee Relasers, covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any person or entity released under Section 1 with respect to any Claim released under Section 1.

5. Complete defense. You and each of the Owners: (i) acknowledges that this General Release will be a complete defense to any Claim released under Section 1 above; and (ii) consents to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

6. Authorization. The person who executes this General Release on behalf of Franchisee represents and warrants that Franchisee has authorized that person to enter into this General Release on behalf of Franchisee. Franchisee represents and warrants that it has the authority to enter into this General Release not only on its own behalf, but also on behalf of the other persons and entities to be bound by its signature.

**FRANCHISEE**

By:

\_\_\_\_\_  
\_\_\_\_\_  
Witness

**OWNERS**

\_\_\_\_\_  
\_\_\_\_\_  
Witness

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

**EXHIBIT E**

**STATE FRANCHISE ADMINISTRATORS; AGENTS FOR SERVICE OF PROCESS**

## **LIST OF STATE ADMINISTRATORS**

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

|                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CALIFORNIA</b><br>Commissioner of Financial Protection and Innovation<br>Department of Financial Protection and Innovation<br>320 West Fourth Street, Suite 750<br>Los Angeles, California 90013-2344<br>(213) 576-7500 / Toll Free: (866) 275-2677<br>Email: ASK.DFPI@dfpi.ca.gov<br>Website: <a href="http://www.dfpi.ca.gov">http://www.dfpi.ca.gov</a> | <b>NEW YORK</b><br>NYS Department of Law<br>Investor Protection Bureau<br>28 Liberty St. 21st Fl<br>New York, NY 10005<br>(212) 416-8222                                                                     |
| <b>HAWAII</b><br>Commissioner of Securities<br>Department of Commerce & Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813<br>(808) 586-2722                                                                                                                       | <b>NORTH DAKOTA</b><br>North Dakota Securities Department<br>State Capitol<br>Department 414<br>600 East Boulevard Avenue, Fourteenth Floor<br>Bismarck, North Dakota 58505-0510<br>(701) 328-4712           |
| <b>ILLINOIS</b><br>Illinois Office of the Attorney General<br>Franchise Bureau<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782-4465                                                                                                                                                                                                    | <b>RHODE ISLAND</b><br>Department of Business Regulation<br>Securities Division, Building 69, First Floor<br>John O. Pastore Center<br>1511 Pontiac Avenue<br>Cranston, Rhode Island 02920<br>(401) 462-9527 |
| <b>INDIANA</b><br>Secretary of State<br>Franchise Section<br>302 West Washington, Room E-111<br>Indianapolis, Indiana 46204<br>(317) 232-6681                                                                                                                                                                                                                 | <b>SOUTH DAKOTA</b><br>Division of Insurance<br>Securities Regulation<br>124 South Euclid Avenue, 2 <sup>nd</sup> Floor<br>Pierre, South Dakota 57501<br>(605) 773-3563                                      |
| <b>MARYLAND</b><br>Office of the Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, Maryland 21202-2020<br>(410) 576-6360                                                                                                                                                                                                            | <b>VIRGINIA</b><br>State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 East Main Street, 9th Floor<br>Richmond, Virginia 23219<br>(804) 371-9051                           |
| <b>MICHIGAN</b><br>Michigan Attorney General’s Office<br>Corporate Oversight Division, Franchise Section<br>525 West Ottawa Street<br>G. Mennen Williams Building, 1 <sup>st</sup> Floor<br>Lansing, Michigan 48913<br>(517) 335-7567                                                                                                                         | <b>WASHINGTON</b><br>Department of Financial Institutions<br>Securities Division<br>P.O. Box 41200<br>Olympia, Washington 98504-1200<br>(360) 902-8760                                                       |
| <b>MINNESOTA</b><br>Minnesota Department of Commerce<br>85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, Minnesota 55101<br>(651) 539-1600                                                                                                                                                                                                               | <b>WISCONSIN</b><br>Division of Securities<br>4822 Madison Yards Way, North Tower<br>Madison, Wisconsin 53705<br>(608) 266-2139                                                                              |

## **AGENTS FOR SERVICE OF PROCESS**

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents in some of the states listed.

|                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CALIFORNIA</b><br>Commissioner of Financial Protection and Innovation<br>Department of Financial Protection and Innovation<br>320 West Fourth Street, Suite 750<br>Los Angeles, California 90013-2344<br>(213) 576-7500 / Toll Free: (866) 275-2677<br>Email: <a href="mailto:ASK.DFPI@dfpi.ca.gov">ASK.DFPI@dfpi.ca.gov</a><br>Website: <a href="http://www.dfpi.ca.gov">http://www.dfpi.ca.gov</a> | <b>NEW YORK</b><br>New York Secretary of State<br>One Commerce Plaza<br>99 Washington Avenue<br>Albany, NY 12231<br>(518) 473-2492                                                                                                                            |
| <b>HAWAII</b><br>Commissioner of Securities<br>Department of Commerce & Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813<br>(808) 586-2722                                                                                                                                                                 | <b>NORTH DAKOTA</b><br>North Dakota Securities Commissioner<br>State Capitol<br>Department 414<br>600 East Boulevard Avenue, Fourteenth Floor<br>Bismarck, North Dakota 58505-0510<br>(701) 328-4712                                                          |
| <b>ILLINOIS</b><br>Illinois Attorney General<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782-4465                                                                                                                                                                                                                                                                                | <b>RHODE ISLAND</b><br>Director of Department of Business Regulation<br>Department of Business Regulation<br>Securities Division, Building 69, First Floor<br>John O. Pastore Center<br>1511 Pontiac Avenue<br>Cranston, Rhode Island 02920<br>(401) 462-9527 |
| <b>INDIANA</b><br>Secretary of State<br>Franchise Section<br>302 West Washington, Room E-111<br>Indianapolis, Indiana 46204<br>(317) 232-6681                                                                                                                                                                                                                                                           | <b>SOUTH DAKOTA</b><br>Division of Insurance<br>Director of the Securities Regulation<br>124 South Euclid Avenue, 2 <sup>nd</sup> Floor<br>Pierre, South Dakota 57501<br>(605) 773-3563                                                                       |
| <b>MARYLAND</b><br>Maryland Securities Commissioner<br>200 St. Paul Place<br>Baltimore, Maryland 21202-2020<br>(410) 576-6360                                                                                                                                                                                                                                                                           | <b>VIRGINIA</b><br>Clerk of the State Corporation Commission<br>1300 East Main Street, 1 <sup>st</sup> Floor<br>Richmond, Virginia 23219<br>(804) 371-9733                                                                                                    |
| <b>MICHIGAN</b><br>Michigan Attorney General’s Office<br>Corporate Oversight Division, Franchise Section<br>525 West Ottawa Street<br>G. Mennen Williams Building, 1 <sup>st</sup> Floor<br>Lansing, Michigan 48913<br>(517) 335-7567                                                                                                                                                                   | <b>WASHINGTON</b><br>Director of Department of Financial Institutions<br>Securities Division – 3 <sup>rd</sup> Floor<br>150 Israel Road, Southwest<br>Tumwater, Washington 98501<br>(360) 902-8760                                                            |
| <b>MINNESOTA</b><br>Commissioner of Commerce<br>Minnesota Department of Commerce<br>85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, Minnesota 55101<br>(651) 539-1600                                                                                                                                                                                                                             | <b>WISCONSIN</b><br>Division of Securities<br>4822 Madison Yards Way, North Tower<br>Madison, Wisconsin 53705<br>(608) 266-2139                                                                                                                               |

## **EXHIBIT F**

### **ADDITIONAL STATE-REQUIRED INFORMATION AND STATE-REQUIRED CONTRACT ADDENDA**

We may register our franchise offering in some or all of the states listed on the State Effective Dates page at the front of this disclosure document. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in any of these states, we will include appropriate state-specific disclosures and/or addenda to our contracts, as required by state law.

**VIRGINIA** - The following is added to the disclosure document for Virginia residents:

**INFORMATION REQUIRED**  
**BY THE COMMONWEALTH OF VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for use in the Commonwealth of Virginia is amended to add the following:

**Item 17, Additional Disclosures:**

Under 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 and Development Agreement do not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, the provision may not be enforceable.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

**Item 22, Additional Disclosures.**

The Franchise Agreement is amended for use in Virginia by deleting Appendix E (Franchisee’s Acknowledgments).

The Development Agreement is amended for use in Virginia by deleting Appendix E (Developer’s Acknowledgments).

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

Any securities offered or sold by the investor Franchisee as part of the Chanello’s Pizza franchise must either be registered or exempt from registration under Section 13.1-514 of the Virginia Securities Act.

## EXHIBIT G

### FRANCHISEES AS OF DECEMBER 31, 2024; FRANCHISEES WHO EXITED AN OUTLET DURING 2024

#### Chanello's Pizza franchises as of December 31, 2024:

| Franchisee Name                                  | Business Address   | City, State, Zip       | Business Phone |
|--------------------------------------------------|--------------------|------------------------|----------------|
| J & M Pizza, Inc.<br>Contact:<br>Patrick Roberts | 787 East Market St | Harrisonburg, VA 22801 | 540-574-4700   |

| Franchisee Name                                    | Business Address                | City, State, Zip       | Business Phone |
|----------------------------------------------------|---------------------------------|------------------------|----------------|
| Franco Pizza, Inc.<br>Contact:<br>Francis Mellette | PO Box 385                      | Quinton, VA 23141      | 801-749-8015   |
|                                                    | <b><u>Store Locations:</u></b>  |                        |                |
|                                                    | 2 Hidenwood Shopping Center #15 | Newport News, VA 22606 | 757-595-2600   |
|                                                    | 12971 Jefferson Ave.            | Newport News, VA 23608 | 757-887-1300   |
|                                                    | 1408 Richmond Road              | Williamsburg, VA 23185 | 757-229-1010   |
|                                                    | 5239 S. Laburnum Ave.           | Henrico, VA 23231      | 804-236-0303   |

| Franchisee Name                                     | Business Address               | City, State, Zip           | Business Phone |
|-----------------------------------------------------|--------------------------------|----------------------------|----------------|
| Marty's Pizza Inc.<br>Contact:<br>Marty Chamberlain | 3608 Benson Road               | Garner, NC 27529           | 919-771-1000   |
| Liberty Pizza, LLC.<br>Contact:<br>Pankaj Aggarwal  | 906 Crossings Blvd.            | Hopewell, VA 23834         | 718-838-4378   |
|                                                     | <b><u>Store Locations:</u></b> |                            |                |
|                                                     | 2803 W. Broad St.              | Richmond, VA 23230         | 804-358-3800   |
|                                                     | 3409 Boulevard                 | Colonial Heights, VA 23834 | 804-526-6800   |
|                                                     | 906 Crossings Blvd.            | Hopewell, VA 23860         | 804-452-2400   |
|                                                     | 10166 W. Broad St.             | Glen Allen, VA 23060       | 804-740-0700   |
|                                                     | 11525 Midlothian Turnpike      | Richmond, VA 23235         | 804-897-0057   |

#### Chanello's Pizza franchises that exited the system during 2024:

None

**EXHIBIT H-1**  
**AUDITED FINANCIAL STATEMENTS**

**OVER THE TOP PIZZA, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2024**

## OVER THE TOP PIZZA, INC.

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Over the Top Pizza, Inc.

### **Opinion**

We have audited the accompanying financial statements of Over the Top Pizza, Inc. (a Virginia corporation), which comprise the balance sheet as of December 31, 2024, and the related statements of income and stockholder's equity and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Over the Top Pizza, Inc. as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Over the Top Pizza, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

*Barnes, Brack, Carnwell & Painter PLLC*

Chesapeake, Virginia  
April 28, 2025

OVER THE TOP PIZZA, INC.

**BALANCE SHEET**  
**December 31, 2024**

---

ASSETS

CURRENT ASSETS:

|                         |    |               |
|-------------------------|----|---------------|
| Cash                    | \$ | 21,315        |
| Royalty fees receivable |    | <u>3,395</u>  |
| Total current assets    | \$ | <u>24,710</u> |

OTHER ASSETS:

|                               |    |                 |
|-------------------------------|----|-----------------|
| Start-up costs                | \$ | 23,795          |
| Operations Manuals            |    | <u>37,500</u>   |
| Total                         |    | 61,295          |
| Less accumulated amortization |    | <u>(61,295)</u> |
| Net other assets              | \$ | <u>-</u>        |

|              |    |                      |
|--------------|----|----------------------|
| TOTAL ASSETS | \$ | <u><u>24,710</u></u> |
|--------------|----|----------------------|

LIABILITIES & STOCKHOLDER'S EQUITY

CURRENT LIABILITIES:

|                  |    |              |
|------------------|----|--------------|
| Accounts payable | \$ | <u>2,996</u> |
|------------------|----|--------------|

STOCKHOLDER'S EQUITY:

|                                                                           |    |                 |
|---------------------------------------------------------------------------|----|-----------------|
| Common Stock, no par value, 500 shares authorized, issued and outstanding | \$ | 20,000          |
| Additional paid in capital                                                |    | 85,551          |
| Retained earnings (Deficit)                                               |    | <u>(83,837)</u> |
| Total stockholder's equity                                                | \$ | <u>21,714</u>   |

|                                          |    |                      |
|------------------------------------------|----|----------------------|
| TOTAL LIABILITIES & STOCKHOLDER'S EQUITY | \$ | <u><u>24,710</u></u> |
|------------------------------------------|----|----------------------|

See independent auditor's report and accompanying notes to the financial statements.

OVER THE TOP PIZZA, INC.

STATEMENT OF INCOME AND STOCKHOLDER'S EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2024

---

|                                                        |                           |
|--------------------------------------------------------|---------------------------|
| OPERATING REVENUE:                                     |                           |
| Royalty fees                                           | <u>\$ 175,926</u>         |
| OPERATING EXPENSES:                                    |                           |
| Professional fees                                      | \$ 5,510                  |
| Management fees                                        | 70,007                    |
| Bank fees                                              | <u>1,569</u>              |
| TOTAL OPERATING EXPENSES                               | <u>\$ 77,086</u>          |
| NET INCOME                                             | \$ 98,840                 |
| STOCKHOLDER'S EQUITY (DEFICIT) - BEGINNING OF THE YEAR | (56,677)                  |
| MEMBERS' DISTRIBUTIONS                                 | <u>(126,000)</u>          |
| STOCKHOLDER'S EQUITY (DEFICIT) - END OF THE YEAR       | <u><u>\$ (83,837)</u></u> |

See independent auditor's report and accompanying notes to the financial statements.

OVER THE TOP PIZZA, INC.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2024

---

|                                                                                      |                         |
|--------------------------------------------------------------------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:                                                |                         |
| Net income                                                                           | \$ 98,840               |
| Adjustments to reconcile net income to net cash<br>provided by operating activities: |                         |
| (Increase) decrease in assets:                                                       |                         |
| Royalty fees receivable                                                              | (3,394)                 |
| Increase in liabilities:                                                             |                         |
| Accounts payable                                                                     | <u>1,507</u>            |
| NET CASH PROVIDED BY OPERATING ACTIVITIES                                            | \$ 96,953               |
| <br>CASH FLOWS FROM FINANCING ACTIVITIES:                                            |                         |
| Members' distributions                                                               | <u>(126,000)</u>        |
| NET CHANGE IN CASH                                                                   | \$ (29,047)             |
| CASH - BEGINNING OF THE YEAR                                                         | <u>50,362</u>           |
| CASH - END OF THE YEAR                                                               | <u><u>\$ 21,315</u></u> |

See independent auditor's report and accompanying notes to the financial statements.

**OVER THE TOP PIZZA, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

---

**NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS:**

Over the Top Pizza, Inc (the Company) was formed on May 28, 2008 with the purpose of operating as a franchisor of pizza delivery stores under the trade name Chanello's Pizza. The Company has a licensing agreement with JUL, LLC which holds the trademark for Chanello's Pizza. JUL, LLC is an affiliate which is 100% owned by the owner of Over the Top Pizza, Inc.

The Company began operations on December 8, 2021. The financial transactions that previously occurred is the capital contribution of \$20,000 on November 1, 2013 and the amortization of start-up cost and operating manuals. Additional organizational costs have been incurred for the establishment of the corporation and development of franchise documents and related agreements in the amount of \$85,551, paid by the stockholder and have been contributed to the corporation as additional paid in capital.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States. The accrual basis of accounting recognizes income when earned and expenses when incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates

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

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of cash, temporary cash investments and receivables. The Company places its cash and cash equivalents on deposit with financial institutions in the United States. All of a depositor's accounts are at an insured depository institution, including all non-interest bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard deposit insurance amount of \$250,000, for each deposit insurance ownership category. As of December 31, 2024 the Company did not have any demand deposits on hand in financial institutions which exceeded FDIC amounts.

Advertising

The cost of advertising is generally expensed in the year in which the advertising first takes place and amounted to \$0 for the year ended December 31, 2024.

**OVER THE TOP PIZZA, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

Franchise Fees Receivable and Royalty Fees Receivable

Franchise fees receivable and royalty fees receivable are recognized and carried at original contracted amount less an allowance for any uncollectible amounts, if necessary. Management reviews the adequacy of the allowance for doubtful accounts on an ongoing basis using aging of receivables. Management also periodically evaluates individual customer's financial condition, credit history, and the current economic conditions to adjust the allowance when it is necessary. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers. Management has determined that an allowance for uncollectible accounts is not necessary at December 31, 2024.

As of December 31, 2024, there is \$3,395 royalty fees were receivable, as the fees were waived upon the signing of the Company's current franchise agreements.

Revenue Recognition

Initial franchise fee deposits are deferred and not recognized as revenue until all material services or conditions related to the earning of such income have substantially been performed by the Company. Substantial completion occurs when the franchise commences operations and all related franchise commencement services have been substantially provided.

Royalty fee income is based on a percentage of gross revenues earned by each franchise location. Royalties earned are 5% of franchise gross revenue. The percentage is agreed upon between each franchisee and the franchisor. Royalty fee income is recorded as revenue as the fees are earned and become receivable from the franchisee.

Income Taxes

The Company, a limited liability company, is not a taxpaying entity for federal and state income tax purposes, and thus, no income tax expense has been recorded in the statements. Income from the Company is taxed to the members on their individual returns.

The Company files income tax returns in the United States federal jurisdiction, and various state and local jurisdictions. The Company's federal, state and local income tax returns remain open for examination for the years ending December 31, 2024, 2023, 2022, and 2021, generally three years after they were filed.

The Company applied the provisions of Accounting Standards Codification ("ASC") 740 regarding uncertain tax positions as they relate to pass-through entities.

Stockholder's Equity

The Company's charter authorizes 5,000 shares of common stock with no par value. On November 1, 2013, 500 shares of common stock were issued to the sole stockholder in exchange for \$20,000. As explained in more detail above, the shareholder has contributed additional paid capital of \$85,551.

**OVER THE TOP PIZZA, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

Other Assets

Other assets are recorded at cost. Expenditures for maintenance and repairs are expensed as incurred while renewals and betterments are capitalized. The gain or loss on items traded is applied to the asset account, and that on items otherwise disposed of is reflected in income. Amortization has been provided for using the straight-line method over the estimated useful lives of the assets. Amortization expense for the year ended December 31, 2024 amounted to \$0.

**NOTE 3 - LIQUIDITY:**

The main financial asset available for general expenditures is cash totaling \$21,315 for which there are no restrictions. It is available, along with additional revenues collected, to meet future financial needs during the next fiscal year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**NOTE 4 - SUBSEQUENT EVENTS:**

Subsequent events were evaluated through April 28, 2025, which is the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and through April 28, 2025, that would require adjustment to, or disclosure in, the financial statements.

**OVER THE TOP PIZZA, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

## OVER THE TOP PIZZA, INC.

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Over the Top Pizza, Inc.

### **Opinion**

We have audited the accompanying financial statements of Over the Top Pizza, Inc. (a Virginia corporation), which comprise the balance sheet as of December 31, 2023, and the related statements of income and stockholder's equity and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Over the Top Pizza, Inc. as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Over the Top Pizza, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

*Barnes, Brack, Cornwell & Painter PLLC*

Chesapeake, Virginia  
September 30, 2024

OVER THE TOP PIZZA, INC.

BALANCE SHEET  
DECEMBER 31, 2023

---

ASSETS

CURRENT ASSETS:

|      |    |        |
|------|----|--------|
| Cash | \$ | 50,362 |
|------|----|--------|

OTHER ASSETS:

|                |    |        |
|----------------|----|--------|
| Start-up costs | \$ | 23,795 |
|----------------|----|--------|

|                    |  |        |
|--------------------|--|--------|
| Operations Manuals |  | 37,500 |
|--------------------|--|--------|

|       |  |        |
|-------|--|--------|
| Total |  | 61,295 |
|-------|--|--------|

|                               |  |          |
|-------------------------------|--|----------|
| Less accumulated amortization |  | (61,295) |
|-------------------------------|--|----------|

|                  |    |   |
|------------------|----|---|
| Net other assets | \$ | - |
|------------------|----|---|

|              |    |        |
|--------------|----|--------|
| TOTAL ASSETS | \$ | 50,362 |
|--------------|----|--------|

LIABILITIES & STOCKHOLDER'S EQUITY

CURRENT LIABILITIES:

|                  |    |       |
|------------------|----|-------|
| Accounts payable | \$ | 1,488 |
|------------------|----|-------|

STOCKHOLDER'S EQUITY:

|                                                                           |    |        |
|---------------------------------------------------------------------------|----|--------|
| Common Stock, no par value, 500 shares authorized, issued and outstanding | \$ | 20,000 |
|---------------------------------------------------------------------------|----|--------|

|                            |  |        |
|----------------------------|--|--------|
| Additional paid in capital |  | 85,551 |
|----------------------------|--|--------|

|                             |  |          |
|-----------------------------|--|----------|
| Retained earnings (Deficit) |  | (56,677) |
|-----------------------------|--|----------|

|                            |    |        |
|----------------------------|----|--------|
| Total stockholder's equity | \$ | 48,874 |
|----------------------------|----|--------|

|                                          |    |        |
|------------------------------------------|----|--------|
| TOTAL LIABILITIES & STOCKHOLDER'S EQUITY | \$ | 50,362 |
|------------------------------------------|----|--------|

See independent auditor's report and accompanying notes to the financial statements.

OVER THE TOP PIZZA, INC.

STATEMENT OF INCOME AND STOCKHOLDER'S EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2023

---

|                                                        |                           |
|--------------------------------------------------------|---------------------------|
| OPERATING REVENUE:                                     |                           |
| Royalty fees                                           | \$ 66,786                 |
| Marketing fees                                         | <u>1,797</u>              |
| TOTAL OPERATING REVENUE                                | <u>\$ 68,583</u>          |
| OPERATING EXPENSES:                                    |                           |
| Professional fees                                      | \$ 7,675                  |
| Management fees                                        | 26,714                    |
| Bank fees                                              | 807                       |
| Penalties & fines                                      | <u>3,300</u>              |
| TOTAL OPERATING EXPENSES                               | <u>\$ 38,496</u>          |
| NET INCOME                                             | \$ 30,087                 |
| STOCKHOLDER'S EQUITY (DEFICIT) - BEGINNING OF THE YEAR | <u>(86,764)</u>           |
| STOCKHOLDER'S EQUITY (DEFICIT) - END OF THE YEAR       | <u><u>\$ (56,677)</u></u> |

See independent auditor's report and accompanying notes to the financial statements.

OVER THE TOP PIZZA, INC.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2023

---

|                                       |                         |
|---------------------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: |                         |
| Net income                            | \$ 30,087               |
| Increase in liabilities:              |                         |
| Accounts payable                      | <u>1,488</u>            |
| NET CHANGE IN CASH                    | \$ 31,576               |
| CASH - BEGINNING OF THE YEAR          | <u>18,786</u>           |
| CASH - END OF THE YEAR                | <u><u>\$ 50,362</u></u> |

See independent auditor's report and accompanying notes to the financial statements.

**OVER THE TOP PIZZA, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

---

**NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS:**

Over the Top Pizza, Inc (the Company) was formed on May 28, 2008 with the purpose of operating as a franchisor of pizza delivery stores under the trade name Chanello's Pizza. The Company has a licensing agreement with JUL, LLC which holds the trademark for Chanello's Pizza. JUL, LLC is an affiliate which is 100% owned by the owner of Over the Top Pizza, Inc.

The Company began operations on December 8, 2021. The financial transactions that previously occurred is the capital contribution of \$20,000 on November 1, 2013 and the amortization of start-up cost and operating manuals. Additional organizational costs have been incurred for the establishment of the corporation and development of franchise documents and related agreements in the amount of \$85,551, paid by the stockholder and have been contributed to the corporation as additional paid in capital.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States. The accrual basis of accounting recognizes income when earned and expenses when incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates

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

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentration of credit risk, consist principally of cash, temporary cash investments and receivables. The Company places its cash and cash equivalents on deposit with financial institutions in the United States. All of a depositor's accounts are at an insured depository institution, including all non-interest bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard deposit insurance amount of \$250,000, for each deposit insurance ownership category. As of December 31, 2023 the Company did not have any demand deposits on hand in financial institutions which exceeded FDIC amounts.

Advertising

The cost of advertising is generally expensed in the year in which the advertising first takes place and amounted to \$0 for the year ended December 31, 2023.

**OVER THE TOP PIZZA, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

Franchise Fees Receivable and Royalty Fees Receivable

Franchise fees receivable and royalty fees receivable are recognized and carried at original contracted amount less an allowance for any uncollectible amounts, if necessary. Management reviews the adequacy of the allowance for doubtful accounts on an ongoing basis using aging of receivables. Management also periodically evaluates individual customer's financial condition, credit history, and the current economic conditions to adjust the allowance when it is necessary. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers. Management has determined that an allowance for uncollectible accounts is not necessary at December 31, 2023.

As of December 31, 2023, no franchise fees were receivable, as the fees were waived upon the signing of the Company's current franchise agreements.

Revenue Recognition

Initial franchise fee deposits are deferred and not recognized as revenue until all material services or conditions related to the earning of such income have substantially been performed by the Company. Substantial completion occurs when the franchise commences operations and all related franchise commencement services have been substantially provided.

Royalty fee income is based on a percentage of gross revenues earned by each franchise location. Royalties earned are 5% of franchise gross revenue. The percentage is agreed upon between each franchisee and the franchisor. Royalty fee income is recorded as revenue as the fees are earned and become receivable from the franchisee.

Income Taxes

The Company, a limited liability company, is not a taxpaying entity for federal and state income tax purposes, and thus, no income tax expense has been recorded in the statements. Income from the Company is taxed to the members on their individual returns.

The Company files income tax returns in the United States federal jurisdiction, and various state and local jurisdictions. The Company's federal, state and local income tax returns remain open for examination for the years ending December 31, 2023, 2022, 2021, and 2020, generally three years after they were filed.

The Company applied the provisions of Accounting Standards Codification ("ASC") 740 regarding uncertain tax positions as they relate to pass-through entities.

Stockholder's Equity

The Company's charter authorizes 5,000 shares of common stock with no par value. On November 1, 2013, 500 shares of common stock were issued to the sole stockholder in exchange for \$20,000. As explained in more detail above, the shareholder has contributed additional paid capital of \$85,551.

**OVER THE TOP PIZZA, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

Other Assets

Other assets are recorded at cost. Expenditures for maintenance and repairs are expensed as incurred while renewals and betterments are capitalized. The gain or loss on items traded is applied to the asset account, and that on items otherwise disposed of is reflected in income. Amortization has been provided for using the straight-line method over the estimated useful lives of the assets. Amortization expense for the year ended December 31, 2023 amounted to \$0.

**NOTE 3 - LIQUIDITY:**

The main financial asset available for general expenditures is cash totaling \$50,362 for which there are no restrictions. It is available, along with additional revenues collected, to meet future financial needs during the next fiscal year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**NOTE 4 - SUBSEQUENT EVENTS:**

Subsequent events were evaluated through September 30, 2024, which is the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and through September 30, 2024 that would require adjustment to, or disclosure in, the financial statements.

# **Over the Top Pizza, Inc.**

## **Audited Financial Statements**

**December 31, 2022**

Prepared by:

E. Wayne Bostain, CPA  
120 S. Lynnhaven Road, Suite 203  
Virginia Beach, Virginia 23452  
757-486-6767  
[www.bostaincpa.com](http://www.bostaincpa.com)  
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# **Table of Contents**

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| Statement of Cash Flows                                              | 5           |
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# ***E. Wayne Bostain, CPA***

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## **Independent Auditor's Report**

To: Board of Directors  
Over the Top Pizza, Inc.  
Chesapeake, Virginia 23328

### **Report on the Financial Statements**

I have audited the accompanying financial statements of Over the Top Pizza, Inc., which comprise the balance sheet as of December 31, 2022, and the related statements of income, changes in stockholder's equity and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant

Member  
**American Institute of Certified Public Accountants**  
**Virginia Society of Certified Public Accountants**  
**National Association of Enrolled Agents**  
**Association of Certified Fraud Examiners**

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to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence that I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Over the Top Pizza, Inc. as of December 31, 2022 and the results of its operations and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.



E. Wayne Bostain, CPA  
Virginia Beach, VA 23452

July 27, 2023

Member  
**American Institute of Certified Public Accountants**  
**Virginia Society of Certified Public Accountants**  
**National Association of Enrolled Agents**  
**Association of Certified Fraud Examiners**

**Over the Top Pizza, Inc.**  
**Balance Sheet**  
**as of**  
**December 31, 2022**

**ASSETS**

Current Assets

|                      |               |
|----------------------|---------------|
| Bank Accounts        | \$ 18,787     |
| Total Current Assets | <u>18,787</u> |

Other Assets

|                                |               |                 |
|--------------------------------|---------------|-----------------|
| Start-up Cost                  | 23,795        |                 |
| Operations Manuals             | <u>37,500</u> |                 |
| Total Other Assets             |               | 61,295          |
| Less: Accumulated Depreciation |               | <u>(61,295)</u> |
| Total Net Other Assets         |               | -               |

|                     |                         |
|---------------------|-------------------------|
| <b>TOTAL ASSETS</b> | <u><u>\$ 18,787</u></u> |
|---------------------|-------------------------|

**LIABILITIES and STOCKHOLDER'S EQUITY**

|                           |             |
|---------------------------|-------------|
| Liabilities               | \$ -        |
| Current Liabilities       | \$ -        |
| Accounts Payable          | <u>\$ -</u> |
| Total Current Liabilities | \$ -        |

Equity

|                                                                                              |                  |
|----------------------------------------------------------------------------------------------|------------------|
| Common Stock, no par value,<br>5,000 shares authorized, 500 shares<br>issued and outstanding | \$ 20,000        |
| Additional Paid-in Capital                                                                   | 85,551           |
| Deficit                                                                                      | <u>(86,764)</u>  |
| Total Equity                                                                                 | <u>\$ 18,787</u> |

|                                                   |                         |
|---------------------------------------------------|-------------------------|
| <b>TOTAL LIABILITIES and STOCKHOLDER'S EQUITY</b> | <u><u>\$ 18,787</u></u> |
|---------------------------------------------------|-------------------------|

**See Independent Auditor's Report and Accompanying Notes**

**Over the Top Pizza, Inc.**  
**Income Statement**  
**and**  
**Statement of Changes in Stockholder's Equity**  
**For the Period Ending**  
**December 31, 2022**

**Statement of Income:**

|                      |                 |
|----------------------|-----------------|
| Revenue              | \$ -            |
| Expenses             |                 |
| Audit Fee Expense    | \$ 3,300        |
| Tax Preparation Fees | 100             |
| Bank Service Fees    | 390             |
| Net Income (Loss)    | <u>\$ 3,790</u> |

**Statement of Changes in Stockholder's Equity:**

|                                             |                  |
|---------------------------------------------|------------------|
| Stockholder's Equity, Beginning of the Year | \$ 20,000        |
| Additional Paid in Capital                  | 85,551           |
| Deficit                                     | (86,764)         |
| Stockholder's Equity, End of Year           | <u>\$ 18,787</u> |

**See Independent Auditor's Report and Accompanying Notes**

**Over the Top Pizza, Inc.**  
**Statement of Cash Flows**  
**For the Year Ending**  
**December 31, 2022**

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

|                                                 |             |
|-------------------------------------------------|-------------|
| Net Income                                      | \$ -        |
| Adjustments to Reconcile Net Income to Net Cash | \$ -        |
| Net Cash Flow from Operations                   | <u>\$ -</u> |

Net Cash Flow from Investing Activities

|                                           |             |
|-------------------------------------------|-------------|
| Increase in Paid in Capital               | \$ -        |
| Net Cash Provided by Investing Activities | <u>\$ -</u> |

Cash Flow from Financing Activities

\$ -

Increase (Decrease) in Cash and Cash Equivalents

\$ 3,790

Cash and Cash Equivalents, Beginning of Year

\$ 22,577

Cash and Cash Equivalents, End of Year

\$ 18,787

**See Independent Auditor's Report and Accompanying Notes**

## **Over the Top Pizza, Inc.**

Notes to Financial Statements  
December 31, 2022

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

#### *Nature of Operations*

The Company was formed on May 28, 2008 with the purpose of operating as a franchisor of pizza delivery stores under the trade name Chanello's Pizza. The Company has the expectation of entering into a licensing agreement with JUL, LLC which holds the trademark for Chanello's Pizza. JUL, LLC is an affiliate which is 100% owned by the owner of Over the Top Pizza, Inc.

The Company began operations on December 8, 2021. The only financial transactions that previously occurred is the capital contribution of \$20,000 on November 1, 2013 and the amortization of start-up cost and operating manuals. Additional organizational costs have been incurred for the establishment of the corporation and development of franchise documents and related agreements in the amount of \$85,551, paid by the shareholder and have been contributed to the corporation as additional paid in capital.

#### *Start-up Costs*

The start-up costs presented on the balance sheet consist of annual state registration fees and legal fees totaling \$23,795.

#### *Nature of Stockholder Equity*

The Company's charter authorizes 5,000 shares of common stock with no par value. On November 1, 2013, 500 shares of common stock were issued to the sole stockholder in exchange for \$20,000. As explained in more detail above, the shareholder has contributed additional paid capital of \$85,551.

#### *Income Taxes*

The Company has elected S-corporation status and therefore is not subject to income taxes because income is taxed directly to owners.

### **NOTE B - CONCENTRATION OF RISK**

There is no known concentration of risk related to current customers or outstanding liabilities. The Company is in the process of applying for approval to market franchises with the state of Virginia. Its future marketing operations are contingent upon that approval.

**NOTE C - COMMITMENTS AND CONTINGENCIES**

The Company has no known litigation that will result in any loss which would materially affect the assets, liabilities, and stockholder's equity of the Company.

**NOTE D - SUBSEQUENT EVENTS**

The Company is aware of no events subsequent to the balance sheet date of December 31, 2022 through July 27, 2023 which would have a material effect on same.

### **State Effective Dates**

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

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

| <b>STATES</b> | <b>EFFECTIVE DATE</b> |
|---------------|-----------------------|
| Virginia      | <i>Pending</i>        |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

## Receipt

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Over the Top Pizza, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Over the Top Pizza, 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 to the appropriate state agency listed in Exhibit E.

The franchisor is Over the Top Pizza, Inc., located at 905 W. 21st Street, Norfolk, Virginia 23517, (877) 51-PIZZA.

Issuance date: **April 28, 2025**

The franchise sellers for this offering are:

|                        |                                                                         |
|------------------------|-------------------------------------------------------------------------|
| William "Chip" Shubert | 905 W. 21st Street, Norfolk, Virginia 23517, (877) 51-PIZZA             |
| Juliet Channell        | 905 W. 21 <sup>st</sup> Street, Norfolk, Virginia 23517, (877) 51-PIZZA |

Over the Top Pizza, Inc. authorizes the state agencies in Exhibit E to receive service of process for it in the particular state.

I have received a Franchise Disclosure Document dated **April 28, 2025** that included the following Exhibits (the effective dates of this disclosure document in states with franchise registration laws are listed in the State Effective Dates page).

- A. Development Agreement
- B. Franchise Agreement
- C. Table of Contents of Operations Manuals
- D. Sample Release
- E. State Franchise Administrators; Agents for Service of Process
- F. Additional State-Required Information, State-Required Contract Addenda
- G. Franchisees as of 12/31/24; Franchisees who Exited an Outlet During 2024
- H. Financial Statements

\_\_\_\_\_  
Date Received

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Name (please print)

**This copy to be retained by Prospective Franchisee**

## Receipt

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\_\_\_\_\_  
Date Received

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Name (please print)

**This copy to be retained by Over the Top Pizza, Inc.**