

FRANCHISE DISCLOSURE DOCUMENT

NEW YORK PIZZERIA INCORPORATED

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The franchise offered is for a full-service restaurant offering Italian New York style pizza, Neapolitan pizza, XL 28-inch party pizza, pizza by the slice, and Italian menu items including the following: soups, salads, calzones, pasta entrées, sandwiches, desserts, beer and wine, coffee specialties and other nonalcoholic beverages. Each restaurant operates using the franchisor's proprietary recipes, formulae, techniques, trade dress, trademarks and logos.

The total investment necessary to begin operation of a Russo's New York Pizzeria Restaurant franchise is \$439,350 to \$1,501,000. This includes \$47,000 to \$111,500 that must be paid to the franchisor and/or its affiliate.

The total investment necessary to enter a Multi-Unit Development Agreement to develop five restaurants is \$454,350 to \$1,516,500. This includes \$50,000 that must be paid to the franchisor or an affiliate.

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

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

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

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

Issuance Date: July 14, 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:

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation and/or litigation only in Texas. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Texas than in your own state.
2. **Mandatory Minimum Payments.** You must make mandatory minimum royalty payments or advertising contributions regardless of your sales level. Your inability to make these payments may result in termination of your franchise and loss of your investment.
3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
4. **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.
5. **Going Concern.** The Auditor's Report on the Franchisor's financial statements expresses substantial doubt about the Franchisor's ability to remain in business. This means that the Franchisor may not have the financial resources to provide services and support to you.

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

New York Pizzeria Incorporated

Table of Contents

ITEM 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES	6
ITEM 2: BUSINESS EXPERIENCE	78
ITEM 3: LITIGATION	8
ITEM 4: BANKRUPTCY	9
ITEM 5: INITIAL FEES	9
ITEM 6: OTHER FEES.....	10
ITEM 7: ESTIMATED INITIAL INVESTMENT	18
ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	23
ITEM 9: FRANCHISEE’S OBLIGATIONS	26
ITEM 10: FINANCING	27
ITEM 11: FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND	28
ITEM 12: TERRITORY	36
ITEM 13: TRADEMARKS.....	40
ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	41
ITEM 15: OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	42
ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	43
ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION THE FRANCHISE RELATIONSHIP	44
ITEM 18: PUBLIC FIGURES	50
ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS	50
ITEM 20: OUTLETS AND FRANCHISEE INFORMATION	52
ITEM 21: FINANCIAL STATEMENTS.....	55
ITEM 22: CONTRACTS	55
ITEM 23: RECEIPTS.....	55

LIST OF EXHIBITS

- Exhibit A – Financial Statements
- Exhibit B – Franchise Agreement
- Exhibit C – Multi-Unit Development Agreement
- Exhibit D – Franchised Outlets
- Exhibit E – Table of Contents of Confidential Operations Manual
- Exhibit F – State Addenda
- Exhibit G –List of State Administrators/Agents for Service of Process
- Exhibit H – Franchisee Acknowledgement Statement

ITEM 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

New York Pizzeria Incorporated (referred to in this Disclosure Document as “Russo’s,” “we,” “us,” or “our” and where the context requires also includes our affiliates) was formed as a Texas corporation on May 14, 1998. Our principal place of business is 5120 Woodway Drive, Suite 8030, Houston, Texas 77056. We do business under our operating name, “Russo’s New York Pizzeria” and its associated design (the “Marks” or “Proprietary Marks”). In this Disclosure Document, we refer to the person or entity that will be signing the Franchise Agreement (defined below) as “you,” “your,” or “franchisee,” which includes all franchise owners and partners, if you are a corporation, partnership or other entity.

We do not own or operate any businesses of the type being franchised. We have not offered franchises in any other line of business, and we do not engage in any other business activity. We have offered franchises since May 1998. We are not currently offering franchises under the “Russo’s Coal-Fired Italian Kitchen” trademark.

Our agent for service of process is Gerardo A. Russo at 5120 Woodway Drive, Suite 8030, Houston, Texas 77056, as well as the state agencies listed in Exhibit G.

Our Parents, Predecessors and Affiliates

We have no parent or predecessor. We have the following affiliates:

1. Russo’s Marketing, L.L.C., a Delaware limited liability company headquartered at 5120 Woodway Drive, Suite 8030, Houston, Texas 77056. This affiliate provides marketing and advertising design services to our franchised and company owned Restaurants. This affiliate has never offered franchises in this or any other line of business and does not own or operate a business of the type being franchised.
2. Russo’s Brand Management, L.L.C., a Delaware limited liability company headquartered at 5120 Woodway Drive, Suite 8030, Houston, Texas 77056. This affiliate collects our brand management fee on our behalf. This affiliate has never offered franchises in this or any other line of business, does not own or operate a business of the type being franchised, and is not an approved supplier of any product or service.

Description of Franchise

We offer franchises for the right to establish and operate a full-service restaurant offering Italian New York style pizza, Neapolitan pizza, XL 28 Inch party pizza, pizza by the slice, and Italian menu items including: soups, salads, calzones, pasta entrees, sandwiches, desserts, coffee specialties and other nonalcoholic beverages. (“Restaurant” or “Franchised Business”). Restaurants offer beer and wine, unless local laws do not permit the sales of these beverages. Each Restaurant offers dine-in, take-out, catering and delivery services.

In certain circumstances, we will offer qualified individuals the right to enter into a Multi-Unit Development Agreement in the form attached as Exhibit C to this Disclosure Document (the “Multi-Unit Development Agreement”) to develop a minimum of five franchised Restaurants to be located within a specifically described geographic area (the “Development Area”). You must sign the then-current form of franchise agreement for each Franchised Business to be developed under the multi-unit development agreement, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document.

Market and Competition

The market for restaurants in general is well developed and intensely competitive, and the market for pizza restaurant is also very competitive. You will serve the general public and will compete with a variety of businesses, including locally owned to regional, national and chain restaurants, some of which may be franchise systems. The demand for the products and services offered by your Restaurant is not seasonal, however it may be affected by changes in consumer tastes, demographics, and economic conditions. We may establish other Restaurants in your area (if permitted under the Franchise Agreement) and/or sell or license others to sell products in your area. We may also sell products through the Internet, toll-free telephone numbers, catalogs, or other similar means of distribution to customers at any location, which may be located in your area. See Items 12 and 16 for a description of your permitted activities and your rights, and our permitted and restricted activities and rights.

Industry Regulations

At all times during the operation of your Restaurant, each of your managers and other employees we designate must be ServSafe (or similar) certified. Certain managers and other employees we designate (including cashiers) must also complete alcohol awareness or TIPS training.

You will have to comply with the Americans with Disabilities Act, Federal Wage and Hour Laws and the Occupational Safety and Health Act. The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce laws and regulations that govern food preparation and service and restaurant sanitary conditions. You must comply with the federal Clean Air Act.

The Nutrition Labeling and Education Act (NLEA) sets regulations for food labeling, including nutritional label standards, nutrient content claims, and health claims. NLEA applies to virtually all foods in the food supply, including food served and sold in restaurants. While NLEA specifies a number of exemptions for restaurants, there are many instances where a nutritional label is required. The Food and Drug Administration's *Nutritional Labeling Guide for Restaurants and Other Retail Establishments* provides answers to commonly asked questions regarding the application of NLEA.

If your Restaurant will offer alcoholic beverages, you must have your license to offer alcoholic beverages before you open the Restaurant. You must comply with any federal, state, county, municipal, or other local laws and regulations relating to alcohol that may apply to your Restaurant. Alcoholic beverage permitting requirements, procedures and fees vary greatly by state. In addition, state "dram shop" laws give rise to potential liability for injuries that are directly or indirectly related to the sale and consumption of alcohol.

You must obtain any applicable real estate permits (such as zoning), real estate licenses, liquor licenses and operational licenses.

ITEM 2: BUSINESS EXPERIENCE

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Gerardo Anthony Russo – President and Chief Executive Officer- Houston TX

Mr. Russo has been our President and Chief Executive Officer since our inception in May 1998.

David Rocabado – Director of Marketing – Houston, Texas

Mr. Rocabado has been our Director of Marketing since August 2022. From January 2019 to July 2022, he was Senior Art Director at Crispin/MMI Agency in Houston, Texas. From July 2012 to January 2019, he was our Design Director in Houston, Texas.

Quang Nguyen – Controller – Houston, Texas

Mr. Nguyen has been our Controller since June 2024. From December 2022 to present, he is Senior Associate at TPS Thayer CPAs in Houston, Texas. From October 2021 to November 2022, he was Staff Accountant at The Lash Supply.com in Houston, Texas. From July 2021 to October 2021, he was Staff Accountant at Titan Manufacturing in Houston, Texas. From September 2018 to April 2021, he was Staff Accountant at Arlene Hong Insurance Agency in Houston, Texas.

William Aguiar – Corporate Chef- Houston TX

Mr. Aguiar has been Russo's New York Pizzeria Corporate Chef since August 2024. From May 2021 to February 2024, he was the Executive Chef at Brio Tuscan Grille in Houston, Texas. From October 2018 to April 2023, he was the Corporate Executive Chef at Russo's New York Pizzeria in Houston, Texas.

Massimo Begalli – Director of International Franchising - Houston TX

Mr. Begalli has been our Director of International Franchising since July 2022. From January 2018 to June 2022, he was Area Operation Manager at Prime Hospitality in Dubai, United Arab Emirates.

ITEM 3: LITIGATION

The Commissioner of Financial Protection & Innovation vs. New York Pizzeria Incorporated. On January 27, 2022, the Commissioner found that New York Pizzeria violated Corporations Code section 31110 on one occasion by attending the Pasadena Franchise Show without being registered to offer and sell franchises at the time of the show. The California Department of Financial Protection & Innovation and New York Pizzeria entered into a Consent Order in which New York Pizzeria agreed to desist and refrain order from violating Corporations Code section 31110 and pay a \$2,500 administrative penalty for one violation of Corporations Code section 31110. The fine has been paid.

New York Pizzeria, Inc., et al vs. Shimon Bohbout, et al (269th Judicial District Court of Harris County, Texas, Case # 2024-46271). On July 24, 2024, New York Pizzeria filed a lawsuit against former franchisee, Shimon Bohbout to confirm an arbitration award New York Pizzeria obtained against Mr. Bohbout. New York Pizzeria was awarded a judgment by the 269th Judicial District Court of Harris County, Texas against Shimon Bohbout and Triplex Holdings, LLC and is currently performing post judgment discovery and filed garnishment proceedings against Bank of America (Case#: 2024-46271-A), JP Morgan Chase Bank (Case #: 2024-46271-B). The garnishment proceeding against ANZ Banking Group (Case#: 2024-46271-C) has been dismissed as of December 9, 2025.

Except as listed above, we are not aware of any additional litigation that must be disclosed in this Item.

ITEM 4: BANKRUPTCY

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

ITEM 5: INITIAL FEES

Franchise Agreement: You must pay us an initial franchise fee of \$35,000 for the right to establish a single Restaurant under a Franchise Agreement. The initial franchise fee is imposed uniformly on all franchisees.

If you are unable to obtain all necessary permits and licenses during the stated period of construction as discussed in the Franchise Agreement, we may terminate the Franchise Agreement and refund 1/3 of the initial franchise fee you paid. You must sign any documents we require, including a confidentiality agreement and general

release, before any money will be refunded to you. The initial franchise fee is not refundable under any other circumstances.

Initial Training Fee: We provide initial training for up to four people (including you or your General Manager, your Kitchen Manager and two cooks) at no additional charge. Additionally, you will incur a training fee of up to \$150 per day, per person, payable within 2 weeks of invoicing and training will be 8 weeks in Houston, Texas or a location we will designate. You are responsible for transportation, lodging, meals and out of pocket expenses for all trainees.

Site Submittal Fee: We do not charge a fee for one on-site evaluation of your proposed location, but you must reimburse our expenses related to this on-site evaluation (including travel, lodging and meals that ranges from \$1,000 to \$5,000). If additional on-site evaluations are needed, must pay to us a fee of \$1,000 for each additional on-site evaluation and you must reimburse our representative's expenses to conduct the additional on-site evaluation. This amount is not refundable.

Plan Review Fee: You must pay to us a one-time fee of \$500 for our (or our agent's) reviews of the construction plans for your Restaurant. The fee is payable to us when the construction plans are submitted for our approval and is not refundable.

Point of Sale Monitoring Software: You must pay us \$500 to \$1,000 for us to initiate access to your point of sale and computer system through our monitoring software. The exact cost will depend on the set-up of your point of sale and computer system, such as the number of terminals. This amount is not refundable.

Opening Date Extension Fee: If you are unable to open your Restaurant within six months after you sign the Franchise Agreement, you may request from us an extension of time to open the Restaurant. If we grant you this extension, you must pay us an opening date extension fee of \$10,000 for an additional 90-day period in which to complete construction of the Restaurant and open the Restaurant for business. Additional extension periods may be granted, in our discretion and with payment of this fee. The opening date extension fee is not refundable.

In-Store Opening Training Fee: This fee can range from \$10,000 to \$50,000. We may require that your Restaurant be staffed by an opening crew composed of our corporate trained representatives, for a total period of no longer than 21 days occurring before and after the date of opening of your Restaurant. We may require an opening crew if, in our discretion, your staff has not had sufficient time to develop skills to initially handle the volume of customers. If we send an opening crew to your Restaurant, you must reimburse us for all our actual expenses incurred, including costs of transportation, lodging, meals and wages. Costs for the opening crew are nonrefundable. We do not assess an initial training fee for the opening crew in addition to reimbursement of our actual costs and expenses.

Grand Opening Advertising Program: You must conduct a grand opening advertising program and you must spend a minimum of \$10,000 during the period that includes 20 days before and 90 days after the opening of your Restaurant. Not later than 30 days before your Restaurant is scheduled to open, you must submit to us, for our approval, the proposed budget and marketing plan for your grand opening advertising program. If you do not provide us with the proposed advertising plan and budget when required, we may require you to give us \$10,000 and we will conduct the grand opening advertising program on your behalf.

Multi-Unit Development Agreement: If you qualify to develop and operate at least five Restaurants, then you will pay us a development fee equal to a reduced initial franchise fee of \$10,000, per an outlet, times the number of Restaurants you commit to develop under the Multi-Unit Development Agreement. The minimum development fee payable under the Multi-Unit Development Agreement is \$50,000. The development fee is imposed uniformly on all multi-unit developers, is fully earned by us when received and is not refundable. The development fee is payment in full for the initial franchise fee you must pay to us for the Restaurants you will develop.

There are no other purchases from or payments to us or any affiliate of ours that you must make before your Restaurant opens for business.

ITEM 6: OTHER FEES

(1) Fees (1)	(2) Amount	(3) Due Date	(4) Remarks
Royalty Fee (2)	6% of Gross Sales	Payable weekly on the Wednesday for the previous week based on the Gross Sales for the preceding week ending Sunday.	Royalty Fees are calculated based on Gross Sales for the previous month ending Sunday. Amounts due will be withdrawn by EFT from your designated bank account
Brand Management Fund Fee (3)	The greater of 1% of Gross Sales or minimum \$250 per week, subject to increase up to 1.5% of Gross Sales	Payable weekly together with the Royalty Fee	The Brand Management Fund is described in Item 11. We may increase the Brand Management Fund Fee, up to the maximum of 2% of Gross Sales, with 30 days prior written notice to you
Monthly Intranet Service Provider Fee (4)	\$54/month, not to exceed \$120/month	Monthly, by the 5 th day of each month	You pay us the monthly fee billed to us for your monthly access and usage by our intranet service provider
Local Advertising	2% to 4% of Gross Sales for local advertising and promotion in your local trade area.	Must be spent monthly	Payable to your local advertising suppliers. Any advertising you wish to use must first be approved by us. We may require you to spend a minimum percentage of your Local Advertising budget on flyers and door hangers
Cooperative Advertising Fund Fee (5)	As determined by the members, but not more than 2% of Gross Sales	As determined by the members	If an advertising cooperative is formed for your area, you must join the cooperative. Any money you contribute to a cooperative will count toward your local advertising requirement
Ongoing Proprietary Purchases	Up to \$7,000 annually for menus and up to \$1,200 for table tents, not to exceed 10% increases annually	As incurred	Paid to supplier. The Brand Management Fund may develop new menus and table tents for use by all Restaurants. We may designate that our approved supplier automatically ships these items to you when they are to be used
Initial Training (For New or Replacement Employees)	Current training fee = \$500 per day, per person, not to exceed \$5,000 per day per person, plus each trainee's expenses, including travel, lodging, meals and wages.	Before Training	We will train up to four people at no additional charge. If you request that we provide our initial training program to any additional employees, or to new or replacement employees during the term of your Franchise Agreement, you must pay our training fee as well as the trainees' expenses, including travel, lodging, meals and wages
Additional or Remedial Training / Refresher Training at Our Headquarters	\$150 per trainee, per day, plus travel, lodging, meals and wages, not to exceed a 10% annually	When billed	If you request that we provide additional or refresher training at your Restaurant, or if as the result of an inspection or quality assurance audit we believe that remedial

(1) Fees (1)	(2) Amount	(3) Due Date	(4) Remarks
			training is necessary, and you choose to send the trainees to our training facility. You must pay our daily fee for each trainee you send, and you must reimburse each trainee's expenses, including travel, lodging and meals
Additional or Remedial Training / Refresher Training at Your Restaurant	Current per diem rate is \$500 per trainer/per day, not to exceed a 10% annual increase, annually, plus each trainer's costs of travel, lodging, and meals.	When billed	If you request that we provide additional or refresher training at your Restaurant, or if as the result of an inspection or quality assurance audit we believe that remedial training is necessary, you must pay our daily fee for each trainer we send to your Restaurant, and you must reimburse each trainer's expenses, including travel, lodging and meals
Director Level POS Training	\$800 to \$1,200 per trainee, plus travel, lodging, meals and wages	If incurred	Paid to approved supplier. We may require you, your general manager or other management level employee of your Restaurant to undergo Director Level POS training with our approved training supplier.
Franchisee Meeting / Convention	\$200 per person fee, plus travel, lodging, meals and wages	Before meeting	Payable for each person who attends a franchisee meeting. We may designate that attendance by you and your General Manager is mandatory. You must also pay for each attendee's expenses, including travel, lodging, meals and wages
Late Reporting or Payment Fee	\$50 per day	On demand, if incurred	If any report owed to us is not provided when due, or if any payment to us or our affiliates is not made when due, you must pay this fee for each additional day until the required report or payment is provided. If a payment is late, you must also pay interest on the overdue amount
Interest	10% per annum or the highest interest rate allowed by applicable law, whichever is less	On demand	Interest may be charged on all overdue amounts. Interest accrues from the original due date until payment is received in full
Audit Fee	Cost of audit (estimated to be between \$2,000 and \$9,000)	When billed	Payable only if we find, after an audit, that you have understated Gross Sales by 2% or more or you have understated any amount you owe to us. You must also pay the understated amount plus interest
Insufficient Funds Fee	\$100 per occurrence	On demand, if incurred	Payable if there are insufficient funds in your account to pay fees due to us. If you incur three insufficient funds fees in any 12 month period, we have the right to terminate your Franchise Agreement

(1) Fees (1)	(2) Amount	(3) Due Date	(4) Remarks
Transfer Fee – Transfer to New Owner	35% of our then- current initial franchise fee for a single unit franchise	Upon completion of the transfer	The transfer fee is the same under the Franchise Agreement and Multi-Unit Development Agreement
Transfer Fee – Transfer to Newly Formed Corporate Entity	\$500	Upon completion of transfer	For a transfer from individual(s) to a corporate entity formed for convenience of ownership of the franchise. The transfer fee is the same under the Franchise Agreement and Multi-Unit Development Agreement
Renewal Fee	35% of our then- current initial franchise fee for a single unit franchise	Upon renewal of the Franchise Agreement	
Relocation Fee	Reimbursement of our actual costs related to your relocation request	Upon approval of your relocation request	If you wish to relocate your Restaurant
Inspection / Product and Supplier Evaluation	Reimbursement of our actual costs	On demand	Payable if you request that we evaluate a product or supplier that we have not previously approved and that you want to use for your Restaurant (see Item 8). Also payable if we determine that your Restaurant is offering items that do not conform to our specifications
Liquidated Damages	See footnote 6		
Costs and Attorneys' Fees	Reimbursement of our actual Costs of Costs and Attorneys' Fees.	On demand	If you default under your agreement, you must reimburse us for the expenses we incur (such as attorneys' fees) in enforcing or terminating the agreement
Indemnification	Reimbursement of our Actual Costs of Indemnification.	On demand	You must reimburse us for the costs we incur if we are sued or held liable for claims that arise from your operation of the Franchised Business or for costs associated with defending claims that you used the Marks in an unauthorized manner
Refurbishment or Upgrade of the Restaurant	Reimbursement of our Actual Costs of Refurbishment or Upgrade of the Restaurant.	As incurred	Payable to approved suppliers. You must regularly clean and maintain your Restaurant and its equipment. We may require you to remodel or redecorate your Restaurant to meet our then-current image for Restaurants. We will not require you to remodel or redecorate your Restaurant more frequently than every five years
Charges for “mystery shopper” quality control evaluation	Up to \$150	Monthly	See Note 7. The mystery shopper program will be separate from our programs for customer surveys and customer satisfaction audits (which may require

(1) Fees (1)	(2) Amount	(3) Due Date	(4) Remarks
			you to accept coupons from participating customers for discounted or complimentary items)
ServSafe / TIPS (or similar) Certification	\$150 per person, will not exceed a 10% annual increase.	As needed	Payable to approved supplier. Each of your managers and other employees we designate must be ServSafe and TIPS or similarly certified.
Insurance Reimbursements	Reimbursement our actual costs of Insurance Reimbursements, plus 10% administrative fee	On demand	If you do not maintain the required insurance coverages, we have the right (but not the obligation) to obtain insurance on your behalf
Management Fee	10% of Gross Sales, plus reimbursement of our actual costs.	If incurred	We may step in and manage your Restaurant in certain circumstances, such as death, disability or prolonged absence. We will charge a management fee if we manage your Restaurant, and you must reimburse our expenses
Website Fee	\$600 annually	Monthly, when billed	Payable to us. The website fee will be billed on a monthly basis
Gift Card Program	18 cents per transaction fee, will not exceed a 10% annual increase.	As incurred	Payable to approved supplier. You must participate in our gift card program. Gift cards will be available for sale and redemption at any Restaurant in the System
Prohibited Product or Service Fine	\$250 per day for each day the infraction continues	As incurred	If you offer any product or service at your Restaurant that we have not approved
Operations Manual / Videos Replacement Fee	\$500	As incurred	If your copy of the Operations Manual and/or Videos is lost or destroyed and you require a replacement copy
On-line Ordering Program	\$200 to \$395	Monthly	We may require you to participate in our on-line ordering program
Finder's Fee	10% of the gross selling price of the Restaurant, the franchise, and all related assets or, if applicable law prohibits a finder's fee as a percentage of the sales price, then \$25,000	Upon transfer of the franchise	Payable if we introduce a buyer who purchases your Restaurant. This fee is in lieu of the transfer fee
POS System Maintenance	Up to \$1,200	Annually	Payable to supplier
Termination Fee – Destruction of Restaurant	35% of all insurance proceeds	Upon termination	Payable only if your Restaurant is substantially destroyed by fire or other casualty, and you and we agree to terminate your Franchise Agreement. This is instead of you reconstructing the Restaurant and continuing operation
Reassessment Fee	\$500 plus actual costs.	On demand, if incurred	If we inspect your Restaurant and you score less than 70%, you must pay this fee for us to reassess your Restaurant plus the

(1) Fees (1)	(2) Amount	(3) Due Date	(4) Remarks
			expenses our representative incurs for the reassessment, such as travel, lodging and meals.
Violation of Non-Competition Covenant	\$1,000 per day	On demand, if incurred	If you violate the covenant not to compete in your agreement with us

Notes:

1. All fees described in this Item 6 are non-refundable. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us. Except as specifically stated above, the amounts given may be due to changes in market conditions, our cost of providing services and future policy changes. At the present time we have no plans to increase payments over which we have control, but as noted in the chart above and in these notes, we have the right to increase certain fees upon notice to you.

2. For the purposes of determining the royalties to be paid under the Franchise Agreement, “Gross Sales” means the total selling price of all services and products and all income of every other kind and nature related to the Restaurant, whether for cash or credit and regardless of collection in the case of credit. If a cash shortage occurs, the amount of Gross Sales will be determined based on the records of the point of sale system and any cash shortage will not be considered in the determination.

Gross Sales shall expressly exclude: (a) sums representing sales taxes collected directly from customers, based upon present or future laws of federal, state or local governments, collected by you in the operation of the Restaurant; (b) any other tax, excise or duty which is levied or assessed against you by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Restaurant, provided that such taxes are actually transmitted to the appropriate taxing authority; (c) the full value of meals furnished to your employees as an incident to their employment, up to an amount equal to 1% of your Restaurant’s Gross Sales. The full value of meals furnished to your employees that exceeds 1% must be included in Gross Sales during the week in which the meals were furnished, for the purpose of determining the amount of Gross Sales upon which the Royalty Fee is due; and (d) voided transactions, which are customer sales which are not completed, and for which no payment of any kind is received by the Restaurant, up to an amount equal to 2% of your Restaurant’s Gross Sales. The full value of voided transactions that exceeds 2% must be included in Gross Sales during the week in which the voided transactions occur, for the purpose of determining the amount of Gross Sales upon which the Royalty Fee is due. (e) the use of third party delivery services (grub hub, uber eats, etc); franchisee royalties are paid on the gross sales (not the net revenue received by the franchisee from third party delivery services); the cost the third party delivery service charges the franchisee is a delivery cost that the franchisee absorbs as a cost of doing business; third party delivery services are not required and Russo's has its own delivery service.

You must report your Gross Sales to us by the Monday for the previous week based on the Gross Sales for the preceding week ending Sunday. The Royalty Fee and Brand Management Fund Fee will be withdrawn from your designated bank account by electronic funds transfer (“EFT”) on the Wednesday for the previous week based on the Gross Sales for the preceding week ending Sunday. If you do not report the Restaurant’s Gross Sales, we may debit your account for 120% of the last Royalty Fee and Brand Management Fund Fee that we debited. If the fees we debit are less than the fees you actually owe us, once we have been able to determine the true and correct Gross Sales, we will debit your account for the balance on a day we specify. If the fees we debit are greater than the fees you actually owe us, we will credit the excess against the amount we otherwise would debit from your account during the following month.

If a state or local law applicable to your Restaurant prohibits or restricts in any way your ability to pay Royalty Fees or other amounts based on Gross Sales derived from the sale of alcoholic beverages at the Restaurant, then the percentage rate for calculating Royalty Fees shall be increased, and the definition of Gross Sales shall be changed to exclude sales of alcoholic beverages, so that the Royalty Fees to be paid by you shall be equal to the amounts you would have had to pay if sales from alcoholic beverages were included in Gross Sales. For example, if you generated \$1,000 in Gross Sales, of which \$200 is from the sale of alcoholic beverages, then your weekly Royalty Fee is \$60 ($6\% \times \$1,000$). If you are not permitted by law to pay Royalty Fees on the sale of alcoholic beverages, then we must recalculate your royalty percentage so that you still pay the full Royalty Fee. In our example, we must deduct \$200 from the Gross Sales and raise your royalty percentage to 7.5% so that we may collect the same \$60 Royalty Fee ($\$1,000 - \$200 = \$800 \times 7.5\% = \$60$).

If any state imposes a sales or other tax on the Royalty Fees, then we have the right to collect this tax from you.

3. We have established and administer a Brand Management Fund on behalf of the System (see Item 11) to provide national or regional creative materials for the benefit of the System.

4. We have established an Intranet for our franchisees and you must maintain user status on the Intranet, which is currently with Fran-Connect. You will pay us monthly for your user fee billed from the service provider which currently is approximately between \$50-\$120 per month. Included in this fee is the required C-Tuit polling software, which has a base fee of \$33 per month.

5. Advertising cooperatives will include all Restaurants in a designated geographic area, whether owned by us, our affiliates or our franchisees. Each Restaurant has one vote in the cooperative, but no one Restaurant or commonly controlled group of Restaurants will have more than 25% of the total vote. As of the date of this Disclosure Document, there is one Cooperative for the Houston/Galveston, Texas area.

6. If we terminate your Franchise Agreement for cause or you violate any covenant in Section 10.3 of the Franchise Agreement, you must pay us within 15 days after the effective date of termination liquidated damages equal to the average weekly Royalty Fees you paid or owed to us (per month) during the 12 months of operation preceding the effective date of termination multiplied by (a) the number of months remaining on the agreement, or (b) \$200,000, whichever is higher.

If you breach the confidentiality agreement and disclosure of Russo's confidential information agreement or violate any covenant in Sections 10.1 or 10.2 of the Franchise Agreement, you will be subject to liquidated damages in the amount of \$5,000,000.

7. We may use an independent service to conduct a "mystery shopper" quality control and evaluation program. You must participate in this program, and we may require that you pay the then-current charges imposed by the evaluation service (as we direct, either directly to the evaluation service provider or to us as a reimbursement).

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

(1) Type of Expenditure	(2) Amount		(3) Method of Payment	(4) When Due	(5) To Whom Payment is to be Made
Initial Franchise Fee (1)	\$35,000	\$35,000	Lump Sum	When Franchise Agreement Signed	Us
Opening Date Extension Fee (1)	\$0	\$10,000	Lump Sum	Upon our approval of extension	Us
In-Store Opening Training (2)	\$10,000	\$50,000	As arranged	As arranged	Us
Site Evaluation Expenses (3)	\$1,000	\$5,000	As arranged	As arranged	Us
Lease Payments – 3 Months (4)	\$15,000	\$75,000	As arranged	As arranged	Landlord
Ancillary Real Estate Fees (5)	\$5,000	\$10,000	As arranged	As arranged	Suppliers
Architectural (6)	\$12,000	\$25,000	As arranged	As arranged	Designer or Architect
Engineering (6)	\$4,000	\$10,000	As arranged	As arranged	Engineer
Plan Review Fee (6)	\$500	\$500	Lump Sum	With request for approval of plans	Us
Leasehold Improvements (7)	\$150,000	\$750,000	As arranged	As arranged	Contractor
Signage (8)	\$5,000	\$40,000	As arranged	As arranged	Suppliers
Retail Equipment / Delivery Vehicle (9)	\$130,000	\$270,000	As arranged	As arranged	Suppliers
Electronic Cash Register with Modem (10)	\$19,000	\$40,000	As arranged	As arranged	Us and Suppliers
Facsimile Machine	\$350	\$500	As arranged	As arranged	Suppliers
Business Licenses & Permits (Not Including	\$5,000	\$10,000	As arranged	As arranged	Government Agencies
Professional Fees (12)	\$2,500	\$5,000	As arranged	As arranged	Attorney, Accountant
Insurance Deposits and Premiums (13)	\$5,000	\$20,000	As arranged	As arranged	Insurance Companies
Initial Inventory (14)	\$10,000	\$30,000	As arranged	As arranged	Suppliers

(1) Type of Expenditure	(2) Amount		(3) Method of Payment	(4) When Due	(5) To Whom Payment is to be Made
Travel, Lodging and Meals for Initial Training ⁽¹⁵⁾	\$10,000	\$40,000	As arranged	As arranged	Airline, Hotel, Restaurant, etc.
Grand Opening Advertising Program ⁽¹⁶⁾	\$10,000	\$25,000	As arranged	20 days before and 90 days after opening	Suppliers or Us
Additional Funds – 3 Months ⁽¹⁷⁾	\$20,000	\$50,000	As arranged	As arranged	You Determine
Total ⁽¹⁸⁾	\$439,350	\$1,501,000			

In general, none of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable. We do not finance any portion of your initial investment. All of our estimates assume that you will purchase the required items. Your costs may be lower if you choose to lease some items.

Notes:

1. Initial Franchise Fee; Opening Date Extension Fee. You must pay us an initial franchise fee of \$35,000 for the right to establish a single Restaurant under a Franchise Agreement. The initial franchise fee is imposed uniformly on all franchisees. If you are unable to obtain all necessary permits and licenses during the stated period of construction as discussed in the Franchise Agreement, we may terminate the Franchise Agreement and refund 1/3 of the initial franchise fee you paid. You must sign any documents we require, including a confidentiality agreement and general release, before any money will be refunded to you. The initial franchise fee is not refundable under any other circumstances. Opening Date Extension Fee: If you are unable to open your Restaurant within six months after you sign the Franchise Agreement, you may request from us an extension of time to open the Restaurant. If we grant you this extension, you must pay us an opening date extension fee of \$10,000 for an additional 90-day period in which to complete construction of the Restaurant and open the Restaurant for business. Additional extension periods may be granted, in our discretion and with payment of this fee. The opening date extension fee is not refundable.

2. In-Store Opening Training. We may require that your Restaurant be staffed by an opening crew composed of our corporate trained representatives, for a total period of not longer than 21 days occurring before and after the date of opening of your Restaurant. We may require an opening crew if, in our discretion, your staff has not had sufficient time to develop skills to initially handle the volume of customers. If we send an opening crew to your Restaurant, you must reimburse us for all our reasonable expenses incurred in providing an opening crew for the Restaurant, including costs of transportation, lodging, meals and wages. Our senior management and executive officers travel first/business class (if available) on commercial airlines. All other Russo's staff shall travel in coach accommodations. Costs for the opening crew are nonrefundable. Our costs and expenses will vary depending on the personnel providing the assistance and total time spent at your Restaurant. The costs and expenses are not collected for, nor remitted to, any third parties. We do not assess an initial training fee for the opening crew, in addition to reimbursement of our reasonable costs and expenses.

3. Site Evaluation Expenses. As explained in Item 5, we will conduct one on-site evaluation of the proposed site for your Restaurant, but you must reimburse our expenses related to this evaluation. Our estimate does not include our site submittal fee (\$1,000) for conducting additional on-site evaluations, if they are necessary, nor does it include any expense reimbursement related to additional on-site evaluations.

4. Rent. Our estimates assume that you will lease space for your Restaurant, and includes your first three months of rent. Our estimate does not include a security deposit. Your Restaurant must be in a shopping mall, free-standing building or end cap of a strip shopping center, or in a downtown setting. For a Russo's New York Pizzeria Restaurant, you will need approximately 1,500 to 4,500 square feet of space. Landlords may vary the base rental rate and charge rent based on a percentage of gross sales. In addition to base rent, your lease may require you to pay common area maintenance charges ("CAM Charges") for your pro rata share of the real estate taxes and insurance, and your pro rata share of other charges. The actual amount you pay under the lease will vary depending on the size of the Restaurant, the types of charges that are allocated to tenants under the lease, your ability to negotiate with landlords and the prevailing rental rates in the geographic region.

If you choose to purchase real property on which to build your Restaurant, your initial investment will probably be higher than what we estimate above. If you purchase real property, we cannot estimate how this purchase will affect your total initial investment.

5. Ancillary Real Estate Fees. These fees are for miscellaneous real estate costs, such as broker incentives and market analysis studies.

6. Architectural; Engineering; Plan Review Fee. You must obtain construction plans for the build-out of your Restaurant according to our specifications. We reserve the right to designate and/or approve of the designer and/or architect you use. When you submit your construction plans to us for our review, you must also pay our plan review fee.

7. Leasehold Improvements. The cost of leasehold improvements will vary depending on many factors, including: (i) the size and configuration of the premises; (ii) pre-construction costs (including demolition of existing walls and removal of existing improvements and fixtures); and (iii) cost of materials and labor, which may vary based on geography and location or whether you must use union labor for the build-out of your Restaurant. These figures are our principals' best estimate based on remodeling/finish-out rates in the Houston, Texas area where we have opened Restaurants, and some estimates from U.S. based general contractors. These amounts may vary substantially based on local conditions, including the availability and prices of labor and materials. These costs may also vary depending on whether certain of these costs will be incurred by the landlord or through landlord tenant improvement contributions, and the condition of the space before you take possession of the premises. The low end of our estimate assumes that you have leased space that previously operated as a restaurant and that you will convert to a Restaurant. The high end of our estimate assumes that you have leased a "vanilla box" space and that more improvements are required. Our estimate does not include any tenant improvement allowance that you may negotiate.

8. Signage. These amounts represent your cost for interior and exterior signage, including menu boards, menu panels, neon logo and descriptive signs. Your landlord or your local ordinances may have different restrictions it places on interior and exterior signage which may affect your costs.

9. Retail Equipment / Delivery Vehicle. This line item is for the furniture, fixtures and equipment, kitchen equipment (ice machine, microwave oven, work tables, shelving, grill, convection oven and oven stand proofer), artwork, bar equipment and supplies, restaurant equipment and kitchen smallwares, interior décor, copier, desks, chairs, storage cabinet, file cabinet, adding machine and basic office supplies, etc. You must purchase equipment meeting our specifications to be used in the Restaurant. You may not purchase used furniture, fixtures and equipment for your Restaurant. If the property was previously a restaurant and exhaust systems are in place, then the costs could be lower, if no modification is needed. Your delivery vehicle, which can be leased (and which amount is estimated in these figures) can be either a van or sedan.

10. Electronic Cash Register with Modem. We require that you use in the Restaurant either the Micros POS computer hardware and software or the Toast POS computer hardware and software system, which includes monitors, touch screen displays, printers, keyboards and primary desktop station. Typically, you will use two

terminals per Restaurant and two remote printers; but many of our locations use three or four terminals. We have the right, as described in Item 11, to poll your system at our discretion. You must pay the cost for us to initiate access to your system through our monitoring software.

11. Business Licenses and Permits. These are estimates of the costs for obtaining local business licenses which typically remain in effect for one year. These figures do not include occupancy and construction permits which were included in leasehold improvement costs. The cost of these permits and licenses will vary substantially depending on the location of the Restaurant. The estimates also include your utility deposits. Since the availability and expenses of acquiring a liquor license vary substantially from jurisdiction to jurisdiction, you should consult the appropriate governmental authority concerning the availability of this license and the associated expenses for your Restaurant before you sign a Franchise Agreement. The cost of a liquor license can range from \$5,000 to over \$100,000, depending on the location and jurisdiction, but can be even higher in some states. We strongly recommend that you verify the cost of a liquor license and its availability before you purchase a franchise.

12. Professional Fees. We strongly recommend that you engage an accountant and a franchise attorney to advise you in your evaluation of the franchise we are offering.

13. Insurance Deposits and Premiums. These figures are estimates of the cost of the annual premiums for the insurance you must obtain and maintain for your Restaurant, as described in Item 8. Insurance premiums may be payable monthly, quarterly, semi-annually or annually, based on the insurance company's practices and your creditworthiness.

14. Initial Inventory. These amounts represent your initial inventory of food and beverage supplies and paper products.

15. Travel, Lodging and Meals for Initial Training. We provide initial training for up to four people (including you or your General Manager, your Kitchen Manager and two cooks) at no additional charge. These estimates include only your out-of-pocket costs associated with attending our initial training program, including travel, lodging, meals and applicable wages. These amounts do not include any fees or expenses for training any other personnel. Your costs may vary depending on your selection of lodging and dining facilities and mode and distance of transportation. Our training program lasts approximately eight weeks.

16. Grand Opening Advertising Program. You must conduct a grand opening advertising program and you must spend between \$10,000 and \$25,000 during the period that includes 20 days before and 90 days after the opening of your Restaurant. Not later than 30 days before your Restaurant is scheduled to open, you must submit to us, for our approval, the proposed budget and marketing plan for your grand opening advertising program. If you do not provide us with the proposed advertising plan and budget when required, we may require you to give us \$10,000 and we will conduct the grand opening advertising program on your behalf.

17. Additional Funds. We relied upon our experience in operating similar restaurants in Houston, Texas, when preparing these figures. You will need capital to support ongoing expenses, such as payroll, utilities, rent, Royalty Fees and Brand Management Fund Fees, if these costs are not covered by sales revenue for your first three months of operation. Our estimate does not include any sales revenue you may generate. We estimate that the amount given will be sufficient to cover ongoing expenses for the start-up phase of the business, which we calculate to be three months. We relied upon our experience in operating similar restaurants in Houston, Texas, when preparing these figures.

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**YOUR ESTIMATED INITIAL INVESTMENT
MULTI-UNIT DEVELOPER – DEVELOPMENT OF FIVE RESTAURANTS**

(1) Type of Expenditure	(2) Amount	(3) Method of Payment	(4) When Due	(5) To Whom Payment is to be Made
Development Fee (1)	\$50,000	Lump Sum	On signing Multi-Unit Development Agreement	Us
Other Expenditures for First Restaurant (3)	\$404,350 to \$1,466,000	See First Table	See First Table	See First Table
Total	\$454,350 to \$1,516,000			

In general, none of the expenses listed in the above chart are refundable. We do not finance any portion of your initial investment.

Notes:

- 1. Development Fee.** The development fee is discussed in Item 5. Our estimate assumes you will develop the minimum of five Restaurants.
- 2. Vehicle.** We anticipate that you will need a vehicle to view potential sites and to oversee the build-out of the Restaurant. Our estimate includes three months of expenses for gas, maintenance and vehicle payments.
- 3. Other Expenditures for First Restaurant.** These are the estimates to build-out your first Restaurant.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

The Restaurants are established and operated under a comprehensive and unique system (the “System”). Certain aspects of the System are more fully described in this Disclosure Document and the Confidential Operations Manual (the “Operations Manual”), which you should expect to evolve over time, that are provided to you as a franchisee. We have identified various suppliers, distributors and manufacturers of equipment, ingredients, supplies and services that your Franchised Business must use or provide which meet our standards and requirements. You must purchase all equipment, furniture, fixtures, ingredients, supplies and services from our designated suppliers and contractors or in accordance with our specifications.

You must permit us or our agents, during normal business hours, to remove a reasonable number of samples of food or non-food items from your inventory or from the Restaurant free of charge for testing by us or by an independent laboratory to determine whether the samples meet our then-current standards and specifications. In addition to any other remedies we may have, we may require you to reimburse our costs for the testing if we have not previously approved the supplier of the item or if the sample fails to conform to our specifications.

Supplies, Equipment, Furniture and Fixtures. You must obtain all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment and other products used or offered for sale at the Restaurant solely from suppliers who demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards or in accordance with our standards and specifications. You have the option to install

the Bakers Pride Pizza Oven Y-600 or a coal-fired pizza oven. A complete list of our approved products and suppliers will be included in the Operations Manual and is subject to change over time. We will provide you notice in the Operations Manual or otherwise in writing (such as via email) of any changes to the lists of approved products and approved suppliers.

Currently neither we nor our affiliates are an approved supplier of any product or service you must purchase or lease. None of the officers listed in Item 2 have an ownership interest in any approved supplier.

If you wish to purchase, lease or use any products that we have not previously approved, or purchase or lease from a supplier we have not previously approved, you must submit a written request for approval or you must request the supplier to do so. You must reimburse our actual costs related to our testing and inspection. We must approve any product or supplier in writing before you make any purchases of that product or from that supplier. We can require that our representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered, either to us or to an independent laboratory, for testing. We reserve the right to re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier fails to continue to meet any of our then-current standards. Our supplier approval procedure does not obligate us to approve any particular supplier. We will notify you in writing within 90 days after you have requested our approval whether the proposed product or supplier is, in fact, approved or disapproved. We are not required to make available to you or to any supplier our criteria for product or supplier approval. We are not obligated to approve any specific product or supplier if we believe that approval of that product or supplier is not in the best interests of the System. We may revoke our prior approval of any product or supplier at any time, and after your receipt of written notice from us regarding our revocation you must stop using that product or stop purchasing from that supplier.

We and/or our affiliates may develop for use in the System certain products which are prepared from confidential proprietary recipes and other proprietary products which bear the Marks. Because of the importance of quality and uniformity of production and the significance of those products in the System, it is to your and our benefit that we closely control the production and distribution of those products. Therefore, you will use only our proprietary recipes and other proprietary products and will purchase those items solely from us or from a source designated by us all of your inventory of those products.

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of the System. As of the date of this Disclosure Document, there are no purchasing or distribution cooperatives in which you must participate. When determining whether to grant new, additional or renewal franchises, we consider many factors, including your compliance with the requirements described in this Item 8, but your compliance with these requirements does not automatically give you the right to an additional or renewal franchise.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of the Restaurants in our System. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services and other items at a price that will benefit us and our franchisees. 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 approval would not be in the best interests of the System or the franchised network of Restaurants.

We have the right to collect and retain any and all allowances, rebates, credits, incentives, or benefits (collectively, "Allowances") offered by manufacturers, suppliers, and distributors to you, to us, or to our Affiliate based upon your purchases of products and services from manufacturers, suppliers, and distributors. We or our Affiliate will have all of your right, title, and interest in and to any and all of these Allowances. We or our Affiliate may collect and retain any or all of these Allowances without restriction (unless otherwise instructed by the manufacturer, supplier, or distributor). We may also choose to contribute these Allowances to the Brand Management Fund, but if we do so it does not reduce or eliminate your requirement to pay the Brand Management

Fund Fee. Currently we receive a 1% rebate from an approved supplier based on their sales of food products to franchisees. During the fiscal year ending December 31, 2024, we and our affiliates had total revenues of \$2,491,810 which \$333,249.16 (or 13.37%) was from Allowances.

Computer Hardware and Software. We require that you use in the Restaurant either the Micros POS computer hardware and software or the Toast POS computer hardware and software system, which includes monitors, touch screen displays, printers, keyboards and primary desktop station. Typically, you will use two terminals per Restaurant and two remote printers; but many of our locations use three or four terminals. We have the right, as described in Item 11, to poll your system at our discretion. You must pay the cost for us to initiate access to your system through our monitoring software.

Vehicle. For your catering or delivery services, you must have an approved van or sedan to provide these services from your Restaurant. You must have a delivery driver for your Restaurant. We reserve the right to require you to have temporary signage placed on each delivery vehicle. We expect that all delivery vehicles will be kept clean, in good working order and be properly insured. You must have each person providing those services to comply with all laws, regulations and rules of the road and to use due care and caution operating and maintaining the motor vehicles. Except as described in this paragraph, we do not have any standards or exercise control over any motor vehicle that you use.

Advertising. All advertising and promotional materials, signs, decorations, paper goods (including menus and all forms and stationery used in the Restaurant) and other items we designate must bear the Marks in the form, color, location and manner we prescribe. In addition, all your advertising and promotion in any medium must be conducted in a dignified manner and must conform to the standards and requirements in the Operations Manual or otherwise. You must obtain our approval before you use any advertising and promotional materials and plans if we have not prepared or approved them during the 12 months before their proposed use. Any advertising and promotional materials you submit to us for our review will become our property.

Site Selection. You must obtain our approval of the site for the Restaurant before you acquire the site. You must also obtain our acceptance of any contract of sale or lease for the Restaurant before you sign the contract or lease. We reserve the right to require you to use a real estate broker we designate to assist you in finding a location for your Restaurant if you do not have a real estate broker with prior restaurant chain commercial leasing experience. You must provide us with a copy of the fully signed lease for the Restaurant premises. We may require you and your landlord to sign a Collateral Assignment of Lease which permits us to assume your lease in certain circumstances, including the termination or expiration of your Franchise Agreement (Attachment 2 to the Franchise Agreement).

Your Restaurant must be constructed according to plans that we have approved. We will provide you with sample plans and/or our specifications for a Restaurant, and we reserve the right to designate the architect/designer that you must use. You must arrange for construction plans to be created that incorporate our requirements into the size and shape of the approved site for your Restaurant. The construction plans must be submitted to us, together with our plan review fee of \$500. You may not use the plans or begin building out your Restaurant until we have approved the construction plans, and any changes to the construction plans must also be approved by us before the change may be implemented. Our review is not meant to assess compliance with any applicable laws, regulations or building codes. Our review is only to verify that the construction plans accurately present our trade dress, the Marks and meet our specifications. We reserve the right to inspect your Restaurant while it is being constructed. You may not open your Restaurant for business without our approval. You must certify to us that your Restaurant has been constructed in compliance with the Americans with Disabilities Act.

Before you open the Restaurant for business, you must obtain the insurance coverage for the Restaurant that is required by the terms of your lease and applicable law, and that we specify in the Operations Manual or otherwise in writing. Your insurance coverage must be maintained during the term of the Franchise Agreement

and must be obtained from a responsible, duly licensed carrier or carriers approved by us and which have a rating of at least “A-” with A.M. Best Company. All insurance must be on an “occurrence” basis.

Insurance. Currently you must maintain the following insurance: (1) Commercial General Liability Insurance, including coverage for products-completed operations, contractual liability, personal and injury, fire damage, medical expenses, and liquor liability, having a combined single limit for bodily injury and property damage of \$1,000,000 per occurrence and \$2,000,000 in the aggregate (except for fire damage and medical expense coverage, which may have different limits of not less than \$50,000 for one fire and \$5,000 for one person, respectively); (2) non-owned automobile liability insurance and, if you own, rent or identify any vehicles with any Marks or vehicles are used in connection with the operation of the Restaurant or delivery of products, automobile liability coverage for owned, non-owned, scheduled and hired vehicles having limits for bodily injuries of \$500,000 per person and \$1,000,000 per accident, and property damage limits of \$500,000 per occurrence; (3) excess liability umbrella coverage for the general liability and automobile liability coverage in an amount of not less than \$3,000,000 per occurrence and aggregate. If the insurance company mandates higher non-owned auto liability coverage limits to ensure coverage of the \$3,000,000 umbrella policy, you shall increase the auto liability coverage limits accordingly; (4) comprehensive crime and blanket employee dishonesty insurance in an amount of not less than \$5,000; (5) all-risk property insurance, including theft and flood coverage, written at replacement cost value covering the building, improvements, furniture, fixtures, equipment, food and beverage products. Coverage shall be written in a value which will cover not less than 80% of the replacement cost of the building and 100% of the replacement cost of the contents of the building; (6) employer’s liability and worker’s compensation insurance as required by law; (7) business interruption insurance of not less than \$50,000 per month for loss of income and other expenses with a limit of not less than six months of coverage. The Royalty Fee will be paid to us on a weekly basis out of the business interruption insurance based upon an average of the Royalty Fees you paid to us, per week, during the six months before the event triggering the business interruption insurance; (8) employment practices liability insurance with minimum limits of \$1,000,000; and (9) any other insurance required by the terms of the lease for your Restaurant, or that we may require in the future.

All insurance policies, except for workers’ compensation, shall name us, our affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, as additional named insureds. Also, all insurance policies required hereunder shall expressly provide that not less than 30 days’ prior written notice shall be given to us in the event of a material alteration to or cancellation of the policies. You must provide us with a certificate of insurance showing that you have obtained the required policies before construction of your Restaurant begins and upon each policy’s renewal. We have the right to require that you obtain from your insurance company a report of claims made and reserves set against your insurance. We reserve the right to change our insurance requirements during the term of your Franchise Agreement, including the types of coverage and the amounts of coverage, and you must comply with those changes. If you do not obtain any insurance as required, we have the right (but not the obligation) to purchase insurance on your behalf and you must reimburse our costs related to this purchase plus a 10% administrative fee.

We estimate that your purchases from us or approved suppliers, or that must conform to our specifications, will represent approximately 80% to 85% of your total purchases in establishing the Restaurant, and approximately 40% of your total purchases in the continuing operation of the Restaurant.

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.

In the table below, the following abbreviations have these meanings: FA means the Franchise Agreement and MUDA means the Multi-Unit Development Agreement.

Obligation	Article or Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/ lease	FA – Article 2 MUDA – Section 3	Items 8 and 11
b. Pre-opening purchases/leases	FA – Articles 6, 7 and 8	Items 6, 7, 8 and 11
c. Site development and other pre-opening requirements	FA – Article 2	Items 8 and 11
d. Initial and ongoing training	FA – Article 6	Items 6, 7 and 11
e. Opening	FA – Articles 2 and 6	Item 11
f. Fees	FA – Articles 2, 3, 4, 6, 7, 8, 10, 11, 14 and 18 MUDA – Sections 2 and 3	Items 5, 6, 7 and 11
g. Compliance with standards and policies/ operating manual	FA – Articles 2, 3, 6, 8, 9, 10, 11, 12 and 21	Items 6, 11 and 14
h. Trademarks and proprietary information	FA – Articles 7, 9 and 10 and Attachment 4 MUDA – Section 7	Items 13 and 14
i. Restrictions on products/services offered	FA – Article 7 MUDA – Section 7	Item 16
j. Warranty and customer service requirements	FA – Article 7	Not applicable
k. Territorial development and sales quotas	MUDA – Section 3	Item 12
l. Ongoing product/service purchases	FA – Article 7	Items 6 and 8
m. Maintenance, appearance and remodeling requirements	FA – Articles 2, 7 and 14	Items 6 and 11
n. Insurance	FA – Article 12	Items 6, 7 and 8
o. Advertising	FA – Article 8	Items 6, 8 and 11
p. Indemnification	FA – Article 15 MUDA – Section 14	Item 6
q. Owner's participation/ management/staffing	FA – Articles 6, 14, 15 and 16 MUDA – Section 7	Items 1, 11 and 15
r. Records and reports	FA – Articles 4, 7 and 11	Item 6
s. Inspections and audits	FA – Articles 2, 7 and 11 MUDA – Section 12	Items 6, 8 and 11
t. Transfer	FA – Article 14 MUDA – Section 11	Items 6 and 17
u. Renewal	FA – Article 3 MUDA – Section 5	Items 6 and 17

Obligation	Article or Section in Agreement	Disclosure Document Item
v. Post-termination obligations	FA – Article 18 MUDA – Section 10	Items 6 and 17
w. Non-competition covenants	FA – Article 10 and Attachment 4 MUDA – Section 12	Item 17
x. Dispute resolution	FA – Article 19 MUDA – Section 19	Items 6 and 17
y. Liquidated damages	FA – Article 18	Item 6

ITEM 10: FINANCING

We do not offer, either directly or indirectly, any financing arrangements to you. We do not guarantee your notes, leases or other obligations.

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

Except as listed below, New York Pizzeria Incorporated is not required to provide you with any assistance.

Pre-Opening Obligations

Multi-Unit Development Agreement: Under the Multi-Unit Development Agreement, we will grant to you rights to a Development Area within which you will establish and operate an agreed-upon number of Restaurants under separate Franchise Agreements. (Multi-Unit Development Agreement, Section 1.1.)

1. We will review the information regarding potential sites that you provide to us to determine whether the sites meet our standards and criteria for a Restaurant and, if the site meets our criteria, approve the site for a Restaurant. We will conduct one on-site evaluation of the proposed site for your Restaurant, for which you must reimburse our expenses. (Multi-Unit Development Agreement, Section 8.1.)
2. We will provide you with standard specifications and layouts for building and furnishing the Restaurant. (Multi-Unit Development Agreement, Section 8.2.)
3. We will review your site plan and final build-out plans and specifications for conformity to our standards and specifications. (Multi-Unit Development Agreement, Section 8.3.)

Franchise Agreement: Before the opening of a Restaurant, we will provide the following assistance and services:

1. Our written site selection guidelines and the site selection assistance we deem advisable. We will also describe your Designated Area when we have approved a proposed location. (Franchise Agreement, Section 5.1.) You must identify a site that meets our approval within 60 days after you sign the Franchise Agreement. If you do not secure a site that meets our approval within 60 days of signing the Franchise Agreement, you will be in default and we can terminate the Franchise Agreement. (Franchise Agreement, Section 2.2.1).
2. One on-site evaluation of the proposed site for your Restaurant (Franchise Agreement, Section 5.2.).

3. Standard specifications and layouts for building and furnishing the Restaurant, which you will use to have site plans and build-out plans prepared (Franchise Agreement, Section 5.3.) We reserve the right to require you to use the architect/designer we designate and to inspect your Restaurant during its construction. Your construction plans are subject to our review and approval before you may begin construction, and you must pay our plan review fee.
4. On loan, our Operations Manual, which we may revise during the term of your Franchise Agreement. (Franchise Agreement, Sections 5.4 and 10.1.) We may provide all or a portion of the Operations Manual to you electronically, such as via a password-protected website.
5. A list of approved products and suppliers, which we may revise during the term of your Franchise Agreement and which may include us and/or our affiliates. (Franchise Agreement, Sections 5.9 and 7.4.)
6. An initial training program at our headquarters for up to up to four people (including you or your General Manager, your Kitchen Manager and two cooks), the cost of which is included in the initial franchise fee. (Franchise Agreement, Sections 5.10 and 6.4.)
7. If we require it, a team of our representatives to provide up to 21 days of opening assistance and training around the opening of your Restaurant (Franchise Agreement, Section 6.5.)

Continuing Obligations

Multi-Unit Development Agreement: Under the Multi-Unit Development Agreement:

We will provide other resources and assistance as may be developed and offered to our Multi-Unit Developers. (Multi-Unit Development Agreement, Section 8.4.)

Franchise Agreement: During the operation of a Restaurant we will provide the following assistance and services:

1. As we reasonably determine necessary, visits to and evaluations of the Restaurant and the products and services provided to make sure that our high standards of quality, appearance and service of the System are maintained. (Franchise Agreement, Sections 5.5 and 7.5.6.)
2. Advice and written materials (including updates to the Operations Manual) concerning techniques of managing and operating the Restaurant, including new developments and improvements in equipment, food products, packaging and preparation. (Franchise Agreement, Section 5.7.)
3. Training programs and seminars and other related activities regarding the operation of the Restaurant as we may conduct for you or Restaurant personnel generally, which may be mandatory for you, your General Manager and/or other Restaurant personnel. (Franchise Agreement, Section 6.4.)
4. At your request or if we determine it is necessary, additional on-site training or assistance at your Restaurant. You must pay our per diem fee for each trainer providing the training and you must reimburse our expenses. (Franchise Agreement, Section 6.5.)
5. Administration of the Brand Management Fund. (Franchise Agreement, Section 8.3.)
6. Indemnification against and reimbursement for all damages for which you are held liable in any proceeding arising out of your use of any of the Marks (including settlement amounts), if you and your Principals have fully complied with the terms of the Franchise Agreement. (Franchise Agreement, Section 9.4.)

7. Designate the minimum and/or maximum prices you may charge, as permitted by applicable law. (Franchise Agreement, Section 7.13.)

Site Selection: You will select the site for the Restaurant subject to our approval and using our site selection criteria. Before you lease or purchase the site for the Restaurant, you must locate a site that satisfies our site selection guidelines. We will conduct one on-site evaluation, but before we conduct the evaluation you must submit to us in the form we specify a description of the site, including evidence that the site satisfies our site selection guidelines, together with other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the site. We will not own and/or lease a site to you. We will not review or negotiate a lease for your benefit. You are responsible for negotiating a lease with the owner of a site we approve.

We will have 30 days after we receive all required information and materials from you to approve or decline the proposed site as the location for your Restaurant. If we do not provide our specific approval of a proposed site, the site is deemed not approved.

We will provide you with our current written site selection guidelines and any other site selection counseling and assistance we think is advisable. Our criteria for site selection include: location of the site and its setting (free-standing building, shopping center, shopping mall, downtown location, etc.); availability of parking; visibility from main roads; availability, size and placement of signage; co-tenants in the shopping center or immediate area; accessibility to the site; condition of the premises and how much build-out or construction it will need; proximity to competitive businesses; and availability of utilities. We will use these and other factors in determining the suitability of your proposed site for a Restaurant. We must approve of the terms of your lease and you must provide us with a copy of the signed lease for your Restaurant location.

If you are not able to locate a suitable for your Restaurant within 60 days after you sign the Franchise Agreement, we may terminate your Franchise Agreement or we may provide you with an extension of time.

Opening: We estimate that the time from the Franchise Agreement is signed to the opening of the Restaurant will be approximately four to six months. Your total timeframe may be shorter or longer depending on the time necessary to find an approved site, to obtain financing, to obtain the permits and licenses for the construction and operation of the Restaurant, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the Restaurant, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the Restaurant, including purchasing inventory and supplies. You must open the Restaurant and begin business within six months after you sign the Franchise Agreement. If you are not able to open your Restaurant within this period, you may request from us a 90-day extension of time and, if we grant this extension, you must pay us \$10,000 for each extension we grant. You may not open your Restaurant for business until we have approved you to do so.

If you are unable to obtain all necessary permits and licenses during the stated period of construction as discussed in the Franchise Agreement, we may terminate the Franchise Agreement and refund a portion of the initial franchise fee.

If you are a Multi-Unit Developer, you must sign your first Franchise Agreement at the same time you sign the Multi-Unit Development Agreement. The typical length of time between the signing of the Franchise Agreement and the opening of your first Restaurant is the same as for an individual franchisee. Each additional Restaurant you develop must be opened according to the terms of your Minimum Performance Schedule.

Grand Opening Advertising: You must conduct an advertising program announcing the grand opening of your Restaurant, during the period that includes 20 days before and 90 days after the opening of your Restaurant. Not later than 30 days before your Restaurant is scheduled to open, you must submit to us, for our approval, the proposed budget and advertising plan for your grand opening advertising program. If you do not

provide us with the proposed advertising plan and budget when required, we may require you to submit the Grand Opening Advertising costs to us and we will conduct the grand opening advertising program on your behalf.

Brand Management Fund: We have established a Brand Management Fund (“Fund”) to promote the System, Restaurants and the products and services offered by Restaurants. (Franchise Agreement, Section 8.3.) We or our designee shall administer the Brand Management Fund. You must pay a non-refundable Brand Management Fund Fee to the Fund in an amount equal to up to 2% of Gross Sales. The Brand Management Fund Fee is currently set at 1.5% of Gross Sales and we may increase the Brand Management Fund Fee, up to the maximum amount of 2% of Gross Sales, with 30 days prior written notice to you.

The Fund is used for national and regional advertising, marketing, publicity and promotional activity relating to our business. We have the right to direct all advertising activities with sole discretion over creative concepts, materials and media used, as well as their placement and allocation. We also have the right to determine, in our sole discretion, the composition of all geographic and market areas for the implementation of these advertising and promotional activities. The Fund may be used to meet any and all costs of maintaining, administering, directing and preparing national and/or regional advertising materials, programs and public relations activities including:

- a) for photography, menu engineering, menu design, pizza box design, all paper to go products
- b) for purchasing food video, production costs for in house or third party images or videos
- c) for purchase of any equipment used to create promotional and graphic materials and software and membership dues
- d) for menu product development, ingredients purchased for testing, nutritional services by third parties, outdoor promotional equipment such as food trucks and pop up banners
- e) for salary and hourly wages for creative art director, photographer and videographer
- f) for public relation services
- g) for talent fees
- h) for food and franchise trade shows, including travel expenses related to the shows
- i) for finding new products and any travel expenses necessary to locate and source new products

For the fiscal year ended December 31, 2024, the Brand Fund collected \$343,106 and spent \$391,532.12 with 53.60% spent on production, 41.40% spent on media placement and 5% was spent on administration.

No amount of the Fund will be spent for advertising that is principally a solicitation for the sale of franchises.

Restaurants owned by us or our affiliates will contribute to the Fund on the same basis as you. Funds from the Brand Management Fund Fees paid will be accounted for separately from our other funds. An annual unaudited financial statement of the Brand Fund is available to any franchisee upon written request. We are not required to have any Fund statement audited, but if we choose to have the Fund audited it will be at the Fund’s expense.

Although the Fund is intended to be perpetual, we may terminate the Fund at any time. The Fund will not be terminated until all monies in the Fund have been spent for advertising or promotional purposes or returned to contributors on a pro rata basis. If we terminate the Fund, we have the right to reinstate it at any time and you must again contribute to the Fund. Any reinstated Fund will be maintained as described above.

Local Advertising: You must conduct local advertising in your Designated Area. We may require you to spend a minimum percentage of your Local Advertising budget on flyers and door hangers.

Cooperative Advertising:

As of the date of this Disclosure Document, there is one Cooperative for the Houston/Galveston, Texas area. We may designate any geographic area in which two or more Restaurants are located as a region for purposes of establishing an advertising Cooperative, or we may approve of the formation of a Cooperative by our franchisees. We will administer each Cooperative.

The members of the Cooperative for any area will consist of all Restaurants, including those operated by our franchisees and those operated by us or our affiliates. We have the right to dissolve, merge or change the structure of the Cooperatives. Each Cooperative will be organized for the exclusive purposes of administering advertising programs and developing promotional materials for use by the members in local advertising, subject to our approval as described above. If a Cooperative has been established for a geographic area where your Restaurant is located when the Franchise Agreement is signed, or if any Cooperative is established during the term of the Franchise Agreement, you must become a member of the Cooperative. If the Cooperative will operate according to written documents, we must approve of these documents, and a copy of the Cooperative documents applicable to the geographic area in which your Restaurant will be located will be provided to you if you request it. You will not have to participate in more than one Cooperative.

The payments you make to a Cooperative may be applied by you toward satisfaction of your local advertising requirement. If the amount you contribute to a Cooperative is less than your local advertising requirement, you must still spend the difference locally. By vote of the members, the members will determine the amount that each member must contribute to the Cooperative, up to a maximum of 2% of Gross Sales. All Restaurants in the Cooperative, including those owned by us and/or our affiliates, will have the same voting rights as franchisees, but no one Restaurant (or commonly controlled group of Restaurants) will have more than 25% of the total vote. All restaurants in the Cooperative must contribute to the fund on the same basis as the franchisees.

All contributions to the Cooperative will be maintained and administered in accordance with the documents governing the Cooperative, if any. The Cooperative will be operated solely as a conduit for the collection and expenditure of the Cooperative fees for the purposes outlined above. The Cooperative is not required to prepare an annual financial statement.

Advisory Council: We may, in our discretion, form an advisory council to work with us to improve the System, the products offered by Restaurants, advertising conducted by the Fund, and any other matters that we deem appropriate. If an advisory council is formed, it will act solely in an advisory capacity, and will not have decision making authority. We will have the right to form, change, merge or dissolve any advisory council. We may develop by-laws for any advisory council.

If formed, an advisory council will be comprised of our representatives and franchisee representatives and all franchisee representatives must participate in council-related activities and meetings. If you participate on an advisory council, you will pay any expenses you incur related to your participation, such as travel and living expenses to attend council meetings.

Training: No later than 60 days before the date the Restaurant begins operation, up to four trainees (including you or your General Manager, your Kitchen Manager and two cooks) must have completed, to our satisfaction, our mandatory initial training program. We will conduct this training at our corporate headquarters, at one of our affiliate's Restaurants, or at another location we designate. Our initial training program lasts for approximately eight weeks. Initial training programs will be offered at various times during the year depending on the number of new franchisees entering the System, replacement general managers and other personnel needing training, the number of new Restaurants being opened and the timing of the scheduled openings of Restaurants.

We will provide instructors and training materials for four trainees (the cost of which is included in the initial franchise fee). You may also have additional personnel trained by us for the Restaurant, at your expense. We will determine whether your trainees have satisfactorily completed initial training. If you or your General Manager do not satisfactorily complete the initial training program or if we determine that these persons cannot

satisfactorily complete the training program, you must designate a replacement to satisfactorily complete the training before you will be permitted to open your Restaurant. If the replacement General Manager cannot complete the initial training program to our satisfaction, we have the right to terminate your Franchise Agreement.

Any manager subsequently designated by you must also receive and complete the initial training program to our satisfaction, even if this requires sending that manager to our headquarters training program, at your expense. We reserve the right to charge a \$500 per day, per person fee for the initial training of replacement or successor employees, if we have not approved you to provide the training. You must also pay for all expenses you, your managers and other personnel incur for any training program, including costs of travel, lodging, meals and applicable wages. We may approve you to train replacement managers under our training program before permitting you to train your entire staff for a third or later Restaurant opening. You may not train any personnel until we have approved you as a trainer.

If we require it, we will provide a team of our representatives to provide up to 21 days of opening assistance and training around the opening of your Restaurant. You must reimburse the expenses our representatives incur while providing this assistance. The trained representative will provide on-site pre-opening and opening training, supervision, and assistance to you.

If, during the term of your Franchise Agreement, you request that we provide additional training or assistance on-site at your Restaurant or if we determine that additional training or assistance is necessary, you must pay our \$500 per trainer/per day fee for each trainer we provide, and you must reimburse us for any expenses our trainers incur, such as costs of travel, lodging, and meals.

The instructional materials used in the initial training include our Operations Manual, the Recipe Book, advertising and promotion materials, materials related to the operation of the point of sale system, and any other materials that we believe will be beneficial to our franchisees in the training process.

The training schedule and activities of the initial training program are described below:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Salad	8-10	8-10	Houston, Texas
Pizza/App	30	30	Houston, Texas
Prep Kitchen	20-25	20-25	Houston, Texas
Pasta/Broil/Sauté	25-30	25-30	Houston, Texas
Front of House/Expo	12-15	12-15	Houston, Texas
Counter/Table Service	20-25	20-25	Houston, Texas
POS	12-15	12-15	Houston, Texas
Manager on Duty	40-50	40-50	Houston, Texas

Our training is supervised by Kyle Dennis, who has at least 20 years of restaurant operations experience, and individual instructors generally have 3 to 12 years of experience in restaurant operations and/or with us or our affiliates.

The entire training program is subject to change due to updates in materials, methods, manuals and personnel without notice to you. The subjects and time periods allocated to the subjects actually taught to a specific franchisee and its personnel may vary based on the individual needs and/or experience of those persons being trained.

We may choose to hold refresher training courses, and we may designate that attendance at refresher training is mandatory for you, your General Manager and/or other Restaurant personnel. You must pay \$150 per trainee, per day for refresher training, which will vary depending on whether training is conducted at our headquarters or at your Restaurant and the level of expertise of the trainer, and you will pay for all of the expenses incurred by your trainees, including travel, lodging, meals and wages if the trainees travel to our headquarters for refresher training. If we send trainers to your Restaurant to provide refresher training, you must pay a \$500 per trainer/per day, and you must reimburse each trainer's expenses, including travel, lodging and meals.

We may also choose to hold an annual meeting of our franchisees to provide additional training, introduce new products or changes to the System, or for other reasons. We may designate that attendance at an annual meeting is mandatory for you, your General Manager and/or other Restaurant personnel. We charge a \$200 per person fee to attend the meeting, and you will pay for all of the expenses incurred by your attendees at the meeting, including travel, lodging, meals and wages. We will designate the location of any franchisee meeting, such as a resort hotel, but we will not designate an unreasonably expensive site.

In addition to our initial training program, you, your managers and any other personnel we designate must be ServSafe and TIPS certified or other similar certifications. The cost of these certifications are not included in the initial franchise fee and we do not provide certification. You may need to receive periodic additional training and/or certification.

Confidential Operations Manual: The Table of Contents for our Operations Manual is attached to this Disclosure Document as Exhibit E. Our Operations Manual contains approximately 199 pages.

Computer and Point of Sale Systems: You must purchase or lease and use certain point of sale systems, computer hardware and software that meet our specifications and that are capable of electronically interfacing with our computer system. You must purchase a point-of-sale system with a back-office computer system. Currently, you are required to use the Toast POS system. The estimated cost of these systems is between \$19,000 and \$40,000. The point of sale and computer systems will provide the following functions and reports: sales, labor costs, advertising, history, menu mix, customer database, menu detail report, royalty report, end-of-the-month reports, credit card sales, credit batch reports, bank deposits, financial statements, balance sheets, voids, complimentary sales, and employee records.

The computer system is designed to enable us to have immediate access to the information monitored by the system, and there is no contractual limitation on our access or use of the information we obtain. You must install and maintain equipment and a high-speed internet connection (such as T-1, DSL or cable modem) in accordance with our specifications to permit us to access the computer system (or other computer hardware and software) either electronically or at the Restaurant premises. This will permit us to electronically inspect and monitor information concerning your Restaurant's sales, labor costs, advertising, history, menu mix, customer database, menu detail report, royalty report, end-of-the-month reports, credit card sales, credit batch reports, bank deposits, financial statements, balance sheets, voids, complimentary sales, employee records, and any other information that may be contained or stored in the equipment and software. You must make sure that we have access at the times and in the manner we specify, at your cost. We may download information from your computer system, and there are no contractual limitations on our access to your computer system or the information we retrieve from your computer system.

You must purchase and use the point of sale system we designated in the Operations Manual. The approved supplier for the point of sale system, if we designate one, will also be included in the Operations Manual. You must purchase a maintenance contract for your point of sale system, which we anticipate will cost

up to \$1,200 per year. You must obtain any upgrades and/or updates to the software used with the point of sale system, at your expense. In addition, we may require you to update and/or upgrade all or a portion of your point of sale and/or computer system during the term of your Franchise Agreement, at your expense. The Franchise Agreement does not limit our ability to require you to update and/or upgrade your point of sale and/or computer system or the cost of any update and/or upgrade. Neither we nor any affiliate of ours is responsible for providing you with any upgrades, updates or maintenance for your point of sale or computer system.

You must also use the C-Tuit polling software as we require. We will bill you monthly for an Intranet Service Provider Fee and a portion of this fee (\$33) is the base fee for the required C-Tuit polling software.

You must obtain and maintain high speed Internet access or other means of electronic communication, as specified by us. It will be a material default under the Franchise Agreement if you do not maintain the equipment, lines and communication methods in operation and accessible to us at all times throughout the term of the Franchise Agreement. We must have access at all times and in the manner that we specify.

ITEM 12: TERRITORY

Franchise Agreement: Your Franchise Agreement will specify the site that will be the “Authorized Location” for your Restaurant. Your Franchise Agreement may also specify a Designated Area. If your Restaurant is located in a suburban market, your Designated Area will be a one-mile radius around your Restaurant. If your Authorized Location is in a downtown location, you will not receive a Designated Area.

If, during the term of the Franchise Agreement, you wish to relocate your Restaurant, or if the Restaurant is damaged or destroyed and cannot be repaired within 60 days, you must submit to us in writing the materials we require to consider your request, including information concerning the proposed new location for the Restaurant. You must also meet certain other requirements, such as being in compliance with the Franchise Agreement, the location meets our then-current requirements for a Restaurant and is located within your Designated Area, and you must sign our then-current form of Franchise Agreement. If we permit you to relocate, you will not pay a new initial franchise fee when you sign the new Franchise Agreement, but you must reimburse our expenses related to your request to relocate your Restaurant.

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.

During the term of the Franchise Agreement, we will not establish or operate, nor license any other person to establish or operate, a Restaurant in the Designated Area, except as may be permitted under the Franchise Agreement. There are no circumstances under which the Designated Area may be altered before your Franchise Agreement expires or is terminated. Your territorial protection does not depend on your achieving a certain sales volume, market penetration, or other factor, other than compliance with the Franchise Agreement.

Nothing in the Franchise Agreement will prohibit us from: (1) awarding national, regional or local licenses to third parties to sell products under the Proprietary Marks in foodservice facilities primarily identified by the third party’s trademark; (2) merchandising and distributing products identified by the Proprietary Marks in the Designated Area such as pizza, frozen pizza, calzone, and marketing items such as t-shirts and other products through any method or channel of distribution other than through the operation of a restaurant, including distribution of products (including any proprietary products) through grocery stores, club stores and similar stores; (3) selling and distributing products identified by the Proprietary Marks in the Designated Area to restaurants other than Restaurants identified by the Proprietary Marks, regardless of whether the restaurants are licensed to use the Proprietary Marks in connection with their retail sales or not; (4) selling products and services through other channels of distribution, including the Internet, wholesale, mail order and catalog; (5) developing and/or owning other franchise systems for the same or similar products and services using trade names and trademarks other than the Proprietary Marks; and (6) purchasing, being purchased by, merging or combining with businesses

that we deem to offer direct competition to Restaurants. We are not required to pay you any consideration if we exercise any right specified above in the Designated Area.

You may sell our menu items to customers who live anywhere but who choose to dine at or from your Restaurant. You may not engage in any promotional activities or sell products or services, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system; through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere. While you may place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located within your Designated Area, you will not be deemed to be in violation of the Franchise Agreement if those advertisements, because of the natural circulation of the printed media or reach of television and radio, are viewed by prospective customers outside of your Designated Area. You may not directly solicit customers outside of your Designated Area. You have no options, rights of first refusal, or similar rights to acquire additional franchises, except as described above. You may not sell any products to any business or other customer at wholesale.

Neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned Restaurant which sell our proprietary products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

Multi-Unit Development Agreement: Under the Multi-Unit Development Agreement we grant you the right to develop and operate the number of Restaurants in the Development Area that is specified in the Minimum Performance Schedule, which is an exhibit to the Multi-Unit Development Agreement. The Development Area is typically described in terms of municipal or county boundaries but may be defined as a specified trade area in a municipality. The actual size of the Development Area will vary depending upon the availability of contiguous markets, our long range development plans, your financial and operational resources, the number of Restaurants you commit to develop, population, and market conditions.

You will not receive an exclusive Development Area. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Except as expressly limited by the Multi-Unit Development Agreement, we and our affiliates retain all rights with respect to Restaurants, the Marks, and any products and services including the right: (a) to produce, offer and sell and to grant others the right to produce, offer and sell the products offered at Restaurants and any other goods displaying the Marks or other trade and service marks through alternative distribution channels, as described above, within your Development Area, and under any terms and conditions we deem appropriate; and (b) the right to acquire and operate a business operating one or more restaurants or food service businesses located or operating in your Development Area, except that these businesses will not operate using the Proprietary Marks.

To maintain your rights under the Multi-Unit Development Agreement you must have open and in operation the cumulative number of Restaurants stated on the Minimum Performance Schedule by the dates agreed upon in the Minimum Performance Schedule. Failure to do so will be grounds for either a loss of territorial exclusivity or a termination of the Multi-Unit Development Agreement.

The Development Area may not be altered unless we and you mutually agree to do so. It will not be affected by your sales volume. You are not granted any other option, right of first refusal or similar right to acquire additional Restaurants in your Development Area under the Multi-Unit Development Agreement.

ITEM 13: TRADEMARKS

The Franchise Agreement grants you the right to use certain trademarks, trade names, service marks, symbols, emblems, logos and indicia of origin designated by us. These Marks may be used only in the manner we authorize and only for the operation of your Franchised Business. The Multi-Unit Development Agreement does not grant to you any right to use the Marks.

You may not use the Marks as a part of your corporate or other legal name, and you must comply with our instructions in filing and maintaining trade name or fictitious name registrations. You must sign any documents we require to protect the Marks or to maintain their continued validity and enforceability. In addition, you may not directly or indirectly contest the validity of our ownership of or our rights in and to the Marks.

We own the following principal Marks and have applied for registration with the U.S. Patent and Trademark Office (“USPTO”) on the Principal Register:

Mark	Serial Number	Registration Date	Registration Number	Register
	88/551,189	4/28/20	6041100	Principal
Russo's New York Pizzeria (word mark – IC 036)	88/551,212	4/28/20	6041101	Principal
Russo's New York Pizzeria (word mark – IC 043)	88/551,106	4/28/20	6041097	Principal

We intend to file all affidavits and to renew our registrations for the Marks when they become due.

There are no currently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, no pending infringement, opposition or cancellation proceedings and no pending litigation involving any of the Marks that may significantly affect the ownership or use of any Mark listed above. There are no agreements currently in effect which limit our right to use or to license others to use the Marks.

You must immediately notify us of any apparent infringement of the Marks or challenge to your use of any of the Marks or claim by any person of any rights in any of the Marks. You and your Principals are not permitted to communicate with any person other than us, or any designated affiliate, our counsel and your counsel involving any infringement, challenge or claim. We can take action and have the right to exclusively control any litigation or USPTO or other administrative or agency proceeding caused by any infringement, challenge or claim or otherwise relating to any of the Marks. You must sign any and all documents, and do what may, in our counsel's opinion, be necessary or advisable to protect our interests in any litigation or USPTO or other administrative or agency proceeding or to otherwise protect and maintain our interests and the interests of any other person or entity (including any affiliate) having an interest in the Marks.

We will indemnify you against and reimburse you for all damages for which you are held liable for your use of any of the Marks, provided that the conduct of you and your Principals in the proceeding and use of the Marks is in full compliance with the terms of the Franchise Agreement.

Except as provided above, we are not obligated by the Franchise Agreement to protect any rights granted to you to use the Marks or to protect you against claims of infringement or unfair competition with respect to them. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy we intend to defend the Marks vigorously.

We may require you, at your expense, to discontinue or modify your use of any of the Marks or to use one or more additional or substitute trade names, service marks, trademarks, symbols, logos, emblems and indicia of origin if we determine that an addition or substitution will benefit the System.

The license to use the Marks granted in the Franchise Agreement is non-exclusive to you. We have and retain certain rights in the Marks including the following:

1. To grant other licenses for the use of the Marks in addition to those licenses already granted or to be granted to franchisees;
2. To develop and establish other systems using the Marks or other names or marks, and to grant licenses or franchises in those systems without providing any rights to you; and
3. To engage, directly or indirectly, at wholesale, retail or otherwise, in (a) the production, distribution, license and sale of products and services and (b) the use of the Marks and any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics we may develop for that purpose.

ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We hold no patents and have no pending patent applications that are material to the franchise. We have registered no copyright with the United States Copyright Office. However, we claim copyrights on our proprietary recipes, certain forms, advertisements, promotional materials and other written materials. We also claim copyrights and other proprietary rights in our Operations Manual and the contents of our website.

There are no current material determinations of, or proceedings pending in, the United States Patent and Trademark Office, the U.S. Copyright Office, or any court regarding any of our copyrights discussed above.

There are no agreements currently in effect that limit your right to use any of our copyrights. As of the date of this Disclosure Document, we are unaware of any infringing uses of or superior previous rights to any of our copyrights that could materially affect your use of them.

You must notify us immediately when you learn about an infringement of or challenge to your use of our copyrights. We will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will indemnify you for all expenses and damages arising from any claim challenging your authorized use of our copyrights. We have the right to control any administrative proceedings or litigation involving our copyrights licensed by us to you. You must cooperate fully with us in defending and/or settling the litigation.

If you, your Principals, General Manager, or employees develop any new concept, process, recipe, product, service, or improvement ("Improvement") in the operation or promotion of your Restaurant, you are required to promptly notify us and provide us with all requested information related to the Improvement and sign all documents necessary for us to obtain full proprietary rights to the Improvement. You, your Principals, General Manager and employees must acknowledge that any of these concepts, processes or improvements will become our property and we may give the information to other franchisees. We have no obligation to compensate you for the Improvement or for any cost you incur to sign over your rights to the Improvement to us.

During the term of the Franchise Agreement, you may have access to and become acquainted with our trade secrets, including, but not limited to, knowledge, know-how, and information related to the System, and product recipes, methods, processes, customer lists, vendor partnerships and/or relationships, selection guidelines and techniques, sales and technical information, financial information, costs, pricing formulae, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of the Restaurant; the Operations Manual; methods of advertising and promotion; instructional materials; any other information which Franchisor may or may not specifically designate as "confidential" or "proprietary"; and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively called the "Confidential Information"). You and each of your Principals are prohibited, during and after the term of your Agreement, from communicating, or using for the benefit of any other person or entity, and, after the term of your Agreement, from using for your or their own benefit, any Confidential Information, knowledge or know-how concerning the methods of operation of the Restaurant that may be communicated to you or any of your Principals or that you may learn about. You and each of your Principals may divulge this confidential information only to your employees who must have access to it to operate the Restaurant. Neither you nor your Principals are permitted at any time, without first obtaining our written consent, to copy, record or otherwise reproduce the materials or information nor make them available to any unauthorized person.

You must promptly tell us when you learn about unauthorized use of any Confidential Information. We are not obligated to take any action but will respond to this information as we think appropriate. We will indemnify you for losses brought by a third party concerning your use, in strict compliance with the Franchise Agreement, of the Confidential Information.

If we ask, you must have your General Manager and any of your personnel who have received or will have access to confidential information sign similar confidentiality covenants. Your Principals also must sign these covenants.

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

When you sign your agreement, you must designate and retain at all times an individual to serve as the "General Manager". If you are an individual, we recommend that you be the General Manager. We expect that you will be actively involved in the daily operation of your Restaurant, unless we permit you to not be actively involved.

You are required to complete the initial training program along with your General Manager. If you are not actively involved in the daily operation of your Restaurant, then we may communicate with and rely on the decisions made by your General Manager and you must have weekly onsite inspections at each location, prepare and produce to Russo's corporate monthly financial reports (P&L, income statement to make sure that your Restaurant is being operated according to the terms of your Franchise Agreement and the Operations Manual.

If you own three (3) or more Russo's locations, you are required to have one (1) Area Manager, who is trained by Russo's corporate and has weekly meetings with the General Managers of the stores. Your Area Manager must have weekly onsite inspections at each location, prepare and produce to Russo's corporate monthly financial reports (P&L, income statement.) Your Area Manager must have monthly meetings with the Russo's franchisee who owns the locations to go over financial records and operational performance, responsible for follow up on all store complaints and non-compliant issues, responsible for all advertising efforts for the locations, responsible for ensuring that each store is fully staffed and responsible for overseeing the day to day operations of each location.

At all times the Restaurant must be under the management of a General Manager who has satisfactorily completed our training program and who has been approved by us. We do not require that your General Manager have an ownership interest in the franchisee entity.

The General Manager must satisfy our educational and business criteria as provided to you in the Operations Manual or other written instructions, must be individually acceptable to us, and must be approved by us to act as a General Manager. The General Manager must be responsible for the supervision and management of the Restaurant, and must devote full time and best efforts to this activity. The General Manager also must satisfy the applicable training requirements in the Franchise Agreement. If the General Manager cannot serve in the position or does not meet the requirements, he or she must be replaced within 30 days after the General Manager stops serving or no longer meets the requirements.

If you employ any individual as General Manager or in a managerial position who is at the time employed in a managerial position by us or any of our affiliates, or by another of our franchisees, you must pay the former employer for the reasonable costs and expenses the employer incurred for the training of the employee, such as our training fee.

You must also obtain covenants not to compete, including covenants applicable on the termination of the person's relationship with you, from your General Manager and any of your other personnel who have received or will have access to our training before employment, and any holder of a beneficial interest in you (except for any limited partners). You must have all of your management personnel sign covenants that they will maintain the confidentiality of information they receive or have access to based on their relationship with you. Our form of Confidentiality and Non-Competition Agreement is included as Attachment 4 to the Franchise Agreement. We reserve the right, in our discretion, to decrease the period of time or geographic scope of the non-competition covenants contained in the attachments or eliminate the non-competition covenants altogether for any party that must sign an agreement as described in this paragraph. We will be a third-party beneficiary to each of these agreements with the independent right to enforce each agreement's terms.

We have identified certain persons under the Franchise Agreement and Multi-Unit Development Agreement that we refer to in this Disclosure Document as your Principals. Your Principals include your spouse, if you are a married individual, your Principals also include those of your business entity's officers and directors (including the officers and directors of your general partner, if applicable) whom we designate as your Principals and all holders of an ownership interest in you and in any entity, that directly or indirectly controls you, and any other person or entity controlling, controlled by, or under common control with you.

Your Principals must sign the Franchise Agreement and Multi-Unit Development Agreement, as applicable, and agree to be individually bound by certain obligations under the Agreements, including confidentiality and non-competition covenants and they must personally guarantee your performance under the Agreements. We typically designate your principal equity owners and executive officers, as well as any other affiliated entities that operate Restaurants, as Principals.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must sell or offer for sale all menu items, food products, merchandise, and other products and services we require, in the manner and style we require, including dine-in and carry-out, as expressly authorized by us in writing. You must sell and offer for sale only the menu items, products and services that we have expressly approved in writing. You must not deviate from our standards and specifications without first obtaining our written consent. You must discontinue selling and offering for sale any menu items, products or services that we may disapprove in writing at any time. We have the right to change the types of authorized goods and services, menu items and products offered by you at the Restaurant at any time, and there are no limits on our right to make those changes.

You must maintain in sufficient supply and use and sell only the food and beverage items, ingredients, proprietary products, merchandise, other products, materials, supplies, and paper goods that conform to our standards and specifications. You must prepare all menu items according to our recipes and procedures for preparation contained in the Operations Manual or other written instructions, including the measurements of ingredients. You must not deviate from our standards and specifications by the use or offer of nonconforming items or differing amounts of any items, without first obtaining our written consent. We reserve the right to vary the menu items offered at certain Restaurants based on regional or local tastes or ingredients. If we allow a Restaurant to modify its menu to accommodate regional or local tastes or ingredients, we are not required to grant to you a similar variance or modification.

We do not impose any other restrictions in the Franchise Agreement or otherwise, as to the goods or services that you may offer or sell or as to the customers to whom you may offer or sell, except as described in Item 12. You may not directly solicit customers outside of your Designated Area.

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.

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 3.1	10 years
b. Renewal or extension of the term	Section 3.2	Additional renewal terms of 10 years each
c. Requirements for franchisee to renew or extend	Section 3.2	You must provide us with notice that you wish to renew, be in compliance with the terms of your Franchise Agreement, be current in all payments required by the Franchise Agreement, remodel and/or refurbish your Restaurant if we require, sign renewal Franchise Agreement, sign general release, pay renewal fee You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of your territory will remain the same, and the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees
d. Termination by franchisee	Not applicable	You may terminate the Franchise Agreement on any grounds available by law

Provision	Section in Franchise Agreement	Summary
e. Termination by franchisor without cause	Not applicable	Not applicable
f. Termination by franchisor with cause	Section 17.1.1	Each of your obligations under the Franchise Agreement is a material and essential obligation, the breach of which may result in termination
g. “Cause” defined – curable defaults	Sections 17.1.3 and 17.2	We may terminate you for cause if you fail to cure certain defaults, including: if you or any of your affiliates fail to pay any monies owed to us, or our affiliates or vendors, and do not cure within five days after notice (or longer period required); fail to obtain signed copies of the confidentiality and non-competition covenants contained in the Franchise Agreement within five days after a request; fail to obtain and maintain required insurance within seven days after notice; suspension of required license or permit; use the Marks in an unauthorized manner and fail to cure within 24 hours after notice; fail to maintain quality standards; fail to cure any other default that is susceptible of cure within 30 days after notice
h. “Cause” defined – non-curable defaults	Sections 17.1.2 and 17.1.3	We may terminate you for cause if you fail to cure certain defaults, including: if you become insolvent, make a general assignment for benefit of creditors, file a petition or have a petition initiated against you under federal bankruptcy laws, have outstanding judgments against you for over 30 days, sell unauthorized products or services, fail to find an approved location within time required, fail to remodel when required, fail to open Restaurant when required, fail to comply with any term and condition of any sublease or related agreement and have not cured the default within the given cure period, abandon or lose right to the Restaurant premises, are convicted of a felony or other crime that may have an adverse effect on the System or Marks, transfer any interest without our consent, required license permit is revoked, repeated defaults, or maintain false books or records; violate any covenants in Sections 10.1, 10.2 and/or 10.3 of the Franchise Agreement. In addition, a default under one agreement with us may result in a termination of all of your other

Provision	Section in Franchise Agreement	Summary
		agreements with us. This is known as a cross-default provision.
i. Franchisee's obligations on termination/non-renewal	Section 18	Obligations include: You must stop operating the Restaurant and using the Marks and System and completely de-identify the business; remove the pizza oven and remove pizza, flat-bread pizza and pasta from your menu; pay all amounts due to us or our affiliates; return the Operations Manual and all other proprietary materials; comply with confidentiality requirements; pay liquidated damages (if applicable); and at our option, sell or assign to us your rights in the Restaurant premises and the equipment and fixtures used in the business
j. Assignment of contract by franchisor	Section 14.1	We have the right to transfer or assign the Franchise Agreement to any person or entity without restriction. However, no assignment will be granted except to an assignee who, in our good faith judgment, is willing and able to assume our obligations
k. "Transfer" by franchisee – defined	Section 14.2.1	Includes sale, assignment, conveyance, pledge, mortgage or other encumbrance of any interest in the Franchise Agreement, the Restaurant or you (if you are not a natural person)
l. Franchisor approval of transfer by franchisee	Section 14.2.2	You must obtain our consent before transferring any interest. We will not unreasonably withhold our consent
m. Conditions for franchisor approval of transfer	Section 14.2.2	Conditions include: You must pay all amounts due us or our affiliates, not otherwise be in default, sign a general release, and pay a transfer fee. Transferee must meet our criteria, complete training to our satisfaction and sign current Franchise Agreement
n. Franchisor's right of first refusal to acquire franchisee's business	Section 14.4	Within 30 days after notice, we have the option to purchase the transferred interest on the same terms and conditions

Provision	Section in Franchise Agreement	Summary
o. Franchisor's option to purchase franchisee's business	Sections 14.4 and 18.12	Upon termination or expiration of the Franchise Agreement, we have the right to purchase certain assets of the Restaurant
p. Death or disability of franchisee	Section 14.5	If you or a Principal are a natural person, on death or permanent disability, distributee must be approved by us, or franchise must be transferred to someone approved by us within 12 months after death or within six months after notice of permanent disability
q. Non-competition covenants during the term of the franchise	Section 10.3.1	You are prohibited from operating or having an interest in a similar business without our prior written consent
r. Non-competition covenants after the franchise is terminated or expires	Section 10.3.2	You and your Principals are prohibited for two years from expiration or termination of the franchise from operating or having an interest in a similar business within 20 miles of any Restaurant in the System
s. Modification of the agreement	Sections 10.1.5 and 19.2	The Franchise Agreement may not be modified unless mutually agreed to in writing. You must comply with Operations Manual as amended
t. Integration/merger clause	Section 19.2	Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.
u. Dispute resolution by arbitration or mediation	Section 19.7	Mediation and arbitration within the county where we maintain our headquarters (currently Harris County, Texas), subject to applicable state and federal law
v. Choice of forum	Section 19.8	The county and state where we maintain our headquarters (currently Harris County, Texas), subject to applicable state and federal law

Provision	Section in Franchise Agreement	Summary
w. Choice of law	Section 19.8	The state where we maintain our headquarters (currently Texas), subject to applicable state and federal law

THE MULTI-UNIT DEVELOPMENT RELATIONSHIP

Provision	Section in Multi-Unit Development Agreement	Summary
a. Length of the franchise term	6	Length of the Minimum Performance Schedule
b. Renewal or extension of the term	5	After all Restaurants have been developed, we will negotiate in good faith another Multi-Unit Development Agreement
c. Requirements for multi-unit developer to renew or extend	Not applicable	Not applicable
d. Termination by multi-unit developer	Not applicable	The Agreement does not provide for this. But you may seek to terminate on any grounds available to you at law
e. Termination by franchisor without cause	Not applicable	Not applicable
f. Termination by franchisor with cause	9	We can terminate if you commit any one of several listed violations
g. "Cause" defined – curable defaults	9	If you use the Marks or System without our consent; participating in a competing business; failure to pay money to us when due; you begin developing a Restaurant before all of your pre-development obligations are met; failure to obtain our consent when required; you open any Restaurant before a Franchise Agreement for that Restaurant has been signed
h. "Cause" defined – non-curable defaults	9	Failure to meet your minimum performance schedule; failure to comply with applicable laws; if all of your Restaurants stop operating; unauthorized transfer; you make a material misrepresentation to us; conviction by you or your owners of an indictable offense; bankruptcy or insolvency; if a Franchise Agreement with us is terminated

Provision	Section in Multi-Unit Development Agreement	Summary
		according to its terms (this is a cross-default provision)
i. Multi-unit developer's obligations on termination/non-renewal	10	You must stop selecting sites for Restaurants, and you may not open any more Restaurants
j. Assignment of contract by franchisor	11	No restriction on our right to assign. However, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Multi-Unit Development Agreement
k. "Transfer" by multi-unit developer – defined	11	Includes transfer of any interest in the Multi-Unit Development Agreement
l. Franchisor approval of transfer by multi-unit developer	11	We have the right to approve all transfers, our consent not to be unreasonably withheld
m. Conditions for franchisor approval of transfer	11	Conditions for transfer include not being in default, at least 25% of all Restaurants required to be developed are open or under construction, all debts are paid, the buyer meets our current criteria for new Multi-Unit Developers, execution of a general release, payment of transfer fee, buyer personally guarantees all obligations
n. Franchisor's right of first refusal to acquire multiunit developer's business	11	We have the right to match the offer
o. Franchisor's option to purchase multi-unit developer's business	Not applicable	Not applicable
p. Death or disability of multi-unit developer	11	If you or a majority owner are a natural person, on death or permanent disability, distributee must be approved by us, or development rights must be transferred to someone approved by us within 12 months after death or within six months after notice of permanent disability
q. Non-competition covenants during the term of the franchise	12	You are prohibited from operating or having an interest in a similar business without our prior written consent, except for Restaurants operated under Franchise Agreements with us

Provision	Section in Multi-Unit Development Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	12	No competing business for two years and within 20 miles of any Restaurant in the System
s. Modification of the agreement	18	Multi-Unit Development Agreement may not be modified unless mutually agreed to in writing
t. Integration/merger clause	18	Only the terms of the Multi-Unit Development Agreement are binding (subject to state law.) Any representations or promises outside the Franchise Disclosure Document and Multi-Unit Development Agreement may not be enforceable. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.
u. Dispute resolution by arbitration or mediation	19	Mediation and arbitration within the county where we maintain our headquarters (currently Harris County, Texas), subject to applicable state and federal law
v. Choice of forum	19	The county and state where we maintain our headquarters (currently Harris County, Texas), subject to applicable state and federal law
w. Choice of law	19	The state where we maintain our headquarters (currently Texas), subject to applicable state and federal law

ITEM 18: PUBLIC FIGURES

We do not use any public figure to promote our franchise.

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 Franchise 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 performance at a particular location or under particular circumstances.

The following data involves historic performance information for franchised Restaurants that were open for 12 months or longer as of December 31, 2024, our fiscal year end. As of December 31, 2024, there were a total of 29 US-based franchised Restaurants in the system. We have excluded the results of 4 Restaurants who were new to the system and did not operate for the full 12 months, 5 Restaurants that were transferred or sold and did not operate continuously for the full 12 months and 1 Russo's Coal-Fired Italian Kitchen Restaurant outlet whose financials were not available at time of calculation.

The franchised outlets included in this financial performance representation operate in substantially the same manner to the franchise offered in this disclosure document, except that 2 outlets that operate under the name "Russo's Coal-Fired Italian Kitchen Restaurant" and utilize a coal fired oven, otherwise there are no other characteristics that differ materially from the franchise offered.

\$1,164,515.28 AUV*

for the top 50% of US franchised stores in 2024

*Based on the Average Unit Volume of the top 50% of our Franchised Stores for fiscal year 2024. Based on fiscal year 2024, 5 of 25 Franchised Stores in the category (20%) met or exceeded this average.

	Top 25% of Franchised Stores	Top 50% of Franchised Stores	Top 75% of Franchised Stores	Total
No. of Stores	6	12	18	25
Range of Net Sales¹	\$1,132,754.48 to \$1,593,762.42	\$929,764.18 to \$1,593,762.42	\$636,420.33 to \$1,593,762.42	\$428,232.64 to \$1,593,762.42
Average Net Sales¹	\$1,342,749.71	\$1,164,515.28	\$1,024,050.32	\$882,313.69
Median Net Sales¹	\$1,336,262.75	\$1,049,358.73	\$967,723.34	\$834,162.77
No. of Stores Meeting or Exceeding the Average	3	5	7	12
% of Stores Meeting or Exceeding the Average	50%	42%	39%	48%

\$621,819.91 AUV*

for the bottom 50% of US franchised stores in 2024

*Based on the Average Unit Volume of the lowest 50% of our Franchised Stores for fiscal year 2024. Based on fiscal year 2024, 19 of 25 Franchised Stores in the category (76%) met or exceeded this average.

	Bottom 25% of Franchised Stores	Bottom 50% of Franchised Stores	Bottom 75% of Franchised Stores	Total
No. of Stores	7	13	19	25

Range of Net Sales¹	\$428,232.64 to \$624,079.62	\$428,232.64 to \$834,162.77	\$428,232.64 to \$1,049,358.73	\$428,232.64 to \$1,593,762.42
Average Net Sales¹	\$517,848.06	\$621,819.91	\$736,912.84	\$882,313.69
Median Net Sales¹	\$516,954.91	\$624,079.62	\$717,728.00	\$834,162.77
No. of Stores Meeting or Exceeding the Average	3	7	9	12
% of Stores Meeting or Exceeding the Average	43%	54%	47%	48%

¹ Net Sales means total revenue derived from the sale of goods and services less any state/local taxes collected.

The data included in this financial performance representation was provided by franchisees through sales reports generated from each outlet's POS system.

Some outlets have sold these amounts. Your individual results may differ. There is no assurance that you'll sell as much.

Written substantiation of the data used in preparing these sales figures will be made available to you upon reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Gerardo Anthony Russo at 5120 Woodway Drive, Suite 8030, Houston, Texas 77056, (346) 802-4700, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years 2022 - 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
	2022	29	29	0
	2023	29	29	0

Franchised*	2024	29	28	-1
Company- Owned	2022	7	7	0
	2023	7	6	-1
	2024	6	6	0
Total Outlets	2022	36	36	0
	2023	36	35	-1
	2024	35	34	-1

*Three Franchised outlets operate under the trademark “Russo’s Coal-Fired Italian Kitchen Restaurant”

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2022 - 2024

State	Year	Number of Transfers
Texas	2022	6
	2023	5
	2024	7
Total*	2022	6
	2023	5
	2024	7

Table No. 3
Status of Franchised Outlets
For years 2022 – 2024

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the
AZ	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
CA	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
FL	2022	2	0	0	0	0	1	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
OK	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	1	0	0	0	1
TX	2022	25	2	0	0	0	2	25

	2023	25	1	0	0	0	1	25
	2024	25	4	3	0	1	1	24
US Total	2022	29	3	0	0	0	3	29
	2023	29	1	0	0	0	1	29
	2024	29	5	4	0	1	1	28
KSA**	2022	3	1	0	0	0	1	3
	2023	3	0	0	0	0	0	3
	2024	3	0	3	0	0	0	0
UAE**	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	1	0	0	0	0	4
QATAR**	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
US & International Total	2022	35	4	0	0	0	4	35
	2023	35	2	0	0	0	1	36
	2024	36	6	7	0	1	1	33

*Three Franchised outlets operate under the trademark “Russo’s Coal-Fired Italian Kitchen Restaurant”

**International Locations

Table No. 4
Status of Company-Owned Outlets
For years 2022 – 2024

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
TX	2022	7	0	0	0	0	7
	2023	7	0	0	0	1	6
	2024	6	0	1	0	1	6
Total	2022	7	0	0	0	0	7
	2023	7	0	0	0	1	6
	2024	6	0	1	0	1	6

Table No. 5
Projected Openings as of December 31, 2024

States	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	1	1	0

California	1	2	0
Florida	0	0	0
Oklahoma	0	0	0
Texas	0	3	1
Total	2	6	1

A list of the names of all franchisees and multi-unit developers and the addresses and telephones numbers of their franchises will be provided in Exhibit D to this disclosure document when applicable. The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee or multi-unit developer who had a franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the applicable Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document will be listed on Exhibit D to this disclosure document when applicable. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the System.

There are no trademark-specific organizations formed by our franchisees that are associated with the System.

ITEM 21: FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit A are our audited financial statements for the periods ending December 31, 2024, December 31, 2023, and December 31, 2022. Also attached are our unaudited financial statements as of July 31, 2025.

Our fiscal year end is December 31st.

ITEM 22: CONTRACTS

Attached as Exhibits to this Disclosure Document are the following contracts and their attachments:

- Exhibit B - Franchise Agreement
- Exhibit C - Multi-Unit Development Agreement
- Exhibit H – Franchisee Acknowledgement Statement, as permitted by state law. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ITEM 23: RECEIPTS

Two copies of an acknowledgment of your receipt of this Disclosure Document appear at the end of the Disclosure Document. Please return one signed copy to us and retain the other for your records.

EXHIBIT A
FINANCIAL STATEMENTS

NEW YORK PIZZERIA INCORPORATED
FINANCIAL STATEMENTS
DECEMBER 31, 2024

NEW YORK PIZZERIA INCORPORATED
TABLE OF CONTENTS

	Page
Independent Auditor's Report	1 - 2
Balance Sheets	3
Statements of Changes in Stockholder's Equity	4
Statements of Operations	5
Statements of Cashflows	6
Notes to Financial Statements	7 - 9

MUHAMMAD ZUBAIRY, CPA PC

Certified Public Accountant
646.327.7013

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
New York Pizzeria Incorporated**

Opinion

We have audited the financial statements of New York Pizzeria Incorporated, which comprises the balance sheets as of December 31, 2024 and 2023, and the related statement of operations, and changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of New York Pizzeria Incorporated, as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 New York Pizzeria Incorporated, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements for the year ending December 31, 2023 were audited by other auditors whose report dated August 29, 2024 included an unmodified opinion of those statements.

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 New York Pizzeria Incorporated'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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

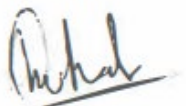
Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

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 New York Pizzeria Incorporated'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 New York Pizzeria Incorporated'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.



Muhammad Zubairy, CPA
Westbury, NY
May 28, 2025

NEW YORK PIZZERIA INCORPORATED
BALANCE SHEETS

	<u>ASSETS</u>	
	<u>YEARS ENDED DECEMBER 31</u>	
	<u>2024</u>	<u>2023</u>
Current Assets		
Cash	\$ 13,091	\$ 37,077
Accounts receivable	193,625	40,220
Unbilled revenue	48,720	53,787
Contract assets	1,402	1,402
Prepaid expenses	6,768	6,768
Total Current Assets	263,606	139,254
 Property and equipment, net	 11,732	 22,968
Operating lease right-of-use asset	843,630	926,835
Intangible assets	30,301	30,301
Contract Assets, net of current	10,831	12,233
Other assets	7,862	7,862
 Total Assets	 \$ 1,167,962	 \$ 1,139,453
 <u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>		
Current Liabilities		
Accounts payable	\$ 147,453	\$ 86,062
Accrued expenses	130,528	217,377
Contract liabilities	91,170	75,486
Lease liabilities	74,608	71,675
Total Current Liabilities	443,759	450,600
 Contract liabilities, net of current	 807,246	 705,917
Lease liabilities, net of current	816,115	890,723
 Stockholder's Equity	 (899,158)	 (907,787)
 Total Liabilities and Stockholder's Equity	 \$ 1,167,962	 \$ 1,139,453

See notes to financial statements

NEW YORK PIZZERIA INCORPORATED
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEARS ENDING DECEMBER 31, 2024 AND 2023

	<u>Common Stock</u>	<u>Additional Paid- In Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Equity at January 1, 2022	\$ 1,000	\$ 496,355	\$ (768,677)	\$ (271,322)
Net Income			238,949	238,949
Equity (Distributions)			(875,414)	(875,414)
Equity at December 31, 2023	<u>\$ 1,000</u>	<u>\$ 496,355</u>	<u>\$ (1,405,142)</u>	<u>\$ (907,787)</u>
Net Income			411,526	411,526
Equity (Distributions)			(402,897)	(402,897)
Equity at December 31, 2024	<u>\$ 1,000</u>	<u>\$ 496,355</u>	<u>\$ (1,396,513)</u>	<u>\$ (899,158)</u>

See notes to financial statements

NEW YORK PIZZERIA INCORPORATED
STATEMENTS OF OPERATIONS AND STOCKHOLDER'S EQUITY

		YEARS ENDED DECEMBER 31	
		2024	2023
Revenues			
Franchise fees		\$ 75,486	\$ 242,857
Royalties		1,476,337	1,585,938
Training fees		113,250	53,600
Brand management fund revenue		343,103	317,837
Others		483,634	351,253
Total Revenues		2,491,810	2,551,485
General and Administrative Expenses			
Depreciation		11,236	13,754
Brand management fund expenses		60,950	327,828
Personnel costs		819,454	734,301
Property and franchise taxes		12,006	15,964
Professional fees		220,256	306,328
Insurance		148,106	194,690
Lease costs		95,297	98,313
Commissions		38,857	8,723
Other expenses		674,122	664,787
Total General and Administrative Expenses		2,080,284	2,364,688
Income from Operations		411,526	186,797
Other income (Expenses)		—	52,152
Net Income		\$ 411,526	\$ 238,949

See notes to financial statements

NEW YORK PIZZERIA INCORPORATED
STATEMENT OF CASHFLOWS

	YEARS ENDED DECEMBER 31	
	2024	2023
Cash Flows from Operating Activities:		
Net Income	\$ 411,526	\$ 238,949
Provision for credit losses	—	20,000
Depreciation	11,236	13,754
Non-cash operating lease costs	11,530	20,265
Adjustments to reconcile net income to cash provided by operating activities:		
Changes in assets and liabilities		
Accounts receivable	(148,338)	8,767
Contract Assets	1,402	(5,277)
Prepaid expenses	—	54,698
Other assets	—	—
Accounts payable	61,391	(76,981)
Accrued expenses	(86,849)	79,157
Contract liabilities	117,013	236,093
	<u>378,911</u>	<u>589,425</u>
Cash Flows from Investing Activities		
Stockholder's (Distributions)	<u>(402,897)</u>	<u>(875,414)</u>
Net Increase (decrease) in Cash	(23,986)	(285,989)
Cash - Beginning of Year	<u>37,077</u>	<u>323,066</u>
Cash - End of Year	<u><u>\$ 13,091</u></u>	<u><u>\$ 37,077</u></u>

See notes to financial statements

NEW YORK PIZZERIA INCORPORATED
NOTES TO FINANCIAL STATEMENT

1. THE COMPANY

New York Pizzeria Incorporated, a Texas corporation, was incorporated on May 14, 1998 and is located in Houston, Texas. The Company was formed for the purpose of granting franchises for the establishment and operation of restaurants that offer fresh homemade Italian cuisine under the trade name and service mark "Russo's New York Pizzeria" (the "Marks"). These restaurants feature the sale of Italian New York style pizza, Neapolitan pizza, XL 28 Inch party pizza, pizza by the slice, which are made using proprietary recipes for the dough, toppings, salad dressings, and sauces. These restaurants also feature other Italian menu items including soups, salads, calzones, pasta entrees, sandwiches, desserts, coffee specialties and other non-alcoholic beverages.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting-The accompanying financial statement has been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to disbursement of cash.

Franchise Arrangements-The Company's franchise arrangements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate a franchise for a specified number of years.

Concentration of Credit Risk-Financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents and franchisee accounts receivable. The balances in the Company's cash accounts did not exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of \$250,000 as of December 31, 2024. The Company maintains its cash and cash equivalents with accredited financial institutions.

Use of Estimates-The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

3. ACCOUNTS RECEIVABLES

Accounts receivables are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the period in which those differences are determined, with an offsetting entry to all allowance for doubtful accounts. The allowance for doubtful accounts as of December 31, 2024 and 2023 is \$ 0 and \$37,312, respectively.

4. REVENUE RECOGNITION

The Company records revenue in accordance Accounting Standards Board ("FASB") and Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The transaction price attributable to performance obligations are recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation are amortized over the life of the related franchise agreements. Commissions paid for franchises are amortized over the life of the franchise agreement. The Company adopted ASC-606 and ASU 2021-02 using the modified retrospective method starting with January 1, 2020.

5. CONTRACT ASSETS AND LIABILITIES

In compliance with the Financial Accounting Standards Board ("FASB") new accounting standards for revenue recognition ("Topic 606"), the Company records its non-refundable franchise fees, net of amounts earned based on allowable direct services, as deferred revenues, to be recognized over the life of the franchise agreement. The non-refundable franchise fees received but not yet earned as of December 31, 2024, and 2023, were \$898,416 and \$781,403, respectively. The deferred commissions as of December 31, 2024 and 2023, were \$12,233 and \$13,635, respectively.

6. INCOME TAXES

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay Federal corporate income taxes on its taxable income. Instead, the stockholder is taxed on the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements. The Company recognizes income tax related interest and penalties in interest expense and other general and administrative expenses, respectively.

The Company files income tax returns in the U.S. federal jurisdiction, and the state jurisdictions in which it operates. The Company is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Company believes it is no longer subject to income tax examinations for years prior to 2022.

7. INTANGIBLE ASSETS

Intangible assets are recorded at the lower of cost or net realizable value. Intangible assets with indefinite lives are not amortized, but are assessed for impairment on at least an annual basis. Intangible assets with definite lives are amortized over the expected useful lives of the assets and are assessed for impairment whenever events or changes in circumstances indicate that their carry values may not be recoverable. At December 31, 2024 and 2023, the Company had \$30,301 of indefinite lived trademarks.

NEW YORK PIZZERIA INCORPORATED
NOTES TO FINANCIAL STATEMENT

8. LEASES

The Company leases its office facilities in Houston, Texas. The lease expires in April 2029 and includes an option to extend the lease for another 5-year term.

The Company also has a certain lease for a shared office space with a term of less than 12 months for which the Company has elected to recognize lease costs on the straight-line basis over the term of the respective lease.

The component of operating lease costs for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Lease costs		
Operating lease costs	\$ 88,163	\$ 91,164
Short-term lease cost	7,134	7,149
Total lease costs	<u>\$ 95,297</u>	<u>\$ 98,313</u>

Supplemental cash flow information related to operating leases for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Operating cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities	\$ 86,622	\$ 70,899
Non-cash activity:		
Right-of-use asset obtained in exchange for new operating lease liability	\$ -	\$ -
Right of use asset decreased in exchange for modification of operating lease liability	\$ -	\$ (11,135)

The weighted average lease terms and discount rate information related to operating lease was as follows:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term of operating lease	9.33 years	10.33 years
Weighted average discount rate of operating lease	1.62%	1.62%

The future maturities of operating lease liabilities as of December 31, 2024 was as follows:

2025	\$ 88,369
2026	90,116
2027	91,863
2028	93,610
2029	107,149
Thereafter	492,072
Total future minimum lease payments	<u>963,179</u>
Less: imputed interest	(72,456)
Total lease liabilities	<u>\$ 890,723</u>

NEW YORK PIZZERIA INCORPORATED
NOTES TO FINANCIAL STATEMENT

9. GOING CONCERN

As of December 31, 2024, the Company's liabilities exceeded its assets by \$1,000,621, which included related party loans of \$300,246. The financial statements have been prepared on a going concern basis due to the positive earnings and cash flows from operations and as the shareholder has committed its continuing support for a minimum of 12 months from the date of issuance of these financial statements.

10. SUBSEQUENT EVENTS

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events have been evaluated through May 28, 2025 the date the financial statements were available to be issued.

New York Pizzeria Incorporated

Financial Statements

As of December 31, 2023 and 2022

and for the years ended December 31, 2023, 2022 and 2021

New York Pizzeria Incorporated
Financial Statements
As of December 31, 2023 and 2022
and for the years ended December 31, 2023, 2022 and 2021

Table of Contents

Independent Auditor's Report.....	3
Financial Statements	
Balance Sheets.....	5
Statements of Operations.....	6
Statements of Changes in Stockholder's Equity (Deficit).....	7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	10



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Independent Auditor's Report

To the Stockholder
New York Pizzeria Incorporated
Houston, Texas

Report on the Financial Statements

Opinion

We have audited the financial statements of New York Pizzeria Incorporated, which comprise the balance sheets as of December 31, 2023 and 2022 and the related statements of operations, changes in stockholder's equity (deficit) and cash flows for the years ended December 31, 2023, 2022 and 2021 and related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of New York Pizzeria Incorporated as of December 31, 2023 and 2022, and the results of its operations, changes in stockholder's equity (deficit) and cash flows for the years ended December 31, 2023, 2022 and 2021 in conformity 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 (GAAS). 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 New York Pizzeria Incorporated and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 New York Pizzeria Incorporated ability to continue as a going concern within one year from the date the financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness New York Pizzeria Incorporated'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 New York Pizzeria Incorporated'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.

A+G LLP

Dallas, Texas
August 29, 2024

Balance Sheets

As of December 31,

2023

2022

Assets

Current assets:

Cash and cash equivalents	\$ 37,077	\$ 323,066
Accounts receivable, net	40,220	68,987
Unbilled revenue	53,787	166,037
Deferred costs	1,402	850
Prepaid expenses	6,768	61,466
Total current assets	<u>139,254</u>	<u>620,406</u>

Property and equipment, net	22,968	36,722
Operating lease right-of-use asset	926,835	1,020,075
Intangible assets	30,301	30,301
Deferred costs, net	12,233	7,508
Other assets	7,862	7,862

Total assets	\$ 1,139,453	\$ 1,722,874
---------------------	---------------------	---------------------

Liabilities and Stockholder's Deficit

Current liabilities:

Accounts payable	\$ 86,062	\$ 163,043
Accrued expenses	217,377	138,220
Deferred revenue	75,486	64,229
Current portion of operating lease liability	71,675	69,460
Total current liabilities	<u>450,600</u>	<u>434,952</u>

Long-term liabilities:

Deferred revenue, net	705,917	593,331
Operating lease liability, net	890,723	965,913

Stockholder's deficit:

Common stock; \$1 par value; 1,000,000 shares authorized; 1,000 issued and outstanding	1,000	1,000
Additional paid in capital	496,355	496,355
Retained deficit	(1,405,142)	(768,677)
Total stockholder's deficit	<u>(907,787)</u>	<u>(271,322)</u>

Total liabilities and stockholder's deficit	\$ 1,139,453	\$ 1,722,874
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Statements of Operations

For the years ended December 31,

2023

2022

2021

Revenues:

Franchise fee revenue	\$ 242,857	\$ 190,650	\$ 96,168
Royalty revenue	1,585,938	1,614,185	1,660,227
Training revenue	53,600	82,614	17,900
Brand management fund revenue	317,837	312,066	301,404
Other revenues	351,253	284,375	287,351
Total revenues	2,551,485	2,483,890	2,363,050

General and administrative expenses:

Depreciation	13,754	13,754	9,367
Brand management fund expenses	327,828	350,185	243,277
Personnel costs	734,301	628,411	595,044
Property and franchise taxes	15,964	22,385	58,423
Professional fees	306,328	283,442	193,747
Insurance	194,690	191,096	84,586
Lease costs	98,313	116,758	111,750
Commissions	8,723	142	-
Other general and administrative expenses	664,787	585,353	466,310
Total general and administrative expenses	2,364,688	2,191,526	1,762,504

Income from operations

186,797 292,364 600,546

Other income (expense):

Interest income	-	793	-
Other income	58,973	124,123	101,595
Gain on sale of property and equipment	-	1,801,265	-
Gain on extinguishment of debt	-	137,428	159,870
Loss on extinguishment of debt - affiliates	-	(1,857,243)	-
Interest expense	(6,821)	(8,138)	(11,034)
Other expenses	-	(38,472)	(3,152)
Total other income (expense)	52,152	159,756	247,279

Net income

\$ 238,949 \$ 452,120 \$ 847,825

Statements of Changes in Stockholder's Equity (Deficit)

	Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Total Stockholder's Equity (Deficit)
	Shares	Amount			
Balance at December 31, 2020	1,000	\$ 1,000	\$ 496,355	\$ 380,880	\$ 878,235
Net income	-	-	-	847,825	847,825
Distributions to stockholder	-	-	-	(722,008)	(722,008)
Balance at December 31, 2021	1,000	\$ 1,000	\$ 496,355	\$ 506,697	\$ 1,004,052
Net income	-	-	-	452,120	452,120
Distributions to stockholder	-	-	-	(1,727,494)	(1,727,494)
Balance at December 31, 2022	1,000	\$ 1,000	\$ 496,355	\$ (768,677)	\$ (271,322)
Net income	-	-	-	238,949	238,949
Distributions to stockholder	-	-	-	(875,414)	(875,414)
Balance at December 31, 2023	1,000	\$ 1,000	\$ 496,355	\$ (1,405,142)	\$ (907,787)

Statements of Cash Flows

For the years ended December 31,

2023

2022

2021

Operating Activities

Net income	\$ 238,949	\$ 452,120	\$ 847,825
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	20,000	-	51,992
Depreciation	13,754	13,754	9,367
Gain on sale of property and equipment	-	(1,801,265)	-
Non-cash operating lease costs	20,265	15,298	-
Gain on extinguishment of debt	-	(137,428)	(159,870)
Loss on extinguishment of debt - affiliates	-	1,857,243	-
Other expenses	-	27,892	-
Changes in operating assets and liabilities:			
Accounts receivable	8,767	101,846	(116,234)
Deferred costs	(5,277)	(8,358)	-
Prepaid expenses	54,698	(55,136)	9,057
Other assets	-	40,620	18,248
Accounts payable	(76,981)	(35,481)	44,928
Accrued expenses	79,157	4,291	21,147
Deferred revenue	236,093	(75,437)	210,832
Net cash provided by operating activities	589,425	399,959	937,292

Investing Activities

Proceeds from sale of property and equipment	-	2,538,615	-
Purchases of property and equipment	-	(60,392)	(12,137)
Net cash provided (used) by investing activities	-	2,478,223	(12,137)

Financing Activities

Proceeds from long-term debt	-	-	136,282
Net advances to affiliates	-	(788,219)	(320,816)
Distributions to stockholder	(875,414)	(1,795,994)	(722,008)
Net cash used by financing activities	(875,414)	(2,584,213)	(906,542)

Net increase (decrease) in cash and cash equivalents	(285,989)	293,969	18,613
Cash and cash equivalents, beginning of year	323,066	29,097	10,484
Cash and cash equivalents, end of year	\$ 37,077	\$ 323,066	\$ 29,097

Statements of Cash Flows (Continued)

For the years ended December 31,

2023

2022

2021

Supplemental Disclosure of Cash Flow Information

Interest paid	\$	6,821	\$	9,284	\$	10,958
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Non-cash operating and financing activities

Stockholder distribution in connection with elimination of amount due to stockholder	\$	-	\$	68,500	\$	-
Extinguishment of accrued interest	\$	-	\$	1,146	\$	1,165
Extinguishment of long-term debt	\$	-	\$	136,282	\$	158,705
Extinguishment of balances due from affiliates	\$	-	\$	1,857,243	\$	-

NOTES TO FINANCIAL STATEMENTS

1. Organization and Operations**Description of Business**

New York Pizzeria Incorporated, a Texas corporation, was incorporated on May 14, 1998 and is located in Houston, Texas. References in these financial statement footnotes to “Company”, “NYPI”, “we”, “us”, and “our” refer to the business of New York Pizzeria Incorporated.

The Company was formed for the purpose of granting franchises for the establishment and operation of restaurants that offer fresh homemade Italian cuisine under the trade name and service mark “Russo’s New York Pizzeria” (the “Marks”). These restaurants feature the sale of Italian New York style pizza, Neapolitan pizza, XL 28 Inch party pizza, pizza by the slice, which are made using proprietary recipes for the dough, toppings, salad dressings, and sauces. These restaurants also feature other Italian menu items including soups, salads, calzones, pasta entrees, sandwiches, desserts, coffee specialties and other non-alcoholic beverages.

The table below reflects the status and changes in franchised outlets and affiliate owned outlets for the years ended December 31, 2023, 2022 and 2021:

Franchised Outlets – United States

<u>Year</u>	<u>Start of Year</u>	<u>Opened</u>	Closed or Ceased Operations – <u>Other reasons</u>	<u>End of Year</u>
2021	28	1	0	29
2022	29	3	3	29
2023	29	1	1	29

Franchised Outlets – International

<u>Year</u>	<u>Start of Year</u>	<u>Opened</u>	Closed or Ceased Operations – <u>Other reasons</u>	<u>End of Year</u>
2021	7	2	3	6
2022	6	0	0	6
2023	6	1	0	7

Affiliate Owned Outlets

<u>Year</u>	<u>Start of Year</u>	<u>Opened</u>	Closed or Ceased Operations – <u>Other reasons</u>	<u>End of Year</u>
2021	7	0	0	7
2022	7	0	0	7
2023	7	0	1	6

Going Concern

Management has evaluated our ability to continue as a going concern as of December 31, 2023. Due to the positive earnings and cash flows from operations, we have concluded that there is not significant doubt about our ability to continue as a going concern.

2. Significant Accounting Policies**Basis of Accounting**

The Company uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). Under this method, revenue is recognized when earned and expenses are recognized as incurred.

NOTES TO FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)**Use of Estimates**

The preparation of the financial statements and accompanying notes in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Estimates are used for the following, among others: revenue recognition, allowance for credit losses, useful lives for depreciation of long-lived assets and leases. Actual results could differ from those estimates.

Comparative Financial Statements

Certain prior period amounts have been reclassified to conform to current year presentation.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, deferred costs, prepaid expenses, accounts payable, accrued expenses, and deferred revenue. The carrying values of cash and cash equivalents, accounts receivable, deferred costs, prepaid expenses, accounts payable, accrued expenses, and deferred revenue are considered to be representative of their respective fair values due to the short-term nature of these instruments.

Assets and liabilities that are carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets and liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data

Non-recurring fair value measurements include the assessment of property and equipment and intangible assets for impairment. As there is no corroborating market activity to support the assumptions used, the Company has designated these estimates as Level 3.

Cash and Cash Equivalents

For purposes of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered cash equivalents.

Accounts Receivable

The balance in accounts receivable consists of initial franchise fees, royalties, and other fees due from franchisees and are stated at the amount the Company expects to collect. The Company maintains allowances for credit losses for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer credit worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. Past due balance over 90 days and other higher risk amounts are reviewed individually for collectability. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to an allowance. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for credit losses.

NOTES TO FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)**Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives of the respective asset:

	<u>Estimated Useful Life</u>
Furniture and equipment	5 Years
Computers	5 Years
Automobiles	5 Years

Maintenance and repair costs are expensed in the period incurred. Expenditures for purchases and improvements that extend the useful lives of property and equipment are capitalized.

Intangible Assets

Intangible assets are recorded at the lower of cost or net realizable value. Intangible assets with indefinite lives are not amortized, but are assessed for impairment on at least an annual basis. Intangible assets with definite lives are amortized over the expected useful lives of the assets and are assessed for impairment whenever events or changes in circumstances indicate that their carry values may not be recoverable. At December 31, 2023 and 2022, the Company had \$30,301 of indefinite lived trademarks.

Impairment of Long-Lived Assets

The Company assesses potential impairment of its long lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that the Company considers important which could trigger an impairment review include, but are not limited to, significant under-performance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for the Company's overall business, and significant industry or economic trends. When the Company determines that the carrying value of the long-lived assets may not be recoverable based upon the existence of one or more of the above indicators, the Company determines the recoverability by comparing the carrying amount of the asset to net future undiscounted cash flows that the asset is expected to generate. If the carrying value is not recoverable, an impairment is recognized in the amount by which the carrying amount exceeds the fair value of the asset. During the years ended December 31, 2022, 2021 and 2020, no impairment charges were recognized related to long-lived assets.

Gift Card Liability

The Company authorizes the franchisees to sell gift cards. All proceeds from the sale of gift cards belong exclusively to NYPI. The proceeds of such sale are remitted to NYPI and a liability is established for the cash value of the gift card. Until redemption, outstanding customer balances are recorded as a liability and is included in accrued expenses on the balance sheet. The Company reimburses the franchisees the redeemed value of the gift cards accepted as payment for products sold at the franchise units and the Company's liability is reduced. The Company has not recognized any revenue related to gift cards for the years ended December 31, 2023, 2022 and 2021. As of December 31, 2023 and 2022, the Company has liabilities of \$12,024 and \$10,579, respectively, in gift card liabilities which is included in accrued expenses on the balance sheets.

NOTES TO FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)**Revenue Recognition**

The Company recognizes revenue in accordance with FASB ASC 606-10-25, *Revenue from Contracts with Customers*. In January 2021, the FASB issued ASU 2021-02, "Franchisors – Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient." ASU 2021-02 provides a practical expedient that simplifies the application of ASC 606 about identifying performance obligations and permits franchisors that are not public entities to account for pre-opening services listed within the guidance as distinct from the franchise license. The Company has adopted ASU 2021-02 and implemented the guidance on its revenue recognition policy.

Franchise fee revenue

The Company sells individual franchises. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee prior to opening the respective location(s). A franchise agreement establishes a franchised restaurant(s) developed in one or multiple defined geographic area and provides for a 10-year initial term with the option to renew for an additional 10-year term. Subject to the Company's approval, a franchisee may generally renew the franchise agreement upon its expiration. If approved, a franchisee may transfer a franchise to a new or existing franchisee, at which point a transfer fee is typically paid by the current owner which then terminates that franchise agreement, and a franchise agreement is signed with the new franchisee.

Under the terms of our franchise agreements, the Company typically promises to provide franchise rights, pre-opening services such as site selections, operational materials and functional training courses, and ongoing services, such as management of the brand fund. The Company considers certain pre-opening activities and the franchise rights and related ongoing services to represent two separate performance obligations. The franchise fee revenue has been allocated to the two separate performance obligations using a residual approach. The Company has estimated the value of performance obligations related to certain pre-opening activities deemed to be distinct based on cost plus an applicable margin, and assigned the remaining amount of the initial franchise fee to the franchise rights and ongoing services. Revenue allocated to preopening activities is recognized when (or as) these services are performed, no later than the opening date. Revenue allocated to franchise rights and ongoing services is recognized on a straight line basis over the contractual term of the franchise agreement as this ensures that revenue recognition aligns with the customer's access to the franchise right. Renewal fees are recognized over the renewal term of the respective franchise from the start of the renewal period. Transfer fees are recognized over the contractual term of the franchise agreement. In the event a franchise agreement is terminated, any remaining deferred fees are recognized in the period of termination.

The Company also enters into development agreements with certain franchisees. The development agreement generally provides the franchisee with the right to develop a specified number of new restaurants within a stated, non-exclusive territory for a specified period, subject to the franchisee meeting interim new restaurant development requirements.

Royalty revenue

Royalty revenue is charged to existing franchise owners based on a percentage of a restaurant's gross sales. This revenue is calculated based on five percent of gross sales. The revenue is recognized as earned.

Training revenue

Training revenue includes additional training fee occurred during the term of franchise agreements and is recognized as earned.

NOTES TO FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)**Revenue Recognition (continued)****Brand management fund revenue**

The Company maintains a brand management fund to promote general brand recognition of the franchise system and services. Funds are collected from franchisees based on an agreed-upon percentage of franchisee's monthly gross revenue and used to pay costs of, or associated with, marketing, advertising, promotional programs, public relations, and costs to administer the marketing fund. Although brand management fund revenue is not a separate performance obligation distinct from the underlying franchise right, the Company acts as the principal as it is primarily responsible for the fulfillment and control of the marketing services. As a result, the Company records brand management fund contributions in revenue and related brand management fund expenditures in expenses in the statement of operations.

When brand management fund revenue exceeds the related brand management fund expenses in a reporting period, brand management fund expenses are accrued up to the amounts of the brand management fund revenue recognized. Brand management fund revenue is contributed by franchisees based on one percent of a restaurant's gross sales and is recognized as earned. As of December 31, 2023 and 2022, the Company has liabilities of \$51,162 and \$6,577, respectively, in brand fund liabilities which is included in accrued expenses on the balance sheets.

Other revenues

Other revenues consist of rebate revenue and other fee revenue. As part of the Company's franchise agreements, the franchisee purchases products and supplies from designated vendors. The Company may receive various fees and rebates from the vendors and distributors on product purchases by franchisees. The Company does not possess control of the products prior to their transfer to the franchisee and products are delivered to franchisees directly from the vendors or distributors. The Company recognizes the rebates as franchisees purchase products and supplies from vendors or distributors as earned and these amounts are included in other revenues in the statements of operations.

Advertising and marketing

All costs associated with advertising and marketing are expensed in the period incurred.

Leases

The company accounts for leases under ASC 842. Lease arrangements are determined at the inception of the contract. At the lease commencement date, each lease is evaluated to determine whether it will be classified as an operating or finance lease. For leases with a lease term of 12 months or less (a "Short-term" lease), any fixed lease payments are recognized on a straight-line basis over such term, and are not recognized on the balance sheets. Operating leases with the terms greater than 12 months are included in operating lease right-of-use ("ROU") asset, operating lease liability and long-term operating lease liability on the balance sheets. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. Lease terms include the non-cancellable portion of the underlying lease with any reasonably certain lease periods associated with available renewal periods, termination options and purchase options. The Company uses the risk-free rate when the rate implicit in the lease is not readily determinable at the commencement date in determining the present value of lease payments. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

NOTES TO FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)**Income Taxes**

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay Federal corporate income taxes on its taxable income. Instead, the stockholder is taxed on the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements. The Company recognizes income tax related interest and penalties in interest expense and other general and administrative expenses, respectively.

The Company files income tax returns in the U.S. federal jurisdiction, and the state jurisdictions in which it operates. The Company is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Company believes it is no longer subject to income tax examinations for years prior to 2020.

In accordance with FASB ASC 740-10, *Income Taxes*, the Company is required to disclose uncertain tax positions. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Company has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations or cash flows.

Management's determination of the taxable status of the entity, including its status as an S Corporation, a pass through entity, is a tax position that is subject to consideration of uncertainty. The Company believes it has complied with all regulations required to maintain its status as an S Corporation and more likely than not, this status would hold up under examination. Accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2023 and 2022.

For the years ended December 31, 2023, 2022 and 2021, the Company recognized franchise tax expense in the amount of \$9,312, \$15,503 and \$22,808, respectively. These amounts were included in property and franchise taxes in the statements of operations.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", and subsequent amendments to the initial guidance, ASU 2019-10. This accounting standard changes the methodology for measuring credit losses on financial instruments, including trade accounts receivable, and the timing of when such losses are recorded. ASU No. 2016-13 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2022. The Company adopted this standard as of January 1, 2023, using the modified retrospective approach and it did not have a material impact on its financial statements.

Recent Accounting Pronouncements

We reviewed other significant newly-issued accounting pronouncements and concluded that they either are not applicable to our operations or that no material effect is expected on our financial statements as a result of future adoption.

3. Certain Significant Risks and Uncertainties

The Company maintains its cash in a bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash or cash equivalents. The Company maintains its deposits in one financial institution.

NOTES TO FINANCIAL STATEMENTS

4. Revenue and Related Contract Balances**Disaggregation of Revenue**

The following table disaggregates revenue by source for the year ended December 31:

	2023	2022	2021
Point in time:			
Franchise fee revenue	\$ 75,000	\$ 75,000	\$ -
Royalty revenue	1,585,938	1,614,185	1,660,227
Training revenue	53,600	82,614	17,900
Brand management revenue	317,837	312,066	301,404
Other revenues	351,253	284,375	287,351
Total point in time	\$ 2,383,628	\$ 2,368,240	\$ 2,266,882
Over time:			
Franchise fee revenue	167,857	115,650	96,168
Total revenues	\$ 2,551,485	\$ 2,483,890	\$ 2,363,050

Contract Assets

Contract assets consist of unbilled revenue. Unbilled revenue consists of royalties and initial franchise fees from franchisees for which a billing has not occurred.

Contract Costs

Contract costs consist of deferred costs resulting from commissions incurred when the franchise rights are sold to franchisees. The Company classifies these contract costs as deferred costs on the balance sheets. The following table reflects the change in contract costs for the years ended December 31:

	2023	2022
Deferred costs – beginning of year	\$ 8,358	\$ -
Expense recognized during the year	(8,723)	(142)
New deferrals	14,000	8,500
Deferred costs – end of year	\$ 13,635	\$ 8,358

The following table illustrates estimated expenses expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2023:

2024	\$ 1,402
2025	1,402
2026	1,402
2027	1,402
2028	1,402
Thereafter	6,625
Total	\$ 13,635

NOTES TO FINANCIAL STATEMENTS

4. Revenue and Related Contract Balances (continued)**Contract Liabilities**

Contract liabilities consist of deferred revenue resulting from initial franchise fees, renewal fees and transfer fees paid by franchisees, which are recognized on a straight-line basis over the term of the franchise agreements. The Company classifies the contract liabilities as deferred revenue on the balance sheets. The following table reflects the change in contract liabilities for the years ended December 31:

	2023	2022
Deferred revenue – beginning of year	\$ 657,560	\$ 566,960
Revenue recognized during the year	(242,857)	(190,650)
New deferrals	366,700	281,250
Deferred revenue – end of year	<u>\$ 781,403</u>	<u>\$ 657,560</u>

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2023:

2024	\$ 75,486
2025	71,420
2026	64,054
2027	52,951
2028	44,491
Thereafter	473,001
Total	<u>\$ 781,403</u>

5. Accounts Receivable

Accounts receivable consisted of the following at December 31:

	2023	2022
Accounts receivable	\$ 77,532	\$ 91,319
Less: allowance for credit losses	(37,312)	(22,332)
Accounts receivable, net	<u>\$ 40,220</u>	<u>\$ 68,987</u>

For the years ended December 31, 2023, 2022 and 2021, bad debt expense was \$20,000, \$0 and \$51,992, respectively.

The allowance for doubtful accounts activity was as follows:

	2023	2022
Balance, beginning of year	\$ 22,332	\$ 75,500
Provision for credit losses	20,000	-
Write-offs, net of recoveries	(5,020)	(53,168)
Balance, end of year	<u>\$ 37,312</u>	<u>\$ 22,332</u>

NOTES TO FINANCIAL STATEMENTS

6. Property and Equipment

The major classes of property and equipment consisted of the following at December 31:

	2023	2022
Land	\$ -	\$ -
Furniture and equipment	53,101	53,101
Computers	15,671	15,671
Automobiles	19,787	19,787
Less: accumulated depreciation	(65,591)	(51,837)
Property and equipment, net	<u>\$ 22,968</u>	<u>\$ 36,722</u>

For the years ended December 31, 2023, 2022 and 2021, depreciation expense was \$13,754, \$13,754 and \$9,367, respectively.

7. Leases

The Company leases its office facilities in Houston, Texas. The lease expires in April 2029 and includes an option to extend the lease for another 5-year term.

The Company also has a certain lease for a shared office space with a term of less than 12 months for which the Company has elected to recognize lease costs on the straight-line basis over the term of the respective lease.

The component of operating lease costs for the years ended December 31:

	2023	2022
Lease costs		
Operating lease costs	\$ 91,164	\$ 99,154
Short-term lease cost	7,149	17,604
Total lease costs	<u>\$ 98,313</u>	<u>\$ 116,758</u>

Supplemental cash flow information related to operating leases for the years ended December 31:

	2023	2022
Operating cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities	\$ 70,899	\$ 83,856
Non-cash activity:		
Right-of-use asset obtained in exchange for new operating lease liability	\$ -	\$ 1,101,983
Right of use asset decreased in exchange for modification of operating lease liability	\$ (11,135)	\$ -

The weighted average lease terms and discount rate information related to operating lease was as follows:

	2023	2022
Weighted average remaining lease term of operating lease	10.33 years	11.33 years
Weighted average discount rate of operating lease	1.62%	1.62%

NOTES TO FINANCIAL STATEMENTS

7. Leases (continued)

The future maturities of operating lease liabilities as of December 31, 2023 was as follows:

2024	\$	86,622
2025		88,369
2026		90,116
2027		91,863
2028		93,610
Thereafter		599,221
Total future minimum lease payments		1,049,801
Less: imputed interest		(87,403)
Total lease liabilities	\$	962,398

8. Related Party Transactions**Transactions with Affiliates**

The Company and its affiliates frequently advance funds and pay expenses on behalf of one another for payment of general and administrative expenses.

At December 31, 2022, all balances due from or to affiliates were extinguished. The Company recognized a loss on extinguishment of debt related to balances due from or to affiliates in the amount of \$1,857,243.

The Company's sole shareholder is also the sole shareholder of Pizza Galveston, Inc., Downtown NYP, Inc., NYP-Kingwood, Inc., Russo's Westheimer, Inc., Russo's New York Pizzeria Midtown, Inc., Russo's Cedar Park, LLC. The locations under ownership by the above related parties do not pay franchise fees or royalties.

9. Certain Significant Risks and Uncertainties**Credit risk**

Receivables consists primarily of amounts due from franchisees. The financial condition of these franchisees is largely dependent upon the underlying business trends of the Company's brands. This concentration of credit risk is mitigated, in part, by the short-term nature of the receivables.

10. Commitments and Contingencies**Litigation**

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of the management, all matters are of such nature, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

Guarantor of Lease

The Company is a guarantor on a lease of a certain franchisee through the expiration of current lease term, May 31, 2026. The Company would be obligated in the event the franchisee is unable to meet the rent payments when they become due. As of December 31, 2023, the maximum amount payable under such guarantee was \$402,766. Management believes performance under the guarantee is remote. Should the Company be required to pay any portion of the total amount of the rent payments it has guaranteed, the Company could attempt to recover some or all of that amount from guaranteed parties. The Company holds no collateral in respect of the guarantee.

NOTES TO FINANCIAL STATEMENTS

11. Subsequent Events

The Company has evaluated subsequent events through August 29, 2024, the date the financial statements were available to be issued.

**THESE FINANCIAL STATEMENTS ARE PREPARED
WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES
OR SELLERS OF FRANCHISES SHOULD BE ADVISED
THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS
AUDITED THESE FIGURES OR EXPRESSED AN
OPINION WITH REGARD TO THE CONTENT OR FORM.**

New York Pizzeria, Inc.

Balance Sheet

As of July 31, 2025

		TOTAL
ASSETS		
Current Assets		\$840,893.40
Fixed Assets		\$21,593.77
Other Assets		\$881,792.88
TOTAL ASSETS		\$1,744,280.05
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		\$378,779.14
Long-Term Liabilities		\$1,668,469.12
Total Liabilities		\$2,047,248.26
Equity		\$ -302,968.21
TOTAL LIABILITIES AND EQUITY		\$1,744,280.05

New York Pizzeria, Inc.

Profit and Loss January - July, 2025

	TOTAL
Income	\$1,494,139.76
GROSS PROFIT	\$1,494,139.76
Expenses	\$1,132,147.52
NET OPERATING INCOME	\$361,992.24
Other Income	\$193,480.37
Other Expenses	\$540.37
NET OTHER INCOME	\$192,940.00
NET INCOME	\$554,932.24

EXHIBIT B
FRANCHISE AGREEMENT

NEW YORK PIZZERIA INCORPORATED
FRANCHISE AGREEMENT

TABLE OF CONTENTS

ARTICLE 1: GRANT.....	3
ARTICLE 2: SITE SELECTION, PLANS AND CONSTRUCTION	5
ARTICLE 3: TERM AND RENEWAL.....	8
ARTICLE 4: FEES.....	9
ARTICLE 5: OUR OBLIGATIONS.....	13
ARTICLE 6: YOUR AGREEMENTS, REPRESENTATIONS, WARRANTIES AND COVENANTS	14
ARTICLE 7: FRANCHISE OPERATIONS	18
ARTICLE 8: ADVERTISING AND PROMOTION.....	24
ARTICLE 9: MARKS.....	29
ARTICLE 10: CONFIDENTIALITY AND NON-COMPETITION COVENANTS.....	31
ARTICLE 11: BOOKS AND RECORDS.....	35
ARTICLE 12: INSURANCE	37
ARTICLE 13: DEBTS AND TAXES	39
ARTICLE 14: TRANSFER OF INTEREST.....	39
ARTICLE 16: RELATIONSHIP OF THE PARTIES	47
ARTICLE 17: TERMINATION	49
ARTICLE 18: POST-TERMINATION.....	53
ARTICLE 19: MISCELLANEOUS.....	57
ARTICLE 20: SECURITY INTERESTS	62
ARTICLE 21: TECHNOLOGY	63
ARTICLE 22: YOUR REPRESENTATIONS AND ACKNOWLEDGMENTS	66

ATTACHMENTS

- 1 - Authorized Location and Designated Area
- 2 - Collateral Assignment of Lease
- 3 - Statement of Ownership Interests and Franchisee's Principals; Guaranty of Principals
- 4 - Confidentiality and Non-Competition Agreement
- 5 - Electronic Funds Transfer Authorization
- 6 - Internet Websites and Listing Agreement; Telephone Listing Agreement
- 7 - Americans with Disabilities Act Certification
- 8 - Spousal Guaranty
- 9 - Training Acknowledgement
- 10 - Provisions Applicable to SBA Financing

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered this _____ (the "Effective Date") between the franchisor New York Pizzeria Incorporated, a Texas corporation having its principal place of business at 5120 Woodway Drive, Suite 8030, Houston, Texas 77056 (herein referred to as "Franchisor", "we", "us") and _____, a(n) _____, with its principal place of business located at _____ and _____'s principals _____, an individual residing at _____ and _____, an individual residing at _____ ("Principal(s)"). _____ and Principal(s) shall be individually and collectively referred to, and each is, the "Franchisee".

W I T N E S S E T H:

WHEREAS, as the result of the expenditure of time, skill, effort and money, we and our affiliates have developed and own a unique and distinctive system (hereinafter "System") relating to the establishment and operation of restaurants operating under the name "Russo's New York Pizzeria" offering Italian New York style pizza, Neapolitan pizza, XL 28 Inch party pizza, pizza by the slice, soup, and Italian menu items including the following: soups, salads, calzones, pasta entrées, sandwiches, desserts, beer and wine, coffee specialties and other nonalcoholic beverages, for dine-in, take-out, catering and delivery ("Restaurant" or "Franchised Business");

WHEREAS, the distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, décor, color scheme, and furnishings; proprietary products and ingredients; proprietary recipes and special menu items; uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; procedures for inventory, management and financial control; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by us from time to time;

WHEREAS, the System is identified by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the mark "Russo's New York Pizzeria", and such other trade names, service marks, and trademarks as are now designated (and may hereafter be designated by us in writing) for use in connection with the System (hereinafter referred to as "Marks" or "Proprietary Marks");

WHEREAS, we and our affiliates continue to develop, use and control the use of such Marks in order to identify for the public the source of services and products marketed thereunder and under the System, and to represent the System's high standards of quality, appearance and service;

WHEREAS, you understand and acknowledge the importance of our high standards of quality, cleanliness, appearance and service and the necessity of operating the business franchised hereunder in conformity with our standards and specifications; and

WHEREAS, you desire to use the System in connection with the operation of a Restaurant at the location accepted by us as herein provided, as well as to receive the training and other assistance provided by us in connection therewith.

NOW, THEREFORE, the parties, in consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

ARTICLE 1: GRANT

1.1 Grant of Franchise

In reliance on your representations and warranties hereunder, we hereby grant to you, upon the terms and conditions in this Agreement, the right and license, and you hereby accept the right and obligation, to operate a Restaurant under the Marks and the System in accordance with this Agreement. You have represented to us that you have entered into this Agreement with the intention to comply fully with the obligations to construct a Restaurant hereunder and not for the purpose of reselling the rights to develop the Restaurant hereunder. You understand and acknowledge that we have granted such rights in reliance on the business skill, financial capacity, personal character of, and expectations of performance hereunder by, You and the Principals and that this Agreement and the rights and obligations hereunder may not be transferred until after the Restaurant is open for business to the public in accordance with Section 2.6, and then only in accordance with Article 14 hereof.

1.2 Authorized Location

The specific street address of the Restaurant location accepted by us shall be set forth in Attachment 1 ("Location" or "Authorized Location") when such Location is determined. You shall not relocate the Restaurant without our express prior written consent, which consent shall not be unreasonably withheld. This Agreement does not grant to you the right or license to operate the Restaurant or to offer or sell any products or services described under this Agreement at or from any location other than the Authorized Location.

1.3 Relocation

1.3.1 If you are unable to continue the operation of the Restaurant at the Authorized Location because of the occurrence of a force majeure event (as described in Section 17.1.3(e)), then you may request our approval to relocate the Restaurant to another location in the Designated Area, as that term is defined below, which approval shall not be unreasonably withheld. Any other relocation outside the Designated Area or a relocation of the Restaurant not caused by force majeure shall also be subject to our prior approval. If we elect to grant you the right to relocate the Restaurant, then you shall comply with the site selection and construction procedures set forth in Article 2. Upon our approval of your relocation request, you shall reimburse us for our expenses related to your request to relocate your Restaurant.

1.3.2 Notwithstanding the foregoing, if your Restaurant is substantially destroyed by fire or other casualty and you and we agree that reconstruction of the Restaurant is not feasible, then you and we may agree to terminate this Agreement. In such event, you shall pay to us a sum equal to thirty-five percent (35%) of all insurance proceeds as a consequence of such fire or other casualty, this Agreement shall be terminated, and you shall comply with Article 18 and all other post-termination requirements. You and we understand and agree that any termination pursuant to this Section 1.3.2 shall be in lieu of your reconstructing the Restaurant.

1.4 Designated Area

Upon the execution of this Agreement or when the Authorized Location is determined, whichever occurs later, you may be assigned a territory (the "Designated Area") that will also be described in Attachment 1. You understand and acknowledge that if your Authorized Location is a Non-Traditional Site (as described in Section 1.5 below), you will not receive a Designated Area.

Except as provided in this Agreement, and subject to your and the Principals' material compliance with this Agreement, any other agreement among you or any of your affiliates (defined for the purposes hereof as any entity that is controlled by, controlling or under common control with such other entity) and

us, we shall not establish or authorize any other person or entity, other than you, to establish a Restaurant in the Designated Area during the term of this Agreement and any extensions hereof. You acknowledge and understand that the rights granted hereunder pertain only to the establishment of a Restaurant. You acknowledge and agree that our affiliates currently operate, or may in the future operate, restaurants under different marks and with operating systems that are the same as or similar to the System, and that any such restaurants might compete with your Restaurant. You further agree and acknowledge that the license granted hereby is only for the operation of one (1) Restaurant and only at a location accepted by us.

1.5 Our Reserved Rights

1.5.1 Nothing in this Agreement will prohibit us from: (a) operating and/or franchising others to operate restaurants identified in whole or in part by the Proprietary Marks and/or utilizing the System in the Designated Area that are located in gas stations or convenience stores; transportation facilities, including airports, train stations, subways and rail and bus stations; military bases and government offices; sports facilities, including stadiums and arenas; amusement parks, zoos and convention centers; car and truck rest stops and travel centers; educational facilities; recreational theme parks; hospitals; business or industrial foodservice venues; venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider; Indian reservations; casinos; or any similar captive market location not reasonably available to you ("Non-Traditional Site"); (b) awarding national, regional or local licenses to third parties to sell products under the Proprietary Marks in foodservice facilities primarily identified by the third party's trademark; (c) merchandising and distributing products identified by the Proprietary Marks in the Designated Area through any method or channel of distribution other than through the operation of a restaurant, including distribution of Proprietary Products through grocery stores, club stores and ethnic food stores; (d) selling and distributing products identified by the Proprietary Marks in the Designated Area to restaurants other than Restaurants identified by the Proprietary Marks, provided those restaurants are not licensed to use the Proprietary Marks in connection with their retail sales; (e) selling products and services through other channels of distribution, including the Internet, wholesale, mail order and catalogue; (f) developing and/or owning other franchise systems for the same or similar products and services using trade names and trademarks other than the Proprietary Marks; and (g) purchasing, being purchased by, merging or combining with, businesses that we deem to offer direct competition to Russo's New York Pizzeria Restaurants.

1.5.2 You understand and acknowledge that if any Non-Traditional Site (as described above) is located within the physical boundaries of your Designated Area, then the premises of this Non-Traditional Site will not be included in your Designated Area and you will have no rights to this Non-Traditional Site.

1.5.3 This Section 1.5 does not prohibit us or our affiliates from: (a) operating and franchising others to operate, during the Initial Term, Restaurants at any location outside of the Designated Area; (b) operating and franchising others to operate, after this Agreement terminates or expires, Restaurants at any location, including locations inside the Designated Area; and (c) operating and franchising others to operate at any location, during or after the Initial Term, any type of restaurant other than a Restaurant.

1.5.4 The restrictions contained in this Section do not apply to Restaurants in operation, under lease or construction or other commitment to open in the Designated Area as of the Effective Date.

1.5.5 Except as expressly limited by this Section 1.5, we and our affiliates have the right to conduct any business activities, under any name, in any geographic area and at any location, regardless of the proximity to the Restaurant or the economic effect on your Restaurant or activities under this Agreement.

1.6 Your Right of First Refusal

If, during the term of this Agreement and provided you are in good standing under this Agreement, a Non-Traditional Site becomes available that is within your Designated Area, we will offer you a right of first refusal to establish a Restaurant at this Non-Traditional Site. You will have thirty (30) days after receiving the right of first refusal from us to notify us whether you intend to establish a Restaurant at the available Non-Traditional Site. If you decline the right of first refusal or fail to notify us of your decision within the thirty (30) day timeframe, we will have the right to either ourselves establish a Restaurant at the Non-Traditional Site or sell a franchise to another to establish a Restaurant at the Non-Traditional Site, and you will have no further right to the Non-Traditional Site. You are not granted any other right of first refusal under this Agreement.

1.7 Forms of Agreement

You acknowledge that, over time, we have entered, and will continue to enter, into agreements with other franchisees that may contain provisions, conditions and obligations that differ from those contained in this Agreement. The existence of different forms of agreement and the fact that we and other franchisees may have different rights and obligations does not affect our or your duties to comply with the terms of this Agreement.

ARTICLE 2: SITE SELECTION, PLANS AND CONSTRUCTION

2.1 Your Responsibility to Locate a Site

You assume all cost, liability, expense and responsibility for locating, obtaining and developing a site for the Restaurant within the Designated Area, and for constructing and equipping the Restaurant at such site. You shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for the Restaurant unless the site is accepted by us as set forth below. You acknowledge that the location, selection, procurement and development of a site for the Restaurant is your responsibility; that in discharging such responsibility you shall consult with real estate and other professionals of your choosing, unless we designate a supplier for these services; and that our approval of a prospective site and the rendering of assistance in the selection of a site does not constitute a representation, promise, warranty or guarantee, express or implied, by us that the Restaurant operated at that site will be profitable or otherwise successful.

2.2 Site Selection

2.2.1 If you do not already have possession of a location that we have accepted upon your execution of this Agreement, then within sixty (60) days of the date this Agreement is executed you shall locate a site for the Restaurant that satisfies the site selection guidelines provided to you by us pursuant to Section 5.1 and submit to us in the form specified by us a description of the site, including evidence reasonably satisfactory to us demonstrating that the site satisfies our site selection guidelines, together with such other information and materials as we may reasonably require, including, but not limited to, a letter of intent or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. We shall have thirty (30) days after receipt of this information and materials to accept or decline, in our sole discretion, the proposed site as the location for the Restaurant. We will conduct one (1) on-site evaluation of the proposed location for the Restaurant, and you agree to reimburse our expenses related to this on-site evaluation. If we are required to conduct additional on-site evaluations, you agree to pay us One Thousand Dollars (\$1,000) for each additional on-site evaluation that is required, and you agree to reimburse our representative's expenses related to such additional on-site evaluation, such as travel, lodging and meals. For site evaluations outside of the Continental USA, you agree to reimburse our representative's expenses related to such additional on-site evaluation, such as business class travel, lodging and meals. No

site may be used for the location of the Restaurant unless it is first accepted in writing by us. You acknowledge and agree that our acceptance of a location for the Restaurant is not a warranty or guaranty, express or implied, that you will achieve any particular level of success at the location or that your Restaurant will be profitable. Our acceptance of a location for the Restaurant only signifies that the location meets our then-current minimum criteria for a Restaurant. We reserve the right to approve deviations from our site selection standards based on the individual factors and components of a particular site, but any such approvals shall be granted in our sole discretion. If you are unable to locate a site for your Restaurant within sixty (60) days after this Agreement is executed, we may terminate this Agreement or we may provide you with an extension of time.

2.2.2 If you elect to purchase the premises for the Restaurant, you shall submit a copy of the proposed contract of sale to us for our written approval prior to its execution and shall furnish to us a copy of the executed contract of sale within ten (10) days after execution. If you will occupy the premises of the Restaurant under a lease or sublease, you shall submit a copy of the lease or sublease to us for written acceptance prior to its execution and shall furnish to us a copy of the executed lease or sublease within ten (10) days after execution. No lease or sublease for the Restaurant premises shall be accepted by us unless a Collateral Assignment of Lease, prepared by us and executed by us, you and the lessor or sublessor, in substantially the form attached as Attachment 2, is attached to the lease and incorporated therein. We shall have ten (10) days after receipt of the lease, sublease or the proposed contract of sale to either accept or decline such documentation prior to its execution. If we do not provide our specific approval of the lease, sublease or contract of sale within this ten (10) day period, then it shall be deemed not accepted.

2.2.3 After we have accepted the location for your Restaurant and that Authorized Location is acquired by you pursuant to this Agreement, the Authorized Location and your Designated Area shall be described in Attachment 1.

2.3 Zoning Clearances, Permits and Licenses

You shall be responsible for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances or regulations or which may be necessary as a result of any restrictive covenants relating to the Authorized Location. Prior to beginning the construction of the Restaurant, you shall (i) obtain all permits, licenses and certifications required for the lawful construction or remodeling and operation of the Restaurant, and (ii) certify in writing to us that the insurance coverage specified in Article 12 is in full force and effect (or provide us with a certificate of insurance evidencing coverage) and that all required approvals, clearances, permits and certifications have been obtained. Upon written request, you shall provide to us additional copies of your insurance policies or certificates of insurance and copies of all such approvals, clearances, permits and certifications.

2.4 Design of Restaurant

You must obtain any architectural, engineering and design services required for the construction of the Restaurant at your own expense from an architectural design firm approved or designated by us. You shall adapt the prototypical architectural and design plans and specifications for construction of the Restaurant provided to you by us in accordance with Section 5.3 as necessary for the construction of the Restaurant and shall submit such adapted plans to us for our review. Such plans must comply with applicable laws (including the Americans with Disabilities Act), ordinances and building codes for the city and state in which the Restaurant will be located. When you submit the plans to us for our review, you shall pay to us Five Hundred Dollars (\$500), once only, for our (or our agent's) review of the construction plans for your Restaurant. If we determine, in our reasonable discretion, that any such plans are not consistent with the best interests of the System, we may prohibit the implementation of such plans, and in this event will notify you of any objection(s) within ten (10) days of receiving such plans. If we fail to notify you of an objection to the plans within this time period, you may use such plans. If we object to any

such plans, we shall provide you with a reasonably detailed list of changes necessary to make the plans acceptable. We shall, upon a re-submission of the plans with such changes, notify you within ten (10) days of receiving the resubmitted plans whether the plans are acceptable. If we fail to notify you in writing of any objection within such time period, you may use the resubmitted plans. You acknowledge that our review of such plans relates only to compliance with the System and that acceptance by us of such plans does not constitute a representation, warranty, or guarantee, express or implied, by us that such plans are accurate or free of error concerning their design or structural application, or that such plans comply with any laws, ordinances or building codes applicable to the Authorized Location.

2.5 Build-Out of Restaurant

You shall commence and diligently pursue construction or remodeling (as applicable) of the Restaurant. Commencement of construction shall be defined as the time at which any site work is initiated by you or on your behalf at the location accepted for the Restaurant. Site work includes, without limitation, paving of parking areas, installing outdoor lighting and sidewalks, extending utilities, demising of interior walls and demolishing of any existing premises. During the time of construction or remodeling, you shall provide us with such periodic reports regarding the progress of the construction or remodeling as may be reasonably requested by us. In addition, we may make such on-site inspections as we may deem reasonably necessary to evaluate such progress. You shall notify us of the scheduled date for completion of construction or remodeling no later than thirty (30) days prior to such date. Within a reasonable time after the date of completion of construction or remodeling, we may, at our option, conduct an inspection of the completed Restaurant. You acknowledge and agree that you will not open the Restaurant for business without our written authorization and that authorization to open shall be conditioned upon your strict compliance with this Agreement and your certification to us, in the form attached hereto as Attachment 7, that the Restaurant has been constructed in compliance with the Americans with Disabilities Act.

2.6 Opening Date; Time is of the Essence

You acknowledge that time is of the essence. Subject to your compliance with the conditions stated below, you shall open the Restaurant and commence business not later than six (6) months after the Effective Date. The date the Restaurant actually opens for business to the public is herein called the "Opening Date". Prior to opening, you shall complete all exterior and interior preparations for the Restaurant, including installation of equipment, fixtures, furnishings and signs, pursuant to the plans and specifications reasonably approved by us, and shall comply with all of your other pre-opening obligations, including, but not limited to, those obligations described in Sections 6.2 through 6.7, to our reasonable satisfaction. You may not purchase used furniture, fixtures and equipment for your Restaurant. If you fail to reasonably comply with any of such obligations, except for delay caused by a force majeure event as described in Section 17.1.3(e), we shall have the right to prohibit you from commencing business. Prior to opening the Franchised Business, and before any renovation to the Franchised Business, you shall execute an Americans with Disabilities Act Certification in the form attached to this Agreement as Attachment 7 that certifies in writing to us that the Franchised Business and any proposed renovations comply with the Americans with Disabilities Act.

If you are unable to obtain all necessary permits and licenses during the stated period of construction as discussed herein, we may terminate this Agreement and refund one-third (1/3) of the initial franchise fee you paid. You agree to execute any documents we require, including a confidentiality agreement and general release, before any money will be refunded to you.

If you are unable to open your Restaurant within six (6) months after you sign this Agreement, you may request from us an extension of time to open the Restaurant. If we grant you this extension, you shall pay us an opening date extension fee of Ten Thousand Dollars (\$10,000) for an additional ninety (90) day

period in which to complete construction of the Restaurant and open the Restaurant for business. Additional extension periods may be granted, in our discretion and with payment of the opening date extension fee.

ARTICLE 3: TERM AND RENEWAL

3.1 Term

Unless sooner terminated as provided in Article 17 hereof, the term of this Agreement shall continue from the date stated on the first page hereof for a period of ten (10) years (“Initial Term”).

3.2 Renewal

If you satisfy each of the requirements set forth below, you may renew the franchise granted hereunder for additional terms of ten (10) years each.

3.2.1 You shall have been, throughout the initial term of this Agreement (and any previous and then-current renewal term, as the case may be), in substantial compliance, and at the expiration of such Initial Term (and any previous and then-current renewal term, as the case may be) are in full compliance, with this Agreement, your lease or sublease and all other agreements between you and us or companies or persons associated or affiliated with us.

3.2.2 You shall, within six (6) months before the expiration of the Initial Term or then-current renewal term, as the case may be, but not later than three (3) months before the expiration of the Initial Term or then-current renewal term, as the case may be, provide written notice to us that you wish to renew this Agreement, and we, in turn, shall provide you with any documents that you are required to execute for the renewal term, which documents may include, but are not limited to, a general release, our then-current Franchise Agreement and all other ancillary agreements, instruments and documents then customarily used by us in the granting of franchises (all of which will contain terms and fees substantially the same as those included in Franchise Agreements being executed at the time of renewal, and which will not obligate you to pay a further initial franchise fee, but will require payment of the then-current renewal fee) (the “Renewal Franchise Documents”).

3.2.3 You shall execute the Renewal Franchise Documents and all other documents and instruments that we require in order to renew this Agreement. You shall return the executed Renewal Franchise Documents to us, together with payment of a renewal fee equal to thirty-five percent (35%) of our then-current initial franchise fee for a single unit franchise, by no later than the expiration date of the Initial Term. If we do not receive the executed documents and renewal fee by such expiration date, then this Agreement shall expire, you shall have no further rights under this Agreement, and you shall comply with the provisions of Article 18 and any other provisions that survive termination or expiration of this Agreement.

3.2.4 After we have received from you all executed Renewal Franchise Documents and the renewal fee, we shall inspect your Restaurant to determine the extent of any required updating, remodeling, redecorating or other refurbishment for the Restaurant in order to bring the Restaurant up to our then-current image and standards for new Restaurants. We will provide notice to you of the modifications you shall be required to make and you shall have six (6) months from the date of such notice to effectuate such modifications. If you fail or refuse to make the required modifications, we shall have the right to terminate the Renewal Franchise Documents.

3.3 Refusal to Renew Franchise Agreement

We can refuse to renew your franchise if your lease, sublease or other document by which you have the right to occupy the Authorized Location is not extended before your renewal term is to take effect to cover the period of the renewal or if you do not have a written commitment from your landlord to renew the lease or sublease for a period at least equal to the renewal term. We may also refuse to renew your franchise under other circumstances, including, but not limited to, your failure to substantially comply with the terms of this Agreement, your failure to pay amounts owed to us when due, or your failure to cure of any defaults incurred during the initial term of this Agreement, if applicable.

3.4 Renewal Under Law

Even though we decline the renewal of your franchise, it is possible that we can be required to renew it under a law, rule, regulation, statute, ordinance, or legal order that is applicable at the time. If that happens, to the extent it is allowed by the applicable law, rule, regulation, statute, ordinance or order, your renewal term will be subject to the conditions of the Franchise Agreement we are using for new franchisees at the time the renewal period begins. If we are not then offering new franchises, your renewal period will be subject to the terms in the then-current Franchise Agreement that we indicate. If for any reason that is not allowed, the renewal term will be governed by the terms of this Agreement.

3.5 Your Election Not to Renew

For the purposes hereof, you shall be deemed to have irrevocably elected not to renew the Franchise hereunder (and the option to do so shall thereupon terminate) if you fail to execute and return to us any of the Renewal Franchise Documents required by us for a renewal franchise, together with payment of our then-current renewal fee, or if you provide written notice to us within the final sixty (60) days of the Initial Term or then-current renewal term, as the case may be, indicating that you do not wish to renew this Agreement.

ARTICLE 4: FEES

4.1 Initial Franchise Fee

You shall pay to us an initial franchise fee of Thirty-Five Thousand Dollars (\$35,000) which shall be paid upon the execution of this Agreement. The amount of the initial franchise fee when so paid shall be deemed fully earned in consideration of the administrative and other expenses incurred by us in granting the franchise hereunder and for our lost or deferred opportunity to grant such franchise to any other party. The initial franchise fee payable hereunder shall not be refundable, except as described in Section 2.6 above. You must sign any documents we require, including a confidentiality agreement and general release, before any money will be refunded to you. The initial franchise fee is not refundable under any other circumstances.

If this Franchise Agreement is for a renewal franchise, the renewal fee shall be thirty-five percent (35%) of our then-current initial franchise fee for a single unit franchise.

If this Franchise Agreement is executed pursuant to a Multi-Unit Development Agreement, the reduced initial franchise fee of Ten Thousand Dollars (\$10,000) was included in the "Development Fee" you paid under the Multi-Unit Development Agreement.

4.1.1 Initial Training Fee: \$150 per day, per person, payable within 2 weeks of invoicing and training will be 8 weeks in Houston, Texas or a location we will designate.

4.1.2 **Site Submittal Fee:** We do not charge a fee for one on-site evaluation of your proposed location, but you must reimburse our expenses related to this on-site evaluation (including travel, lodging and meals that ranges from \$1,000 to \$5,000). If additional on-site evaluations are needed, must pay to us a fee of \$1,000 for each additional on-site evaluation and you must reimburse our representative's expenses to conduct the additional on-site evaluation. This amount is not refundable.

4.1.3 **Plan Review Fee:** You must pay to us a one-time fee of \$500 for our (or our agent's) reviews of the construction plans for your Restaurant. The fee is payable to us when the construction plans are submitted for our approval and is not refundable.

4.1.4 **Point of Sale Monitoring Software:** You must pay us \$500 to \$1,000 for us to initiate access to your point of sale system and computer system through our monitoring software. The exact cost will depend on the set-up of your point of sale and computer system, such as the number of terminals. This amount is not refundable.

4.1.5 **Opening Date Extension Fee:** If you are unable to open your Restaurant within six months after you sign the Franchise Agreement, you may request from us an extension of time to open the Restaurant. If we grant you this extension, you must pay us an opening date extension fee of \$10,000 for an additional 90-day period in which to complete construction of the Restaurant and open the Restaurant for business. Additional extension periods may be granted, in our discretion and with payment of this fee. The opening date extension fee is not refundable.

4.1.6 **In-Store Opening Training Fee:** This fee can range from \$0 to \$50,000. We may require that your Restaurant be staffed by an opening crew composed of our corporate trained representatives, for a total period of no longer than 21 days occurring before and after the date of opening of your Restaurant. We may require an opening crew if, in our discretion, your staff has not had sufficient time to develop skills to initially handle the volume of customers. If we send an opening crew to your Restaurant, you must reimburse us for all our reasonable expenses incurred, including costs of transportation, lodging, meals and wages. Costs for the opening crew are nonrefundable. We do not assess an initial training fee for the opening crew in addition to reimbursement of our reasonable costs and expenses.

4.2 Royalty Fees

4.2.1 During the term of this Agreement, you shall pay to us, in partial consideration for the rights herein granted, a continuing weekly royalty fee of six percent (6%) of Gross Sales ("Royalty Fee"). Such royalty fee shall be due and payable weekly on the Wednesday for the previous week based on the Gross Sales for the preceding week ending Sunday. If the date on which such payments would otherwise be due is not a business day, then payment shall be due on the next business day.

4.2.2 Each such royalty fee shall be preceded by a royalty report itemizing the Gross Sales, sales tax returns, profit and loss statement for the Monday for the previous week based on the Gross Sales for the preceding week ending Sunday ("Royalty Report") and any other reports required hereunder. Notwithstanding the foregoing, you shall provide us with such Royalty Report by the Monday for the previous week based on the Gross Sales for the preceding week ending Sunday by modem or, if not reasonably available, by facsimile transmission or such other method of delivery as we may reasonably direct. As stated herein, we have the right to poll your point of sale system directly to obtain such Gross Sales information, but this does not diminish or eliminate your responsibility to provide us with the required Royalty Report.

4.2.3 If any state imposes a sales or other tax on the Royalty Fees, then we have the right to collect this tax from you.

4.2.4 If a state or local law in which the Restaurant is located prohibits or restricts in any way your ability to pay and our ability to collect Royalty Fees or other amounts based on Gross Sales derived from the sale of alcoholic beverages at the franchised Restaurant, if your Restaurant offers alcoholic beverages, then we and you shall increase the percentage rate for calculating Royalty Fees, and change the definition of Gross Sales to exclude sales of alcoholic beverages, in a manner such that the Royalty Fees to be paid by you, and received by us, shall be equal to such amounts as you would have been required to pay, and we would have received, if sales from alcoholic beverages were included in Gross Sales.

4.3 Brand Management Fund Fee

In addition to the Royalty Fee described in Section 4.2 above, you agree to pay to us a Brand Management Fund Fee in an amount up to one and a half percent (1.5%) of the Restaurant's Gross Sales. As of the Effective Date, the Brand Management Fund Fee payable hereunder shall be equal to the greater of one percent (1%) of Gross Sales or a minimum of Two Hundred and Fifty Dollars (\$250) per week due in the same time and manner as the Royalty Fee. We shall have the right, with thirty (30) days' prior written notice to you, to increase the Brand Management Fund Fee up to the maximum amount stated herein. Such amount shall be contributed to a Brand Management Fund maintained by us, as described in Section 8.3 below. The Brand Management Fund Fee is payable to us at the same time and in the same manner as the Royalty Fee.

We may periodically receive allowances, rebates or other payments from approved suppliers based on purchases from such suppliers by our franchisees, and we may elect to contribute such allowances, rebates or other payments to the Brand Management Fund. You understand and acknowledge, however, that any such contribution of these amounts by us to the Brand Management Fund does not in any manner diminish or eliminate your responsibility to pay the Brand Management Fund Fee.

4.4 Website Fee

During the term of this Agreement, you shall pay to us an annual website fee ("Website Fee"), which Website Fee is payable to us within five (5) days after billing to you. The annual Website Fee will be assessed by us at our discretion and will equate to your *pro rata* share of the costs, expenses, and/or fees we incurred for hosting, developing, maintaining, updating and creating our website. You agree that your failure to timely remit the Website Fee to us shall be a material breach of this Agreement.

4.5 Payments to Us

By executing this Agreement, you agree that we shall have the right to withdraw funds from your designated bank account by electronic funds transfer ("EFT") in the amount of the Royalty Fee, Brand Management Fund Fee, Technology Fee, and any other payments due to us and/or our affiliates. If you do not provide the Royalty Report when required, we may debit your account for one hundred twenty percent (120%) of the last Royalty Fee and Brand Management Fund Fee that we debited. If the Royalty Fee and Brand Management Fund Fee we debit are less than the Royalty Fee and Brand Management Fund Fee you actually owe to us, once we have been able to determine the Restaurant's true and correct Gross Sales, we will debit your account for the balance on a day we specify. If the Royalty Fee and Brand Management Fund Fee we debit are greater than the Royalty Fee and Brand Management Fund Fee you actually owe, we will credit the excess against the amount we otherwise would debit from your account during the following week. You shall, upon execution of this Agreement or at any time thereafter at our request, execute such documents or forms as we or your bank determine are necessary for us to process EFTs from your designated bank account for the payments due hereunder. If payments are not received when due, interest may be charged by us in accordance with Section 4.6 below. Upon written notice to you, you may be required to pay such fees directly to us in lieu of EFT, at our sole discretion.

4.6 Late Payment or Reporting Fee; Interest on Overdue Amounts

4.6.1 If any report required hereunder is not received by us when due, or if any payment owed to us or our affiliates is not received when due, then you shall pay to us Fifty Dollars (\$50) per day for each day such report or payment is overdue. Such late fee, as it relates to overdue payments, shall be in addition to any interest due on overdue amounts as described below. If for any reason the fee of Fifty Dollars (\$50) is deemed to be interest assessed, required or permitted in excess of the maximum rate allowed by applicable law, any such excess shall be applied as a remittance and reduction of any other amounts which may be due hereunder, and if no such amounts are due hereunder, then such excess shall be refunded to the party that paid such amount.

4.6.2 You shall not be entitled to withhold payments due us under this Agreement on grounds of alleged non-performance by us hereunder. Any payment or report not actually received by us on or before its due date shall be deemed overdue. Time is of the essence with respect to all payments to be made by you to us. All unpaid obligations under this Agreement shall bear interest from the date due until paid at the lesser of (i) ten percent (10%) per annum; or (ii) the maximum rate allowed by applicable law. Notwithstanding anything to the contrary contained herein, no provision of this Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If any excess of interest is provided for herein, or shall be adjudicated to be so provided in this Agreement, the provisions of this paragraph shall govern and prevail, and neither you nor your Principals shall be obligated to pay the excess amount of such interest. If for any reason interest in excess of the maximum rate allowed by applicable law shall be deemed charged, required or permitted, any such excess shall be applied as a payment and reduction of any other amounts which may be due and owing hereunder, and if no such amounts are due and owing hereunder then such excess shall be repaid to the party that paid such interest.

4.7 Definition of Gross Sales

“Gross Sales” shall mean the total selling price of all services and products and all income of every other kind and nature related to the Restaurant, whether for cash or credit and regardless of collection in the case of credit. If a cash shortage occurs, the amount of Gross Sales will be determined based on the records of the point of sale system and any cash shortage will not be considered in the determination.

Gross Sales shall expressly exclude: (a) sums representing sales taxes collected directly from customers, based upon present or future laws of federal, state or local governments, collected by you in the operation of the Restaurant; (b) any other tax, excise or duty which is levied or assessed against you by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Restaurant, provided that such taxes are actually transmitted to the appropriate taxing authority; (c) the full value of meals furnished to your employees as an incident to their employment, up to an amount equal to one percent (1%) of your Restaurant’s Gross Sales. The full value of meals furnished to your employees that exceeds one percent (1%) must be included in Gross Sales during the week in which the meals were furnished, for the purpose of determining the amount of Gross Sales upon which the Royalty Fee is due; and (d) voided transactions, which are customer sales which are not completed, and for which no payment of any kind is received by the Restaurant, up to an amount equal to two percent (2%) of your Restaurant’s Gross Sales. The full value of voided transactions that exceeds two percent (2%) must be included in Gross Sales during the week in which the voided transactions occur, for the purpose of determining the amount of Gross Sales upon which the Royalty Fee is due. (e) the use of third party delivery services (grub hub, uber eats, etc); franchisee royalties are paid on the gross sales (not the net revenue received by the franchisee from third party delivery services); the cost the third party delivery service charges the franchisee is a delivery cost that the franchisee absorbs as a cost of doing business; third party delivery services are not required and Russo's has its own delivery service

4.8 Insufficient Funds Fees

If there are not sufficient funds in your account to permit us to debit the account for the payments you owe us, you will pay to us an insufficient funds fee equal to One Hundred Dollars (\$100). This fee is in addition to interest on any overdue amount, as described in Section 4.6 above, and any fees charged by your bank. If you incur three (3) insufficient funds fees within any twelve (12) month period, we may terminate this Agreement without providing you the opportunity to cure the default.

4.9 Intranet Service Provider Fee

You shall remit a monthly fee to us for our Intranet Service. The monthly Intranet Service Provider Fee is nonrefundable, and is not collected on behalf of nor remitted to any third party. Such fee shall be due and remittable by the fifth (5th) of each month. If the date on which such remittance would otherwise be due is not a business day, then remittance shall be due on the next business day. As of the Effective Date, the Intranet Service Provider Fee payable hereunder is Fifty-Four Dollars (\$54) per month, which includes the fee for polling your point of sale system. We reserve the right to increase this fee in our sole discretion and without prior written notice to you.

4.10 Payment of Additional Fees

You shall pay such other fees or amounts described in this Agreement.

ARTICLE 5: OUR OBLIGATIONS

We agree to provide the services described below with regard to the Restaurant:

5.1 Site Selection Guidelines

We will provide our written site selection guidelines and such site selection assistance as we may deem advisable.

5.2 On-Site Evaluation

We will conduct one (1) on-site evaluation of a site that you propose to us for your Restaurant, provided that we have received all required information and materials concerning such site prepared pursuant to Article 2 and you reimburse our expenses related to such on-site evaluation. Any additional on-site evaluations shall be at your expense, including payment of our then-current fee.

5.3 Design Plans

We will provide, on loan, one (1) set of prototypical architectural and design plans and specifications for a Restaurant. You shall, at your expense, have such architectural and design plans and specifications adapted for construction of the Restaurant in accordance with Article 2 using an architect or design that we have approved or designated.

5.4 Confidential Operations Manual

We will provide, on loan, one (1) set of Confidential Operations Manuals and such other manuals, written materials and videos as we shall have developed for use in the Franchised Business (as the same may be revised by us from time to time, the "Manuals"), as more fully described in Section 10.1. The Manuals may, in our discretion, be provided electronically or via an intranet website for all Restaurants in the System.

5.5 Visits and Evaluations

We will visit the Restaurant and evaluate the products sold and services rendered therein from time to time as reasonably determined by us, as more fully described in Section 7.5.6.

5.6 Advertising and Promotional Materials

We may provide certain advertising and promotional materials and information developed by us and/or our affiliate from time to time for use by you in conducting in-store advertising and local advertising for the Restaurant at a reasonable cost to you. We shall have the right to review and approve or disapprove all advertising and promotional materials that you propose to use, pursuant to Article 8.

5.7 Management and Operations Advice

We will provide advice and written materials concerning techniques of managing and operating the Restaurant from time to time developed by us, including new developments and improvements in Restaurant equipment, food products and the packaging and preparation thereof, and menu items. Notwithstanding the foregoing, you understand and acknowledge that we reserve the right, in our sole discretion, to grant to certain Restaurants variances from our standard menu to accommodate regional or local tastes or ingredients. Nothing in this Agreement requires us to grant to you a similar variance.

5.8 Products for Resale

From time to time and at our reasonable discretion, at a reasonable cost, we shall make available for resale to your customers certain merchandise identifying the System, such as logoed merchandise and memorabilia, and other proprietary products in sufficient amounts to meet customer demand. We may specify that you must purchase such merchandise from us, our affiliate, or another designated supplier.

5.9 Approved Suppliers

We will provide a list of approved suppliers as described in Section 7.4 from time to time as we deem appropriate.

5.10 Initial Training Program

We will provide an initial training program for up to four (4) people, as well as other training programs in accordance with the provisions of Section 6.4.

5.11 Opening Assistance

We will provide on-site opening assistance at the Restaurant in accordance with the provisions of Section 6.4.

5.12 Brand Management Fund; Advertising Cooperatives

We will establish and administer a Brand Management Fund and/or advertising cooperatives in accordance with Article 8.

ARTICLE 6: YOUR AGREEMENTS, REPRESENTATIONS, WARRANTIES AND COVENANTS

6.1 Use Commercially Reasonable Efforts

Each of You and the Principals covenants and agrees that they shall make all commercially reasonable efforts to operate the Restaurant so as to achieve optimum sales.

6.2 Representations of Corporate Entity

If you are a corporation, limited liability company, or partnership, You and the Principals represent, warrant and covenant that:

6.2.1 You are duly organized and validly existing under the state law of your formation;

6.2.2 You are duly qualified and are authorized to do business in each jurisdiction in which your business activities or the nature of the properties owned by you require such qualification;

6.2.3 Your corporate charter, operating agreement, or written partnership agreement shall at all times provide that your activities are confined exclusively to the operation of the Restaurant, unless otherwise consented to in writing by us;

6.2.4 The execution of this Agreement and the consummation of the transactions contemplated hereby are within your corporate power, if you are a corporation, or if you are a limited liability company, permitted under your operating agreement, or if you are a partnership, permitted under your written partnership agreement and have been duly authorized by you;

6.2.5 If you are a corporation or a limited liability company, copies of your articles of incorporation, bylaws, operating agreement, other governing documents, any amendments thereto, resolutions of the Board of Directors authorizing entry into and performance of this Agreement, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of stock of the corporation, and any other documents as may be reasonably required by us shall be furnished to us prior to the execution of this Agreement; or, if you are a partnership, copies of your written partnership agreement, other governing documents and any amendments thereto shall be furnished to us prior to the execution of this Agreement, including evidence of consent or approval of the entry into and performance of this Agreement by the requisite number or percentage of partners, if such approval or consent is required by your written partnership agreement;

6.2.6 If you are a corporation, partnership or other form of legal entity other than an individual, the ownership interests in you are accurately and completely described in Attachment 3. Further, if you are a corporation, you shall maintain at all times a current list of all owners of record and all beneficial owners of any class of voting securities in you or, if you are a partnership or other form of legal entity, you shall maintain at all times a current list of all owners of an interest in the partnership or entity. You shall immediately provide a copy of the updated list of all owners to us upon the occurrence of any change of ownership and otherwise make your list of owners available to us upon reasonable written request;

6.2.7 If you are a corporation, you shall maintain stop-transfer instructions against the transfer on your records of any of equity securities and each stock certificate representing stock of the corporation shall have conspicuously endorsed upon it a statement in a form satisfactory to us that it is held subject to all restrictions imposed upon assignments by this Agreement. If you are a partnership or limited liability company, your written agreement shall provide that ownership of an interest in the entity is held subject to all restrictions imposed upon assignments by this Agreement;

6.2.8 You must have provided us with your most recent financial statements. Such financial statements present fairly your financial position, at the dates indicated therein and with respect to you, the results of your operations and your cash flow for the years then ended. You agree that you shall maintain at all times, during the term of this Agreement, sufficient working capital to fulfill your obligations under this Agreement. Each of the financial statements mentioned above shall be certified as true, complete

and correct and shall have been prepared in conformity with generally accepted accounting principles applicable to the respective periods involved and, except as expressly described in the applicable notes, applied on a consistent basis. No material liabilities, adverse claims, commitments or obligations of any nature exist as of the date of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise, which are not reflected as liabilities on your financial statements.

6.2.9 You acknowledge and agree that the representations, warranties and covenants set forth above in Sections 6.2.1 through 6.2.8 are continuing obligations of you and the Principals, as applicable, and that any failure to comply with such representations, warranties and covenants shall constitute a material event of default under this Agreement. You will cooperate with us in any efforts made by us to verify compliance with such representations, warranties and covenants.

6.3 General Manager

You shall designate and retain at all times a general manager (“General Manager”) to direct the operation and management of the Restaurant. The General Manager shall be responsible for the daily operation of the Restaurant and may be one of the Principals. You are still responsible to check in weekly with your General Manager and us to make sure that your Restaurant is being operated according to the terms of your Franchise Agreement and the Operations Manual. The General Manager shall, during the entire period he/she serves as General Manager, meet the following qualifications:

6.3.1 The General Manager shall satisfy our educational and business experience criteria as set forth in the Manuals as defined herein or otherwise in writing by us;

6.3.2 The General Manager shall devote full time and best efforts to the supervision and management of the Restaurant;

6.3.3 The General Manager shall be an individual acceptable to us; and

6.3.4 The General Manager shall satisfy the training requirements set forth in Section 6.4. If, during the term of this Agreement, the General Manager is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this Section, you shall promptly (not later than seven (7) days after the event) notify us and designate a replacement within thirty (30) days after the General Manager ceases to serve, such replacement being subject to the same qualifications listed above (including completing all training and obtaining all certifications required by us). You shall provide for interim management of the Restaurant until such replacement is so designated, such interim management to be conducted in accordance with the terms of this Agreement. Any failure to materially comply with the requirements of this Section 6.3 shall be deemed a material event of default under Section 17.1.3(o) hereof.

6.4 Training

You agree that it is necessary to the continued operation of the System and the Restaurant that your personnel and you receive such training as we may reasonably require, and accordingly agree as follows:

6.4.1 (a) Not later than sixty (60) days prior to the Opening Date, up to four (4) trainees (including you or your General Manager, your Kitchen Manager and two (2) cooks) shall have completed, to our reasonable satisfaction, our initial training program, including classroom training and training in an operating Restaurant at such location(s) as may be designated by us. If you request that we provide our initial training program to any additional trainees, you shall pay our then-current, per person training fee for each additional trainee. You shall be responsible for any and all expenses incurred by you, your General Manager and other Restaurant personnel in connection with any initial training program, including, without limitation, costs of travel, lodging, meals and applicable wages.

(b) We shall determine, in our reasonable discretion, whether you and the General Manager have satisfactorily completed initial training. If the initial training program is (a) not completed within the timeframe required by us, (b) not satisfactorily completed by the General Manager, or (c) if we in our reasonable business judgment, based upon the performance of the General Manager, determine that the training program cannot be satisfactorily completed by any such person, you shall designate a replacement to satisfactorily complete such training at your expense, including payment of our then-current training fee. If the replacement General Manager cannot complete the initial training program to our satisfaction, we have the right to terminate your Franchise Agreement. Any General Manager subsequently designated by you shall also receive and complete such initial training before you will be permitted to open your Restaurant.

(c) Any manager subsequently designated by you must also receive and complete the initial training program to our satisfaction, even if this requires sending that manager to our headquarters training program, at your expense. We reserve the right to charge a reasonable fee for the initial training we provide to a replacement or successor employee if we have not approved you to provide the training. You must also pay for all expenses you, your managers and other personnel incur for any training program, including costs of travel, lodging, meals and applicable wages. We may approve you to train replacement managers under our training program before permitting you to train your entire staff, if this Agreement is for your third or later Restaurant. You may not train any personnel until we have approved you as a trainer.

6.4.2 We may require that your Restaurant be staffed by an opening crew composed of our corporate trained representatives, for a total period of not longer than twenty-one (21) days occurring before and after the date of opening of your Restaurant. We may require an opening crew if, in our discretion, your staff has not had sufficient time to develop skills to initially handle the volume of customers. If we send an opening crew to your Restaurant, you shall reimburse us for all our reasonable expenses incurred in providing an opening crew for the Restaurant, including costs of transportation, lodging, meals and wages.

6.4.3 Upon your reasonable request or if we determine that additional training or assistance is necessary, we shall, during the term hereof and subject to the availability of personnel, provide you with additional trained representatives who shall provide on-site remedial training and assistance to your Restaurant personnel. For this additional training and assistance, you shall pay the per diem fee then being charged to franchisees under the System for the services of such trained representatives, plus their costs of travel, lodging, and meals.

6.4.4 We reserve the right to conduct additional or refresher training programs, seminars and other related activities regarding the operation of the Restaurant. Such training programs and seminars may be offered to you, your managers or other Restaurant personnel generally, and we may designate that such training programs and seminars are mandatory for you, your General Manager, or other Restaurant personnel. Additional or refresher training programs may be conducted at your Restaurant or at our headquarters. If the training is provided at our headquarters, you shall pay our then-current per diem fee for each person being trained, and you will pay for all of the expenses incurred by your trainees, including travel, lodging, meals and wages. If the training is provided at your Restaurant, you shall pay our then-current per diem fee for each trainer we send to you, and you will reimburse each trainer's expenses while providing training, including travel, lodging and meals.

6.5 Franchisee Meetings

We reserve the right to hold meetings for all franchisees and other Restaurant operators, which meetings shall not occur more frequently than annually. We shall not be required to hold such meetings until we believe it is prudent to do so. These meetings may be used to provide additional training, introduce new products or changes to the System, or for other reasons. We reserve the right to designate that attendance at any franchisee meeting is mandatory for you, your General Manager, and/or other Restaurant personnel. You shall pay our then-current per person fee for each person from your Restaurant attending the meeting, and you will pay for all of the expenses incurred by your attendees at the meeting, including travel, lodging, meals and wages.

6.6 Compliance with Laws

You shall comply with all requirements of federal, state and local laws, rules, regulations, and orders, including but not limited to obtaining the appropriate licenses and permits required by your local or state government.

You and your Principals agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your Principals certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your Principals otherwise are not in violation of, any of the Anti-Terrorism Laws. “Anti-Terrorism Laws” mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your Principals, or any blocking of your or your Principals’ assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.

6.7 Compliance with All Other Obligations

You shall comply with all other requirements and perform such other obligations as provided hereunder.

6.8 Spouse Guaranty

If any Principal is a married individual and the Principal’s spouse has not executed this Agreement, such Principal shall cause his or her spouse to personally execute and bind himself or herself to the terms of a Guaranty, in the form attached as Attachment 8.

ARTICLE 7: FRANCHISE OPERATIONS

7.1 Compliance with Standards

You understand the importance of maintaining uniformity among all of the Restaurants and the importance of complying with all of our standards and specifications relating to the operation of the Restaurant.

7.2 Maintenance of Restaurant

You shall maintain the Restaurant in a high degree of sanitation, repair and condition, and in connection therewith shall make such additions, alterations, repairs and replacements thereto (but no others without our prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting or replacement of obsolete signs, furnishings, equipment (including, but not limited to,

point of sale or computer hardware and software systems), and décor as we may reasonably direct in order to maintain System-wide integrity and uniformity. You shall also obtain, at your cost and expense, any new or additional equipment (including point of sale or computer hardware and software systems), fixtures, supplies and other products and materials which may be reasonably required by us for you to offer and sell new menu items from the Restaurant or to provide the Restaurant services by alternative means, such as through catering or delivery arrangements. Except as may be expressly provided in the Manuals, no material alterations or improvements or changes of any kind in design, equipment, signs, interior or exterior décor items, fixtures or furnishings shall be made in or about the Restaurant or its premises without our prior written approval, which shall not be unreasonably withheld.

In the event we notify you of any additions, alterations, repairs and replacements required to be made to your Restaurant or the Authorized Location and you fail to make such additions, alterations, repairs and replacements within the timeframe we require, we shall have the right, without liability for trespass or tort, to enter the Authorized Location and make the additions, alterations, repairs and replacements, and you agree to promptly reimburse us for our expenses in so acting.

7.3 Remodeling and Redecorating

To assure the continued success of the Restaurant, you shall, upon our request, upgrade, remodel and/or redecorate the Restaurant premises, equipment (including point of sale or computer hardware and software systems), signs, interior and exterior décor items, fixtures, furnishings, supplies and other products and materials required for the operation of the Restaurant to our then-current System-wide standards and specifications. We agree that we shall not request such upgrading, remodeling and/or redecorating more frequently than every five (5) years during the term of this Agreement, except that if the Restaurant franchise is transferred pursuant to Article 14, we may request that the transferee remodel and/or redecorate the Restaurant premises as described herein.

7.4 Approved Suppliers

You shall comply with all of our standards and specifications relating to the purchase of all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including point of sale and computer hardware and software systems) and other products used or offered for sale at the Restaurant. Except as provided in Sections 7.6 and 7.7 with respect to certain materials bearing the Marks and proprietary products, you shall obtain such items from suppliers (including manufacturers, distributors and other sources) who continue to demonstrate the ability to meet our then-current standards and specifications for food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment and other items used or offered for sale at Restaurants and who possess adequate quality controls and capacity to supply your needs promptly and reliably; and who have been approved in writing by us prior to any purchases by you from any such supplier; and who have not thereafter been disapproved by us.

If you desire to purchase, lease or use any unapproved products or other items, or you design to purchase or lease from an unapproved supplier, you shall submit to us a written request for approval of such product or supplier, or shall request the supplier itself to do so. You shall reimburse the reasonable expenses we incur related to our evaluation of the proposed product or supplier. You shall not purchase or lease any product or from any supplier until and unless such product or supplier has been approved in writing by us. We shall have the right to require that our representatives be permitted to inspect the proposed supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory designated by us, for testing. We reserve the right, at our option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria. Nothing herein shall be construed to require us to approve any particular supplier.

You understand and acknowledge that we may periodically receive payments from approved suppliers, such as in the form of rebates, based on such approved suppliers' sales of products and services to our franchisees. We reserve the right to direct that any supplier rebates, refunds, advertising allowances or other consideration payable or paid as a result of your purchases of non-proprietary goods, services or equipment be paid to us or any affiliate that we may designate. If we do so, then you hereby acknowledge that you will not assert any interest in such monies.

7.5 Operation of Restaurant in Compliance with Our Standards

To ensure that the highest degree of quality and service is maintained, you shall operate the Restaurant in strict conformity with such of our methods, standards and specifications set forth in the Manuals and as may from time to time otherwise be prescribed in writing. In particular, you also agree:

7.5.1 To sell or offer for sale all menu items, products and services required by us and in the method, manner and style of distribution prescribed by us and only as expressly authorized by us in writing in the Manuals or otherwise in writing.

7.5.2 To sell and offer for sale only the menu items, products and services that have been expressly approved for sale in writing by us; to refrain from deviating from our standards and specifications without our prior written consent; and to discontinue selling and offering for sale any menu items, products or services which we may, in our sole discretion, disapprove in writing at any time. Notwithstanding the foregoing, you understand and agree that we have the right, in our sole discretion, to grant to certain Restaurants variances from our standard menu to accommodate regional or local tastes or ingredients, and that nothing in this Agreement requires us to grant to you a similar variance.

7.5.3 To maintain in sufficient supply and to use and sell at all times only such food and beverage items, ingredients, other products, materials, merchandise, supplies and paper goods that conform to our standards and specifications; to prepare all menu items in accordance with our recipes and procedures for preparation contained in the Manuals or other written directives, including, but not limited to, the prescribed measurements of ingredients; and to refrain from deviating from our standards and specifications by the use or offer of non-conforming items or differing amounts of any items, without our prior written consent.

7.5.4 To permit us or our agents, during normal business hours, to remove a reasonable number of samples of food or non-food items from your inventory or from the Restaurant, without payment therefor, in amounts reasonably necessary for testing by us or an independent laboratory to determine whether such samples meet our then-current standards and specifications. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such testing if the supplier of the item has not previously been approved by us or if the sample fails to conform with our reasonable specifications.

7.5.5 To purchase or lease and install, at your expense, all fixtures, furnishings, equipment (including point of sale and computer hardware and software systems), décor items, signs, delivery vehicles, and related items as we may reasonably direct from time to time in the Manuals or otherwise in writing; and to refrain from installing or permitting to be installed on or about the Restaurant premises, without our prior written consent, any fixtures, furnishings, equipment, delivery vehicles, décor items, signs, games, vending machines or other items not previously approved as meeting our standards and specifications. If any of the property described above is leased by you from a third party, such lease shall be approved by us, in writing, prior to execution. Our approval shall be conditioned upon such lease containing a provision which permits any interest of yours in the lease to be assigned to us upon the termination or expiration of this Agreement and which prohibits the lessor from imposing an assignment or

related fee upon us in connection with such assignment. You acknowledges and agrees that: (i) we and/or our affiliate may be a designated supplier or sole approved supplier of any product or service that you are required to lease or purchase, (ii) we and/or our affiliate may receive payment from supplier(s) related to your required purchases or leases, and (iii) any payments so received are for our benefit only and may be used or applied in any manner determined by us in our sole and absolute discretion;

7.5.6 To grant us and our agents the right to enter upon the Restaurant premises and any delivery/catering vehicle, during normal business hours, for the purpose of conducting inspections, which inspections will occur no less than annually, and to cooperate with our representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from us or our agents and without limiting our other rights under this Agreement, to take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. For inspections outside of the Continental USA, business you agree to reimburse our representative's expenses related to such inspections, such as business class travel, lodging and meals.

(a) Should you, for any reason, fail to correct such deficiencies within a reasonable time as determined by us, we shall have the right and authority (without, however, any obligation to do so) to correct such deficiencies and charge you a reasonable fee for our expenses in so acting, payable by you immediately upon demand. In addition, we may require you to attend remedial training at our headquarters or we may send a trainer to your Restaurant to provide remedial training, at your expense, which may include training or per diem fees and reimbursement of travel and living expenses.

(b) Notwithstanding paragraph (a) above, if your Restaurant scores below seventy percent (70%) on our assessment of your Restaurant and the products and services provided at your Restaurant, then we may require you to pay to us a reassessment fee of Five Hundred Dollars (\$500) plus reimbursement of our representative's expenses incurred during any such reassessment, including travel, lodging and meals.

7.5.7 To maintain a competent, conscientious, trained staff and to take such steps as are necessary to ensure that your employees preserve good customer relations and comply with such dress code as we may reasonably prescribe from time to time.

7.5.8 To install and maintain equipment and a telecommunications line in accordance with our specifications to permit us to access and retrieve by telecommunication any information stored on a point of sale system (or other computer hardware and software) you are required to utilize at the Restaurant premises as specified in the Manuals, thereby permitting us to inspect and monitor electronically information concerning your Restaurant, Gross Sales and such other information as may be contained or stored in such equipment and software. You shall obtain and maintain high speed Internet access and/or other means of electronic communication, as specified by us from time to time. It shall be a material default under this Agreement if you fail to maintain such equipment, lines and communication methods in operation and accessible to us at all times throughout the term of this Agreement. We shall have access as provided herein at such times and in such manner as we shall from time to time specify. You shall abide by our data privacy policies.

7.5.9 To honor all credit, charge, courtesy or cash cards or other credit devices required or approved by us. You must obtain our written approval prior to honoring any previously unapproved credit, charge, courtesy or cash cards or other credit devices.

7.5.10 To sell or otherwise issue gift cards or certificates (together "Gift Cards") that have been prepared utilizing the standard form of Gift Card provided or designated by us, and only in the manner specified by us in the Manuals or otherwise in writing. You shall fully honor all Gift Cards that are in the

form provided or approved by us regardless of whether a Gift Card was issued by you or another Restaurant. You shall sell, issue, and redeem (without any offset against any Royalty Fees) Gift Cards in accordance with procedures and policies specified by us in the Manuals or otherwise in writing, including those relating to procedures by which you shall request reimbursement for Gift Cards issued by other Restaurants and for making timely payment to us, other operators of Restaurants, or a third-party service provider for Gift Cards issued from the Restaurant that are honored by us or other Restaurant operators. We reserve the right to alter the terms and conditions of any gift card or loyalty programs, including reserving the right to apply changes retroactively to benefits already accrued under such programs.

7.5.11 To issue and honor any loyalty cards that we designate or approve for the System.

7.6 Proprietary Products

You acknowledge and agree that we and our affiliates may develop for use in the System certain products which are prepared from confidential proprietary recipes and which are trade secrets of us and our affiliates, and other proprietary products bearing the Marks. Because of the importance of quality and uniformity of production and the significance of such proprietary products in the System, it is to the mutual benefit of the parties that we closely control the production and distribution of such proprietary products. Accordingly, you agree that if such proprietary products become a part of the System, you shall use only our secret recipes and proprietary products and shall purchase all of your requirements for such proprietary products solely from us or from a source designated by us. You further agree to purchase from us or our designated supplier for resale to your customers proprietary products and other merchandise identifying the System as we shall require, such as logoed merchandise, memorabilia and promotional products, in amounts sufficient to satisfy your customer demand.

7.7 Advertising and Promotional Materials

You shall require all advertising and promotional materials, signs, decorations, paper goods (including menus and all forms and stationery used in the Franchised Business), and other items which may be designated by us to bear the Marks in the form, color, location and manner prescribed by us, including, without limitation, notations about the ownership of the Marks.

7.8 Complaints

You shall process and handle all consumer complaints connected with or relating to the Restaurant, and shall promptly notify us by telephone and in writing of all of the following complaints: (i) food related illnesses, (ii) environmental, safety or health violations, (iii) claims exceeding Five Hundred Dollars (\$500.00), and (iv) any other material claims against or losses suffered by you. You shall maintain for our inspection any governmental or trade association inspection reports affecting the Restaurant or equipment located in the Restaurant during the term of this Agreement and for thirty (30) days after the expiration or earlier termination of this Agreement.

7.9 Power of Attorney for Telephone Listings, etc.

Upon the execution of this Agreement or at anytime thereafter, you shall, at our option, execute such forms and documents as we deem necessary, including the agreements attached hereto as Attachment 6, to appoint us as your true and lawful attorney-in-fact with full power and authority for the sole purpose of assigning to us only upon the termination or expiration of this Agreement, as required under Section 18.15: (i) all rights to the telephone numbers of the Restaurant and any related and other business listings; and (ii) Internet listings, domain names, Internet Accounts, advertising on the Internet or World Wide Web, websites, listings with search engines, e-mail addresses or any other similar listing or usages related to the Franchised Business. You agree that you have no authority to and shall not establish any website or listing

on the Internet or World Wide Web without our express written consent, which consent may be denied without reason.

7.10 Customer Surveys

You shall participate in all customer surveys and satisfaction audits, which may require that you provide discounted or complimentary products, provided that such discounted or complimentary sales shall not be included in the Gross Sales of the Restaurant. Additionally, you shall participate in any complaint resolution and other programs as we may reasonably establish for the System, which programs may include, without limitation, providing discounts or refunds to customers.

7.11 Mystery Shopper Service

We may designate an independent evaluation service to conduct a “mystery shopper” quality control and evaluation program with respect to Restaurants. You agree that the Restaurant will participate in such mystery shopper program, as prescribed and required by us, provided that Restaurants owned by us, our affiliates and our franchisees also will participate in such program to the extent we have the right to require such participation, and you further agree to pay all fees related to such mystery shopper program.

7.12 Pricing

Where permitted by applicable law, we may provide you written advice regarding the minimum and/or maximum prices which you may charge your customers for menu items, products and services provided or sold under the System. Any such advice, if given at all, will be binding on you and you agree to comply with our pricing guidelines. Nothing contained herein shall be deemed a representation by us that if you follow such guidelines you will, in fact, generate a profit. You are obligated to inform us of all prices charged for products sold by you and to inform us of any modifications of your prices. We may exercise rights with respect to pricing programs and products to the fullest extent permitted by then-applicable law. These rights may include (without limitation) establishing the maximum and/or minimum retail prices which you may charge customers for the programs or products offered and sold at your Restaurant; recommending retail prices; advertising specific retail prices for some or all programs, products or sold by your Restaurant, which prices you agree to observe (sometimes known as “price point advertising campaigns”); engaging in advertising, promotional and related programs which you must participate in and which may directly or indirectly impact your retail prices (such as “buy one, get one free”); and otherwise mandating, directly or indirectly, the maximum and/or minimum retail prices which your Restaurant may charge the public for the programs, products and services it offers. We may engage in any such activity at any time throughout the term of this Agreement. Further, we may engage in such activity only in certain geographic areas (towns, cities, states, regions) and not others, or with regard to certain subsets of franchisees and not others. You acknowledge and agree that any maximum, minimum or other prices we establish or suggest may or may not optimize the revenues or profitability of your Restaurant. You entirely waive any and all claims related to our establishment of prices charged at your Restaurant.

7.13 Motor Vehicles

For your catering or delivery services, you must have an approved van or sedan to provide these services from your Restaurant. You must also have a delivery driver for your Restaurant. We reserve the right to require you to have temporary signage placed on each delivery vehicle. We expect that all delivery vehicles will be kept clean, in good working order and be properly insured. You must have each person providing those services to comply with all laws, regulations and rules of the road and to use due care and caution operating and maintaining the motor vehicles. Except as described in this paragraph, we do not have any standards or exercise control over any motor vehicle that you use.

7.14 Unapproved Products and Services

In the event you sell any food, beverage, products, novelty items, clothing, souvenirs or perform any services that we have not prescribed, approved or authorized, you shall, immediately upon notice from us: (i) cease and desist offering or providing the unauthorized or unapproved food, beverage, product, premium, novelty item, clothing, souvenir or from performing such services and (ii) pay to us, on demand, a prohibited product or service fine equal to Two Hundred Fifty Dollars (\$250) per day for each day such unauthorized or unapproved food, beverage, product, premium, novelty item, clothing, souvenir or service is offered or provided by you after written notice from us. The prohibited product or service fine shall be in addition to all other remedies available to us under this Agreement or at law.

7.16 On-line Ordering

We reserve the right to require you to participate in an on-line ordering program, whereby your customers are able to submit food orders through the internet. You agree to pay any then-current fees to our approved supplier for participation in the on-line ordering program, and to comply with all rules and procedures applicable to such program(s).

7.17 Third Party Delivery

We reserve the right to approve any third-party delivery application, e.g. GrubHub, UberEats, etc., that you wish to utilize in addition to your delivery driver(s). If you fail to obtain our approval, it shall constitute a material event of default under this Agreement.

ARTICLE 8: ADVERTISING AND PROMOTION

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

8.1 Participation in Advertising; Brand Development Programs

We may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all Restaurants operating under the System. You shall participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by us for each program. In all aspects of these programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, the standards and specifications established by us shall be final and binding upon you.

We may, from time to time, incorporate into the System programs, products or services which we either develop or otherwise obtain rights to, which are offered and sold under names, trademarks and/or service marks other than the Proprietary Marks and which your Restaurant, along with other Restaurants, will be required to offer and sell. This activity, referred to as “cobranding”, may involve changes to the Proprietary Marks and may require you to make modifications to your premises and the furniture, fixtures, equipment, signs and trade dress of your Restaurant. If you receive written notice that we are instituting a cobranding program, you agree promptly to implement that program at your Restaurant at the earliest commercially reasonable time and to execute any and all instruments required to do so. Under no circumstance will any cobranding program increase your Royalty Fees, Brand Management Fund Fee or local advertising expenditure obligations under this Agreement.

8.2 Local Advertising

In addition to the ongoing advertising contributions set forth herein and, subject to any allocation of your expenditures for local advertising to a Cooperative as described in Section 8.4, you shall spend each

month throughout the term of this Agreement an amount equal to two percent (2%) of Gross Sales on advertising and promotion of your Restaurant in your Designated Area (“Local Advertising”). You understand and acknowledge that we reserve the right to require you to spend a minimum percentage of your Local Advertising budget on flyers and door hangers. You must maintain a listing in the principal directories in your Designated Area, and we reserve the right to approve in which directories your advertisements must appear.

Notwithstanding the foregoing, if your Restaurant participates in a Cooperative, as described in Section 8.4 below, any amount you contribute to the Cooperative will count toward your Local Advertising requirement; provided, however, that in the event your contribution to the Cooperative is less than your Local Advertising requirement, you shall nevertheless spend the difference locally. You shall submit to us, within thirty (30) days of our request, advertising expenditure reports accurately reflecting your Local Advertising expenditures, including verification copies of all advertising and any other information that we require.

8.3 Brand Management Fund

Recognizing the value of uniform marketing, advertising and promotion to the goodwill and public image of the System, you agree that we or our designee shall have the right to establish, maintain and administer a Brand Management Fund (hereinafter referred to as the “Fund”) for such national and regional advertising programs as we may deem necessary or appropriate, in our sole discretion, as follows:

8.3.1 We shall direct all national and regional brand development programs with sole discretion over the creative concepts, materials, endorsements and media used therein, and the placement and allocation thereof. You understand and acknowledge that the Fund is intended to maximize general public recognition and acceptance of the System and the Marks for the benefit of all Restaurants operating under the System, and that we undertake no obligation in administering the Fund to ensure that expenditures from the Fund are proportionate or equivalent to your contributions made for your Restaurant, or that any particular Restaurant benefits directly or pro rata from the placement of any such advertising.

8.3.2 You agree that the Fund may be used to meet any and all costs of maintaining, administering, directing and preparing national and/or regional advertising materials, programs and public relations activities including:

- a) for photography, menu engineering, menu design, pizza box design, all paper to go products
- b) for purchasing food video, production costs for in house or third party images or videos
- c) for purchase of any equipment used to create promotional and graphic materials and software and membership dues
- d) for menu product development, ingredients purchased for testing, nutritional services by third parties, outdoor promotional equipment such as food trucks and pop up banners
- e) for salary and hourly wages for creative art director, photographer and videographer
- f) for public relation services
- g) for talent fees
- h) for food and franchise trade shows, including travel expenses related to the shows
- i) for sourcing new products and any travel expenses necessary to locate and source new products.

The Fund shall be accounted for separately from our other funds, and shall not be used to defray any of our general operating expenses, except that we have the right to reimburse ourselves out of the Fund for the total costs (including indirect costs such as salaries for our employees who devote time and effort to Fund related activities and overhead expenses) of developing, producing and distributing any advertising

materials and collecting the Brand Management Fund Fee (including attorneys', auditors' and accountants' fees and other expenses incurred in connection with collecting any Brand Management Fund Fee).

8.3.3 A statement of the operations of the Fund shall be prepared annually by our accountants and shall be made available to you on written request. The cost of the statement shall be paid by the Fund. We are not required to have any Fund statement audited, but if we choose to have the Fund audited it will be at the Fund's expense. Except as expressly provided in this Section 8.3, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the Fund.

8.3.4 Restaurants owned by us or our affiliates will make contributions to the Fund on the same basis as our franchisees.

8.3.5 Any monies remaining in the Fund at the end of any year will carry over to the next year. Although the Fund is intended to be of perpetual duration, we may terminate the Fund. The Fund shall not be terminated, however, until all monies in the Fund have been expended for advertising or promotional purposes or returned to contributing Stores or those operated by us, without interest, on the basis of their respective contributions.

8.3.6 If we elect to terminate the Fund, we may, in our sole discretion, reinstate the Fund at any time. If we so choose to reinstate the Fund, said reinstated Fund shall be operated as described herein.

8.3.7 Notwithstanding the foregoing, money in the Fund can be used to produce commercials and ad layout templates that you must adapt for your Restaurant and use in local advertising, at your expense. The Fund may also develop new menus and table tents for use by all Restaurants in the System, and we may designate that our approved supplier will automatically ship these items to you, at your expense, when they are to be used.

8.4 Cooperative Advertising Funds

We may, in our discretion, create a regional advertising cooperative ("Cooperative") in any area, or we may approve the creation of such a Cooperative by franchisees in the System, and establish the rules and regulations therefor. Immediately upon our request, you must become a member of the Cooperative for the area in which some or all of your Designated Area is located. In no event may the Restaurant be required to be a member of more than one Cooperative. The Cooperative must be governed in the manner we prescribe. The Cooperative may require each of its members to make contributions thereto in an amount as agreed upon by the Cooperative members. You shall contribute such amounts at the times and in the manner as determined by majority vote of the Cooperative members. Any funds contributed to a Cooperative will be credited against your Local Advertising obligation; provided, however, that if your contributions to a Cooperative are less than your Local Advertising requirement, you shall nevertheless spend the difference locally. The following provisions apply to each Cooperative:

8.4.1 the Cooperative must be organized and governed in a form and manner, and commence operation on a date, that we approve in advance in writing;

8.4.2 the Cooperative must be organized for the exclusive purpose of administering advertising programs and developing, subject to our approval, standardized promotional materials for the members' use in local advertising within the Cooperative's area;

8.4.3 the Cooperative may adopt its own rules and procedures, but such rules or procedures must be approved by us and must not restrict or expand your rights or obligations under this Agreement;

8.4.4 except as otherwise provided in this Agreement, and subject to our approval, any lawful action of the Cooperative (including, without limitation, imposing assessments for local advertising) at a meeting attended by members possessing more than fifty percent (50%) of the total voting power in the Cooperative is binding upon you if approved by members possessing more than fifty percent (50%) of the total voting power possessed by members in attendance, with each Restaurant having one (1) vote, but no franchisee (or commonly controlled group of franchisees) may have more than twenty-five percent (25%) of the vote in the Cooperative regardless of the number of Restaurants owned;

8.4.5 without our prior written approval, the Cooperative may not use, nor furnish to its members, any advertising or promotional plans or materials; all such plans and materials must be submitted to us in accordance with the procedure set forth in Section 8.5;

8.4.6 Cooperative may require its members to periodically contribute to it in such amounts as it determines; provided that in no event shall any contribution exceed two percent (2%) of Gross Sales;

8.4.7 no later than the fifteenth (15th) day of each month, each member/franchisee must submit its contribution under Section 8.4.6 for the preceding calendar month to the Cooperative, together with such other statements or reports as we or the Cooperative may require, with our prior written approval; and

8.4.8 if an impasse occurs because of a Cooperative members' inability or failure, within forty-five (45) days, to resolve any issue affecting the Cooperative's establishment or effective functioning, upon request of any Cooperative member, that issue must be submitted to us for consideration, and our resolution of such issue is final and binding on all Cooperative members.

8.5 Conduct of Advertising; Our Approval

All advertising and promotion by you in any medium shall be conducted in a professional manner and shall conform to our standards and requirements as set forth in the Manuals or otherwise. You shall obtain our approval of all advertising and promotional plans and materials prior to use if such plans and materials have not been prepared by us or previously approved by us during the twelve (12) months prior to their proposed use. You shall submit such unapproved plans and materials to us not later than thirty (30) days prior to the date you intend to use them. If we do not provide our specific disapproval of the proposed materials, the proposed materials are deemed to be approved. Any plans and materials that you submit to us for our review will become our property and there will be no restriction on our use or dissemination of such materials. You shall not advertise or use the Marks in any fashion on the Internet, World Wide Web or via other means of advertising through telecommunication without our express written consent.

We reserve the right to require you to include certain language on all advertising to be used locally by you or to be used by a Cooperative, including, but not limited to, "Franchises Available" and reference to our telephone number and/or website.

8.6 Grand Opening Advertising

In addition to the ongoing advertising contributions and expenditures set forth herein, you shall be required to spend between Ten Thousand Dollars (\$10,000) and Twenty-Five Thousand Dollars (\$25,000) on a grand opening advertising campaign to promote the opening of the Restaurant. The grand opening

advertising campaign shall be conducted during the period that includes twenty (20) days before and ninety (90) days after the opening of your Restaurant. Not later than thirty (30) days before your Restaurant is scheduled to open, you must submit to us, for our approval, the proposed budget and advertising plan for your grand opening advertising campaign. If you do not provide us with the proposed advertising plan and budget when required, we may require you to give us Ten Thousand Dollars (\$10,000) and we will conduct the grand opening advertising campaign on your behalf.

8.7 Websites

We alone may establish, maintain, modify or discontinue all internet, worldwide web and electronic commerce activities pertaining to the System. We have established one or more websites accessible through one or more uniform resource locators (“URLs”) and we may design and provide for the benefit of your Restaurant a “click through” subpage at our website for the promotion of your Restaurant. If we establish one or more websites or other modes of electronic commerce and if we provide a “click through” subpage at the website(s) for the promotion of your Restaurant, you must routinely provide us with updated copy, photographs and news stories about your Restaurant suitable for posting on your “click through” subpage. We reserve the right to specify the content, frequency and procedure you must follow for updating your “click through” subpage.

Any websites or other modes of electronic commerce that we establish or maintain may – in addition to advertising and promoting the products, programs or services available at Restaurants – also be devoted in part to offering franchises for sale and be used by us to exploit the electronic commerce rights which we alone reserve.

In addition to these activities, we may also establish an intranet through which downloads of operations and advertising materials, exchanges of franchisee e-mail, System discussion forums and System-wide communications (among other activities) can be done. You may not maintain your own website; otherwise maintain a presence or advertise on the internet or any other mode of electronic commerce in connection with your Restaurant; establish a link to any website we establish at or from any other website or page; or at any time establish any other website, electronic commerce presence or URL which in whole or in part incorporates the “Russo’s New York Pizzeria” name or any names confusingly similar to the Proprietary Marks.

You are not permitted to promote your Restaurant or use any of the Proprietary Marks in any manner on any social, social media or networking websites, such as Facebook, Instagram, , Bluesky, LinkedIn, X (Twitter), YouTube, Threads, Tik Tok, blogs, or any other social media and/or networking site, without our prior written consent, and use of any social media accounts shall be in strict accordance with Franchisor’s requirements. We will control all social media initiatives. You must comply with our System standards regarding the use of social media in your Restaurant’s operation, including prohibitions on your and the Restaurant’s employees posting or blogging comments about the Restaurant or the System, other than on a website established or authorized by us (“social media” includes personal blogs, common social networks, professional networks live-blogging tools like virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). We will provide access to branded social media pages/handles/assets, and you must update these regularly. We reserve the right to conduct collective/national campaigns via local social media on your behalf.

We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any website we establish and maintain, including any and all material you may furnish to us for your “click through” subpage.

8.8 Advisory Council

We may, in our discretion, form an advisory council to work with us to improve the System, the products offered by Restaurants, advertising conducted by the Brand Management Fund, and any other matters that we deem appropriate. If an advisory council is formed, it will act solely in an advisory capacity, and will not have decision making authority. We will have the right to form, change, merge or dissolve any advisory council. We may develop by-laws for the governance of any advisory council.

If formed, an advisory council will be comprised of our representatives and franchisee representatives and all franchisee representatives are required to participate in council-related activities and meetings. If you participate on an advisory council, you will pay any expenses you incur related to your participation, such as travel and living expenses to attend council meetings.

ARTICLE 9: MARKS

9.1 Use of Marks

We grant you the right to use the Marks during the term of this Agreement in accordance with the System and related standards and specifications.

9.2 Ownership of Marks; Limited License

You expressly understand and acknowledge that:

9.2.1 Franchisee expressly understands and acknowledges that Franchisor and/or Franchisor's affiliate(s) are the record owner or the licensee of the owner of all right, title and interest in and to the Marks and the goodwill associated with and symbolized by them. All references herein to our right, title and interest in the Marks shall be deemed to include the owner's right, title and interest in the Marks.

9.2.2 Neither you nor any Principal shall take any action that would prejudice or interfere with the validity of our and/or our affiliates rights with respect to the Marks. Nothing in this Agreement shall give the you any right, title, or interest in or to any of the Marks or any service marks, trademarks, trade names, trade dress, logos, copyrights or proprietary materials, except the right to use the Marks and the System in accordance with the terms and conditions of this Agreement for the operation of the Restaurant and only at or from its Authorized Location or in approved advertising related to the Restaurant.

9.2.3 You understand and agree that the limited license to use the Marks granted hereby applies only to such Marks as are designated by us, and which are not subsequently designated by us as being withdrawn from use, together with those which may hereafter be designated by us in writing. You expressly understand and agree that you are bound not to represent in any manner that you have acquired any ownership or equitable rights in any of the Marks by virtue of the limited license granted hereunder, or by virtue of your use of any of the Marks.

9.2.4 You understand and agree that any and all goodwill arising from your use of the Marks and the System shall inure solely and exclusively to our and/or our affiliates benefit, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with your use of the Marks.

9.2.5 You shall not contest the validity of or our or our affiliates' interest in the Marks or assist others to contest the validity of or our interest in the Marks.

9.2.6 You acknowledge that any unauthorized use of the Marks shall constitute an infringement of our and/or our affiliates' rights in the Marks and a material event of default hereunder. You agree that you shall provide us and/or our affiliates with all assignments, affidavits, documents, information and assistance we reasonably request to fully vest in us and/or our affiliates all such rights, title and interest in and to the Marks, including all such items as are reasonably requested by us and/or our affiliates to register, maintain and enforce such rights in the Marks.

9.2.7 If it becomes advisable at any time, in our discretion, to modify or discontinue use of any Mark and/or to adopt or use one or more additional or substitute proprietary marks, then you shall be obligated to comply with any such instruction by us. We and our affiliates shall not have any obligation in such event to reimburse you for your documented expenses of compliance. You waive any other claim arising from or relating to any Mark change, modification or substitution. We and our affiliates will not be liable to you for any expenses, losses or damages sustained by you as a result of any Mark addition, modification, substitution or discontinuation. You covenant not to commence or join in any litigation or other proceeding against us and/or our affiliates for any of these expenses, losses or damages.

9.3 Limitation on Use of Marks

With respect to your licensed use of the Marks pursuant to this Agreement, you further agree that:

9.3.1 Unless otherwise authorized or required by us, you shall operate and advertise the Restaurant only under the name "Russo's New York Pizzeria" without prefix or suffix. You shall not use the Marks as part of your corporate or other legal name, and shall obtain our approval of a trade name or "d/b/a" prior to filing it with the applicable state authority.

9.3.2 During the term of this Agreement and any renewal hereof, you shall identify yourself as the independent owner of the Restaurant in conjunction with any use of the Marks, including, but not limited to, uses on invoices, order forms, receipts and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Restaurant or any delivery vehicle as we may designate in writing.

9.3.3 You shall not use the Marks to incur any obligation or indebtedness on our behalf;

9.3.4 You shall comply with our instructions in filing and maintaining the requisite trade name or fictitious name registrations, and shall execute any documents deemed necessary by us or our counsel to obtain protection of the Marks or to maintain their continued validity and enforceability.

9.4 Notification of Infringement or Claim

You shall notify us immediately by telephone and thereafter in writing of any apparent infringement of or challenge to your use of any Mark, of any claim by any person of any rights in any Mark, and You and the Principals shall not communicate with any person other than us, our counsel and your counsel in connection with any such infringement, challenge or claim. We shall have complete discretion to take such action as we deem appropriate in connection with the foregoing, and the right to control exclusively, any settlement, litigation or Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Mark. You agree to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in our opinion, reasonably be necessary or advisable to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain the interests of us or any other interested party in the Marks. We will indemnify you and hold you harmless from and against any and all claims, liabilities, costs, damages and reasonable expenses for which you are held liable in any proceeding arising out of your use

of any of the Marks (including settlement amounts), provided that the conduct of You and the Principals with respect to such proceeding and use of the Marks is in full compliance with the terms of this Agreement.

9.5 Retention of Rights by Us

The right and license of the Marks granted hereunder to you is non-exclusive and we thus have and retain the following rights, among others, subject only to the limitations of Article 1:

9.5.1 To grant other licenses for use of the Marks, in addition to those licenses already granted to existing franchisees;

9.5.2 To develop and establish other systems using the Marks or other names or marks and to grant licenses thereto without providing any rights to you; and

9.5.3 To engage, directly or indirectly, through our employees, representatives, licensees, assigns, agents and others, at wholesale, retail or otherwise, in (a) the production, distribution, license and sale of products and services, and (b) the use in connection with such production, distribution and sale, of the Marks and any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or used from time to time by us.

ARTICLE 10: CONFIDENTIALITY AND NON-COMPETITION COVENANTS

10.1 Confidential Operations Manuals

10.1.1 To protect our reputation and goodwill and to maintain high standards of operation under the Marks, you shall conduct your business in accordance with the Manuals, other written directives which we may reasonably issue to you from time to time whether or not such directives are included in the Manuals, and any other manuals and materials created or approved for use in the operation of the Franchised Business.

10.1.2 You and the Principals shall at all times treat the Manuals, any of our written directives, and any other manuals and materials, and the information contained therein as confidential and shall maintain such information as trade secret and confidential in accordance with this Article 10. You and the Principals shall divulge and make such materials available only to such of your employees as must have access to it in order to operate the Restaurant. You and the Principals shall not at any time copy, duplicate, record or otherwise reproduce these materials, in whole or in part, or otherwise make the same available to any person other than those authorized above.

10.1.3 The Manuals, written directives, other manuals and materials and any other confidential communications provided or approved by us shall at all times remain our sole property, shall at all times be kept in a secure place on the Restaurant premises, and shall be returned to us immediately upon request or upon termination or expiration of this Agreement.

10.1.4 The Manuals, any written directives, and any other manuals and materials issued by us and any modifications to such materials shall supplement and be deemed part of this Agreement.

10.1.5 We may from time to time revise the contents of the Manuals and the contents of any other manuals and materials created or approved for use in the operation of the Franchised Business. You shall remove and return to us all pages of the Manual that have been replaced or updated by us. You expressly agree to comply with each new or changed standard.

10.1.6 You shall at all times ensure that the Manuals are kept current and up to date. In the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by us at our headquarters shall control.

10.1.7 If we provide you with a hard copy of the Manuals (including any videos) and such copy is destroyed or lost, you agree to pay to us a fee of Five Hundred Dollars (\$500), together with your request for a replacement copy of the Manuals.

10.2 Confidential Information

10.2.1 Neither you nor any Principal shall, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other person, persons, partnership, association or corporation and, following the expiration or termination of this Agreement, they shall not use for their own benefit any confidential information, knowledge or know-how concerning the methods of operation of the Franchised Business which may be communicated to them or of which they may be apprised in connection with the operation of the Restaurant under the terms of this Agreement. You and the Principals shall divulge such confidential information only to such of your employees as must have access to it in order to operate the Restaurant. Any and all information, knowledge, know-how, techniques and any materials used in or related to the System which we provide to you in connection with this Agreement, including but not limited to the Manuals, plans and specifications, advertising information and strategies and site evaluation, selection guidelines and techniques, recipes, and the terms of this Agreement, shall be deemed confidential for purposes of this Agreement. Neither you nor the Principals shall at any time, without our prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person. The covenants in this Section shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon you and each of the Principals.

10.2.2 You shall require and obtain the execution of covenants similar to those set forth in Section 10.2.1 from your General Manager and all other of your personnel who have received or will have access to confidential information. Such covenants shall be substantially in the form set forth in Attachment 4. All of your Principals are required to sign this Agreement.

10.2.3 New Concepts. If Franchisee or Principal(s) develops any new concept, process, product, recipe, or improvement in the operation or promotion of the Franchised Business ("Improvements"), Franchisee is required to promptly notify Franchisor and provide Franchisor with all related information, processes, products, recipe or other improvements, and sign any and all forms, documents and/or papers necessary for Franchisor to obtain full proprietary rights to such Improvements, without compensation and without any claim of ownership or proprietary rights to such Improvements. Franchisee and Principal(s) acknowledge that any such Improvements will become the property of Franchisor, and Franchisor may use or disclose such information to other franchisees as it determines to be appropriate. Franchisee acknowledges and agrees that nothing in this Section 10.2.3 permits Franchisee to test, introduce, provide, or otherwise offer any Improvement to customers, or use any Improvement in the operation of the Franchised Business, unless and until Franchisor consents to the use of the Improvement for such purpose.

10.2.4 You agree that, in the event any confidential information disclosed to you, your General Manager and your employees is then disclosed to any unauthorized person, you shall notify us within twenty-four (24) hours of becoming aware of such unauthorized disclosure, and you further agree to assist us in any manner, including executing such documents we and our counsel deem necessary, to protect the confidential and proprietary nature of such confidential information.

10.3 Non-Competition

10.3.1 You and the Principals specifically acknowledge that, pursuant to this Agreement, You and the Principals will receive valuable training, trade secrets and confidential information, including, without limitation, information regarding the operational, sales, promotional and advertising methods and techniques of us and the System which are beyond the present skills and experience of You and the Principals and your managers and employees. You and the Principals acknowledge that such specialized training, trade secrets and confidential information provide a competitive advantage and will be valuable to them in the development and operation of the Restaurant, and that gaining access to such specialized training, trade secrets and confidential information is, therefore, a primary reason why they are entering into this Agreement. In consideration for such specialized training, trade secrets and confidential information (including, without limitation, information regarding the operational, sales, promotional and advertising methods and techniques of us and the System which are beyond the present skills and experience of You and the Principals and your managers and employees), You and the Principals covenant that with respect to you, during the term of this Agreement (or with respect to each of the Principals, during the term of this Agreement for so long as such individual or entity satisfies the definition of “Principals” as described in Section 19.17 of this Agreement), except as otherwise approved in writing by us, which approval may be withheld or denied in our sole and absolute discretion, neither you nor any of the Principals shall, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person(s), partnership or corporation:

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

(b) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures), advise, assist or make loans to, any business located within the United States, its territories, states or commonwealths, or any other country, province, state or geographic area in which we have used, sought registration of or registered the same or similar Marks or operates or licenses others to operate a business under the same or similar Marks, which business is of a character and concept similar to the Restaurant, including a food service business which offers and sells the same or substantially similar food products, including but not limited to the following: any style of pizza, any size of pizza, any pasta dishes, Italian entrees, calzones, spaghetti, lasagna, baked ziti, fettuccini, and/or any menu item similar to any menu item on the current Russo's menu, (a “Competitive Business”) without our prior written consent.

10.3.2 With respect to you and each Principal, and for a continuous uninterrupted period commencing upon the expiration, termination of, or transfer of all of your or any Principal's interest in, this Agreement and continuing for five (5) years thereafter, except as otherwise approved in our sole and absolute discretion, neither you, nor any of the Principals shall, directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, persons, partnership, or corporation:

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

(b) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures), advise, assist or make loans to any Competitive Business, which business is, or is intended to be,

located within a seventy-five (75) mile radius of the location of any Restaurant in the System. You shall pay us damages in the amount of Two Hundred Thousand Dollars (\$200,000) if you violate this Covenant.

(c) Use or do any of the following:

- 1) copy, alter, modify our menu to make a new menu at a new restaurant at that location
- 2) offer any style or size of pizza
- 3) offer any pasta dishes
- 4) offer Italian entrees
- 5) offer calzones
- 6) offer any menu item similar to any menu item on the current Russo's menu
- 7) modify menu items by changing the names or removing a couple of items and calling it something different
- 8) offer spaghetti
- 9) offer lasagna
- 10) offer baked ziti
- 11) offer fettuccini

10.3.3 The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect our goodwill or other business interests. The parties agree that each of the covenants herein shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we are a party, You and the Principals expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section.

(a) You and the Principals understand and acknowledge that we shall have the right, in our sole and absolute discretion, to reduce the scope of any covenant set forth in this Section 10.3, or any portion thereof, without their consent, effective immediately upon notice to you; and You and the Principals agree that they shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 19.2 hereof.

(b) You and the Principals expressly agree that the existence of any claims they may have against us, whether or not arising from this Agreement, shall not constitute a defense to our enforcement of the covenants in this Section.

(c) Sections 10.3.1(b) and 10.3.2(c) shall not apply to ownership of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation.

10.3.4 You shall require and obtain execution of covenants similar to those set forth in this Section 10.3 (including covenants applicable upon the termination of a person's employment with you) from your General Manager and all other of your personnel who have received or will have access to training from us. Such covenants shall be substantially in the form set forth in Attachment 4. Your Principals are required to sign this Agreement. Notwithstanding the foregoing, we reserve the right, in our sole discretion, to decrease the period of time or geographic scope of the non-competition covenant set forth in Attachment 4 or eliminate such non-competition covenant altogether for any party that is required to execute such agreement under this Section 10.3.4.

10.4 Failure to Comply

You and the Principals acknowledge that any failure to comply with the requirements of this Section shall constitute a material event of default under Article 17 hereof. You and the Principals acknowledge that a violation of the terms of this Section would result in irreparable injury to us for which no adequate remedy at law may be available, and You and the Principals accordingly consent to the issuance of an injunction prohibiting any conduct by you or the Principals in violation of the terms of this Section. You and the Principals agree to pay all court costs and reasonable attorneys' fees incurred by us in connection with the enforcement of this Section, including payment of all costs and expenses for obtaining specific performance of, or an injunction against violation of, the requirements of such Section.

Notwithstanding the generality of the foregoing, you further understand and agree that if you fail to comply with a non-competition covenant stated herein, you agree to pay to us One Thousand Dollars (\$1,000) per day for each day such failure to comply continues.

ARTICLE 11: BOOKS AND RECORDS

11.1 Books and Records

You shall maintain during the term of this Agreement, and shall preserve for at least three (3) years from the dates of their preparation, full, complete and accurate books, records and accounts, including, but not limited to, sales slips, coupons, purchase orders, payroll records, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, journals and ledgers, records of EFT transactions, and backup or archived records of information maintained on any computer system in accordance with generally accepted accounting principles and in the form and manner prescribed by us from time to time in the Manuals or otherwise in writing.

11.2 Reports

In addition to the Royalty Report required by Article 4 hereof, you shall comply with the following reporting obligations:

11.2.1 You shall, at your expense, submit to us, in the form prescribed by us, a report of Gross Sales, a state sales tax report, and a profit and loss statement for each week (which may be unaudited) for by the Monday for the previous week based on the Gross Sales for the preceding week ending Sunday. Each such statement shall be signed by your treasurer or chief financial officer or comparable officer attesting that it is true, complete and correct;

11.2.2 You shall, at your expense, provide to us a complete annual financial statement (which shall be reviewed) prepared by an independent certified public accountant by April 15th of each year during the term hereof showing the results of the Restaurant's operations during the previous calendar year. We reserve the right to require such financial statements to be audited by an independent certified public accountant satisfactory to us at your cost and expense if an inspection discloses an understatement of two percent (2%) or more in any report, pursuant to Section 11.3; and

11.2.3 You shall also submit to us, for review or auditing, such other forms, reports, records, information and data as we may reasonably designate, and which pertain to the Franchised Business, in the form and at the times and places reasonably required by us, upon request and as specified from time to time in writing.

11.2.4 Franchisee acknowledges and agrees that it is solely responsible to timely review for accuracy each report and/or statement issued by Franchisor, or designated third-party accounting firm,

in advance of each Royalty Fee, pursuant to Section 4.2. Franchisee shall have thirty (30) calendar days from the date of issuance of each report and/or statement to notify Franchisor in writing of any discrepancies or errors. Franchisee's failure to notify Franchisor within this period shall constitute full acceptance and approval of the report and/or statement by Franchisee. After this thirty (30) day period, Franchisee waives any right to dispute or make any claim—monetary or otherwise—against Franchisor, its affiliates or its third-party accounting firm, regarding the accuracy or validity of the reported sales or fees.

11.2.5 You acknowledges and agrees that the financial data of the Franchised Business (i) is owned by Franchisor, (ii) is Franchisor's proprietary information, (iii) may be published in franchise disclosure document(s) issued by Franchisor following the Effective Date hereof, and (iv) may be shared with other franchisees in the System.

11.3 Inspections; Audits

We or our designees shall have the right, during normal business hours, to review, audit, examine and copy any or all of your books and records as we may require at the Restaurant. You shall make such books and records available to us or our designees immediately upon request. If any required royalty or other payments due to us are delinquent, or if an inspection should reveal that such payments have been understated in any report to us, then you shall immediately pay to us the amount overdue or understated upon demand with interest determined in accordance with the provisions of Section 4.6. If an inspection discloses an underpayment of amounts owed to us or an understatement in any report of Gross Sales of two percent (2%) or more, you shall, in addition, reimburse us for all costs and expenses connected with the inspection (including, without limitation, reasonable accounting and attorneys' fees). These remedies shall be in addition to any other remedies we may have at law or in equity.

11.4 Correction of Errors

You understand and agree that our receipt or acceptance of any of the statements furnished or royalties paid to us (or the cashing of any royalty checks or processing of any EFTs) shall not preclude us from questioning the correctness thereof at any time and, in the event that any inconsistencies or mistakes are discovered in such statements or payments, they shall immediately be rectified by you and the appropriate payment shall be made by you.

11.5 Authorization of Us

You hereby authorize (and agree to execute any other documents deemed necessary to effect such authorization) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors and other persons or entities with which you do business to disclose to us any requested financial information in their possession relating to you or the Restaurant. You authorize us to disclose data from your reports, if we determine, in our sole and absolute discretion, that such disclosure is necessary or advisable, which disclosure may include disclosure to prospective or existing franchisees or other third parties.

11.6 We are Attorney-in-Fact

You hereby appoint us as your true and lawful attorney-in-fact with full power and authority, for the sole purpose of obtaining any and all returns and reports filed by you with any state and/or federal taxing authority pertaining to the Franchised Business. This power of attorney shall survive the expiration or termination of this Agreement.

ARTICLE 12: INSURANCE

12.1 You shall procure, upon execution of this Agreement, and shall maintain in full force and effect at all times during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required hereunder for events having occurred during the term of this Agreement) at your expense, an insurance policy or policies protecting you and us, our successors and assigns, our affiliates, and our respective officers, directors, shareholders, partners, agents, representatives, independent contractors and employees of each of them against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense whatsoever arising or occurring upon or in connection with the Restaurant. Such insurance policies must be written by an insurance company acceptable to us and which has a rating of “A-” or higher with A.M. Best Company.

12.2 Such policy or policies shall be written by a responsible, duly licensed carrier or carriers reasonably acceptable to us and shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified by us from time to time), in accordance with standards and specifications set forth in writing, any insurance that you must have according to the terms of the lease for the Authorized Location and as required by applicable law. Currently you must maintain the following insurance:

12.2.1 Commercial General Liability Insurance, including coverage for products-completed operations, contractual liability, personal and injury, fire damage, medical expenses, and liquor liability, having a combined single limit for bodily injury and property damage of One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) in the aggregate (except for fire damage and medical expense coverage, which may have different limits of not less than Fifty Thousand Dollars (\$50,000) for one (1) fire and Five Thousand Dollars (\$5,000) for one (1) person, respectively);

12.2.2 Non-owned automobile liability insurance and, if you own, rent or identify any vehicles with any Marks or vehicles are used in connection with the operation of the Restaurant or delivery of products, automobile liability coverage for owned, non-owned, scheduled and hired vehicles having limits for bodily injuries of Five Hundred Thousand Dollars (\$500,000) per person and One Million Dollars (\$1,000,000) per accident, and property damage limits of Five Hundred Thousand Dollars (\$500,000) per occurrence;

12.2.3 Excess liability umbrella coverage for the general liability and automobile liability coverage in an amount of not less than Three Million Dollars (\$3,000,000) per occurrence and aggregate. If the insurance company mandates higher non-owned auto liability coverage limits to ensure coverage of the Three Million Dollar (\$3,000,000) umbrella policy, you shall increase the auto liability coverage limits accordingly;

12.2.4 Comprehensive crime and blanket employee dishonesty insurance in an amount of not less than Five Thousand Dollars (\$5,000);

12.2.5 All-risk property insurance, including theft and flood coverage, written at replacement cost value covering the building, improvements, furniture, fixtures, equipment, food and beverage products. Coverage shall be written in a value which will cover not less than eighty percent (80%) of the replacement cost of the building and one hundred percent (100%) of the replacement cost of the contents of the building;

12.2.6 Employer’s liability and worker’s compensation insurance as required by law;

12.2.7 Business Interruption Insurance of not less than Fifty Thousand Dollars (\$50,000) per month for loss of income and other expenses with a limit of not less than six (6) months of coverage. We shall be paid our Royalty Fee on a weekly basis out of the business interruption insurance based upon an average of the Royalty Fees paid by you, per weekly, during the six (6) months prior to the event triggering the business interruption insurance;

12.2.8 Employment practices liability insurance with minimum limits of One Million Dollars (\$1,000,000); and

12.2.9 any other insurance required by the terms of the lease for your Restaurant, or that we may require in the future.

12.3 Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by us, nor shall your performance of that obligation relieve you of liability under the indemnity provisions set forth in Article 15 of this Agreement.

12.4 All general liability and property damage policies shall contain a provision that we, our affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss occasioned to us or our servants, agents or employees by reason of the negligence of you or your servants, agents or employees.

12.5 Before construction of the Restaurant commences, and thereafter within ten (10) days prior to the expiration of any such policy, you shall deliver to us Certificates of Insurance evidencing the existence and continuation of proper coverage with limits not less than those required hereunder. In addition, if requested by us, you shall deliver to us a copy of the insurance policy or policies required hereunder. All required insurance policies shall name Franchisor and their affiliates and their members, officers, agents, and employees as additional insureds as their interests may appear. All public liability policies shall contain a provision that the additional insureds, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss caused by Franchisee or Franchisee's servants, agents or employees, and all required insurance policies shall contain a waiver of subrogation in favor of the additional insureds, and shall expressly provide that any interest of same therein shall not be affected by any breach by you of any policy provisions. Further, all insurance policies required hereunder shall expressly provide that no less than thirty (30) days' prior written notice shall be given to us in the event of a material alteration to or cancellation of the policies.

12.6 Should you, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by us in writing, we shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance and to charge same to you, which charges shall be payable by you immediately upon notice together with a ten percent (10%) administrative fee. The foregoing remedies shall be in addition to any other remedies we may have at law or in equity.

12.7 Upon written request by us, you shall procure from your insurance carrier or carriers a report of claims made and reserves set against your insurance policies.

12.8 We reserve the right to modify the types of insurance coverages and amounts of coverage that you are required to maintain for the Restaurant, and you agree to comply with any such changes, at your expense.

ARTICLE 13: DEBTS AND TAXES

13.1 Taxes

You shall promptly pay when due all Taxes (as defined below), levied or assessed, and all accounts and other indebtedness of every kind incurred by you in the conduct of the Franchised Business under this Agreement. Without limiting the provisions of Article 15, you shall be solely liable for the payment of all Taxes and shall indemnify us for the full amount of all such Taxes and for any liability (including penalties, interest and expenses) arising from or concerning the payment of Taxes, whether such Taxes were correctly or legally asserted or not. You shall submit a copy of all tax filings sent to federal, state and local tax authorities to us within ten (10) business days after such filing has been made with the appropriate taxing authority.

The term "Taxes" means any present or future taxes, levies, imposts, duties or other charges of whatever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to the operation of the Franchised Business, the payment of monies, taxes imposed on the Royalty Fees paid to us, or the exercise of rights granted pursuant to this Agreement, whether imposed upon you or us.

13.2 Payments to Us

Each payment to be made to us hereunder shall be made free and clear and without deduction for any Taxes.

13.3 Tax Disputes

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 the procedures of the taxing authority or applicable law. However, in no event shall you permit a tax sale or seizure by levy of execution or similar writ or warrant or attachment by a creditor to occur against the premises of the Franchised Business or any improvements thereon.

13.4 Compliance with Laws

You shall comply with all federal, state and local laws, rules and regulations and shall timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the Franchised Business, including, without limitation, licenses to do business, fictitious name registrations, sales tax permits, fire clearances, health permits, certificates of occupancy and any permits, certificates or licenses required by any environmental law, rule or regulation.

13.5 Notification of Action or Proceeding

You shall notify and deliver to us, in writing within five (5) days of the commencement of any action, suit or proceeding and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of the Franchised Business.

ARTICLE 14: TRANSFER OF INTEREST

14.1 Transfer by Us

We shall have the right to assign this Agreement and all of our attendant rights and privileges to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of our functions: (i) the assignee shall, at the time of such

assignment, be financially responsible and economically capable of performing our obligations; and (ii) the assignee shall expressly assume and agree to perform such obligations.

You expressly affirm and agree that we may sell our assets, our rights to the Marks or to the System outright to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of “New York Pizzeria Incorporated” as Franchisor. Nothing contained in this Agreement shall require us to remain in the restaurant business or to offer the same products and services, whether or not bearing the Marks, in the event that we exercise our right to assign our rights in this Agreement.

14.2 Transfer by You

14.2.1 You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted rights under this Agreement in reliance on the business skill, financial capacity and personal character of you and the Principals. Accordingly, neither you nor any Principal, nor any successor or assignee of you or any Principal, shall sell, assign (including but not limited to by operation of law, such as an assignment under bankruptcy or insolvency laws, in connection with a merger, divorce or otherwise), transfer, convey, give away, pledge, mortgage or otherwise encumber any direct or indirect interest in this Agreement, in the Restaurant and/or any of the Restaurant’s material assets (other than in connection with replacing, upgrading or otherwise dealing with such assets as required or permitted by this Agreement), in you or in any Principal that is an entity, in each case without our prior written consent. Any purported assignment or transfer, by operation of law or otherwise, made in violation of this Agreement shall be null and void and shall constitute a material event of default under this Agreement.

14.2.2 If you wish to transfer all or part of your interest in the Restaurant, any of the Restaurant’s material assets (except as provided in Section 14.2.1 above) or this Agreement, or if you or a Principal wishes to transfer or permit a transfer of any ownership interest in you or in a Principal that is an entity, then in each such case (any or all of which are referred to in this Article 14 as a “Restricted Transfer”), transferor and the proposed transferee shall apply to us for our consent. We shall not unreasonably withhold our consent to a Restricted Transfer. We may, in our sole discretion, require any or all of the following as conditions of our approval:

(a) All of the accrued monetary obligations of you or any of your affiliates and all other outstanding obligations to us arising under this Agreement or any other agreement shall have been satisfied in a timely manner and you shall have satisfied all trade accounts and other debts, of whatever nature or kind, in a timely manner;

(b) You and your affiliates shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between you or any of your affiliates and us or any of our affiliates at the time of transaction;

(c) The transferor and its principals (if applicable) shall have executed a general release, in a form reasonably satisfactory to us, of any and all claims against us, our officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement and federal, state and local laws, rules and regulations;

(d) The transferee shall demonstrate to our reasonable satisfaction that transferee meets the criteria considered by us when reviewing a prospective franchisee's application for a franchise, including, but not limited to, our educational, managerial and business standards; transferee's good moral character, business reputation and credit rating; transferee's aptitude and ability to conduct the business franchised herein (as may be evidenced by prior related business experience or otherwise); transferee's financial resources and capital for operation of the business; and the geographic proximity and number of other Restaurants owned or operated by transferee;

(e) The transferee shall enter into a written agreement, in a form reasonably satisfactory to us, assuming full, unconditional, joint and several liability for, and agreeing to perform from the date of the transfer, all obligations, covenants and agreements contained in this Agreement; and, if transferee is a corporation or a partnership, transferee's shareholders, partners or other investors, as applicable, shall execute such agreement as transferee's principals and guarantee the performance of all such obligations, covenants and agreements;

(f) The transferee shall execute, for a term ending on the expiration date of this Agreement and with such renewal terms as may be provided by this Agreement, the standard form franchise agreement then being offered to new System franchisees and other ancillary agreements as we may require for the Restaurant, which agreements shall supersede this Agreement and its ancillary documents in all respects and the terms of which agreements may differ from the terms of this Agreement, including, without limitation, the then-current Royalty Fee, Brand Management Fund Fee and other fees; provided, however, that the transferee shall not be required to pay any initial franchise fee;

(g) The transferee, at its expense, shall renovate, modernize and otherwise upgrade the Restaurant and, if applicable, any delivery vehicles to conform to the then-current standards and specifications of the System, and shall complete the upgrading and other requirements which conform to the System-wide standards within the time period reasonably specified by us;

(h) The transferor shall remain liable for all of the obligations to us in connection with the Restaurant incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by us to evidence such liability;

(i) At the transferee's expense, the transferee, the transferee's General Manager and/or any other applicable Restaurant personnel shall complete any training programs then in effect for franchisees of Restaurants upon such terms and conditions as we may reasonably require;

(j) You shall pay to us a transfer fee equal to thirty-five percent (35%) of our then-current initial franchise fee for a single unit franchise to reimburse us for reviewing the application to transfer, including, without limitation, training expenses, legal and accounting fees;

(k) If the transferee is a corporation, limited liability company or a partnership, the transferee shall make and will be bound by any or all of the representations, warranties and covenants set forth at Article 6 as we request. Transferee shall provide to us evidence satisfactory to us that the terms of such Section have been satisfied and are true and correct on the date of transfer.

14.2.3 Except per Section 14.6 hereof, you shall not grant a security interest in the Restaurant or in any of your assets without our prior written consent, which shall not be unreasonably withheld. In connection therewith, the secured party will be required by us to agree that in the event of any default by you under any documents related to the security interest, we shall have the right and option to be substituted as obligor to the secured party and to cure any default of yours.

14.2.4 You acknowledge and agree that each condition which must be met by the transferee is reasonable and necessary to assure such transferee's full performance of the obligations hereunder.

14.2.5 Should you transfer your franchise rights under this Agreement to a person or entity discovered through our efforts, you shall pay to us a Finder's Fee equal to eight percent (8%) of the gross selling price of your Restaurant, the franchise and all related assets. If applicable law prohibits us from receiving a Finder's Fee based on a percentage of the selling price, you shall pay to us a Finder's Fee in the amount of Twenty-Five Thousand Dollars (\$25,000). If we introduce you to a party that ultimately purchases your Restaurant thereby triggering the Finder's Fee, the transfer fee in Section 14.2.2(j) above shall be waived.

14.3 Transfer to a Corporation or Limited Liability Company

In the event you desire to operate the Franchised Business through a corporation or limited liability company formed solely for the convenience of ownership, our consent may be conditioned upon any of the requirements set forth at Section 14.2.2, except that the requirements set forth at Sections 14.2.2(c), 14.2.2(d), 14.2.2(f), 14.2.2(g), 14.2.2(i), 14.2.2(k), and 14.2.5 shall not apply. With respect to a transfer to a corporation formed for the convenience of ownership, you shall be the owner of all of the voting stock or interest of the corporation and if you are more than one (1) individual, each individual shall have the same proportionate ownership interest in the entity as he had in you prior to the transfer. You shall pay to us a fee equal to Five Hundred Dollars (\$500) in the event of a transfer pursuant to this Section 14.3.

Additionally, the following conditions shall apply: (i) ownership of the corporation or limited liability company shall remain with the original Principal(s) of this Agreement; (ii) the Principals shall remain personally liable for the performance of all obligations under this Agreement and are not released from any obligations to us; (iii) the newly formed corporation or limited liability company shall conduct no business other than the Franchised Business; and (iv) copies of your articles of incorporation, bylaws, operating agreement, other governing documents, any amendments thereto, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of stock of the corporation, and any other documents as may be reasonably required by us shall be furnished to us prior to addition of your corporation or limited liability company as a "franchisee" under this Agreement. A transfer under this Section 14.3 may occur one (1) time only.

14.4 Our Right to Purchase Business

14.4.1 If you wish to transfer all or part of your interest in the Restaurant or this Agreement or if you or a Principal wish to transfer any ownership interest in you, pursuant to any bona fide offer received from a third party to purchase such interest, then such proposed seller shall promptly notify us in writing of each such offer, and shall provide such information and documentation relating to the offer as we may require. We shall have the right and option, exercisable within thirty (30) days after receipt of such written notification and copies of all documentation required by us describing such offer, to send written notice to the seller that we intend to purchase the seller's interest on the same terms and conditions offered by the third party. In the event that we elect to purchase the seller's interest, closing on such purchase must occur within the latest of (i) sixty (60) days from the date of notice to the seller of the election to purchase by us, (ii) sixty (60) days from the date we receive or obtain all necessary documentation, permits and approvals, or (iii) such other date as the parties agree upon in writing. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by us as in the case of an initial offer. Our failure or refusal to exercise the option afforded by this Section 14.4 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Article 14, with respect to a proposed transfer.

(a) In the case of a Restricted Transfer involving a bona fide purchase offer, then such proposed seller shall promptly notify us in writing of each such offer, and shall provide such information and documentation relating to the offer as we may require. We shall have the right and option, exercisable within thirty (30) days after receipt of such written notification and copies of all documentation required by us describing such offer, to send written notice to the seller that we intend to purchase the interest proposed to be transferred in the Restricted Transfer on the same terms and conditions offered by the proposed purchaser (the "Offer Terms"). In the event that we elect to purchase the seller's interest, closing on such purchase must occur within the latest of (i) sixty (60) days from the date of notice to the seller of the election to purchase by us, (ii) sixty (60) days from the date we receive or obtain all necessary documentation, permits and approvals, or (iii) such other date as the parties agree upon in writing. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by us as in the case of an initial offer. Our failure or refusal to exercise the option afforded by this Section 14.4 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Article 14 with respect to a proposed transfer.

(b) Notwithstanding the provisions of Section 14.4.1(a) above, where the Restricted Transfer (alone or together with any other Restricted Transfer or event effected within the prior twenty-four (24) month period) results in a "Change of Control", we may elect, in our sole discretion, to treat the notice given pursuant to such Section 14.4.1(a) as an offer to assign to us all of your rights under this Agreement and to the Restaurant (including lease and contract rights and other assets of you and your affiliates used in connection with the Restaurant, excluding the assets of your benefit plans) (collectively, the "Restaurant Interests"). As used in this Section 14.4.1(b), Change of Control means any circumstance resulting in one or more of your Principals ceasing to be a Principal and/or the addition of any new Principal. In such case, we shall notify you of the special election provided for in this Section 14.4.1(b) at the time we exercise our option as provided in Section 14.4.1(a). The terms of such purchase shall be the same as the Offer Terms (subject to the other provisions of this Section 14.4), but the price shall be the lesser of (1) the Implied Market Price or (2) the fair market value of the Restaurant Interests, determined in a manner consistent with Section 18.12.1. As used herein, "Implied Market Price" shall mean an amount equal to the total price to be paid by the transferee under the Offer Terms, divided by the percentage (expressed as a decimal) of ownership of you proposed to be acquired (directly or indirectly) by the transferee, less the fair market value (determined as provided in Section 18.12.1) of any assets included in the Restricted Transfer that are not related to the Restaurant. If you have more than one (1) Restaurant, then the Implied Market Price shall, unless otherwise agreed by us and you, be allocated among all Restaurants equally.

(c) We may assign our rights under this Section 14.4 to any other person or entity, subject to Section 14.1 above.

(d) It shall be a material obligation of yours under this Agreement to cause any transferor and transferee described in this Article 14 to perform all of the obligations imposed on such persons under this Article 14.

14.4.2 In the event an offer from a third party provides for payment of consideration other than cash or involves certain intangible benefits, we may elect to purchase the interest proposed to be sold for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the reasonable cash equivalent of the non-cash part of the Offer Terms, then such amount shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and each shall pay one-half (1/2) of the appraisal fees. In the event that we exercise our right of first refusal herein provided, we shall have the right to set off against any payment therefor (i) all fees for any such independent appraiser due from you hereunder and (ii) all amounts due from you to us.

14.4.3 Failure to comply with the provisions of this Section prior to the transfer of any interest in you, the Restaurant or this Agreement shall constitute a material event of default under this Agreement.

14.5 Death or Disability

14.5.1 Upon your death or upon the death of any Principal and who has an interest in this Agreement, the Restaurant or you (the “Deceased”), the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party approved by us within twelve (12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by us. If the distributee is not approved by us, then the distributee shall transfer such interest to a third party approved by us within twelve (12) months after the death of the Deceased.

14.5.2 Upon your permanent disability (if you are a natural person) or upon the permanent disability of any Principal who has an interest in this Agreement, the Restaurant or you, we may, in our reasonable discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Article 14 within six (6) months after notice to you. “Permanent disability” shall mean any physical, emotional or mental injury, illness or incapacity which would prevent a person from performing the obligations set forth in this Agreement or in the guaranty made part of this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by us, upon examination of the person; or if the person refuses to submit to an examination, then such person automatically shall be deemed permanently disabled as of the date of such refusal for the purpose of this Section 14.5. The costs of any examination required by this Section shall be paid by us.

14.5.3 Upon the death or claim of permanent disability of you or any Principal, you or a representative of yours must notify us of such death or claim of permanent disability within ten (10) days of its occurrence. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as described in this Section for any *inter vivos* transfer. If an interest is not transferred upon death or permanent disability as required in this Section, then such failure shall constitute a material event of default under this Agreement.

14.5.4 In order to prevent any interruption of the Restaurant operations which would cause harm to the Restaurant, thereby depreciating the value thereof, you authorize us, who may, at our option, in the event that you are absent for any reason or are incapacitated by reason of illness and are unable, in our sole and reasonable judgment, to operate the Restaurant to our required standards, operate the Restaurant for so long as we deem necessary and practical, and without waiver of any other rights or remedies we may have under this Agreement. All monies from the operation of the Restaurant during such period of operation by us shall be kept in a separate account, and the expenses of the Restaurant, including reasonable compensation and expenses for our representative, shall be charged to said account. If, as herein provided, we temporarily operate the Restaurant franchised herein for you, you agree to indemnify and hold harmless us and any representative of ours who may act hereunder, from any and all acts which we may perform, as regards the interests of you or third parties.

14.6 No Waiver of Claims

Our consent to a transfer of any interest described herein shall not constitute a waiver of any claims which we may have against the transferring party, nor shall it be deemed a waiver of our right to demand material and full compliance with any of the terms of this Agreement by the transferee.

14.6 Security Interest to Lender

If Franchisee is in full compliance with this Agreement, Franchisee may pledge or give a security interest in Franchisee's interest in the Assets and the Franchised Business to a lender of the funds needed by Franchisee for Franchisee's initial investment, provided that the security interest is subordinate to Franchisee's obligations to Franchisor, that a foreclosure on such a pledge or security interest and/or any Transfer resulting from such a foreclosure shall be subject to all provisions of this Agreement, and that Franchisee obtains from the lender a written acknowledgement to Franchisor of these restrictions. Notwithstanding the foregoing, in the event Franchisee seeks and/or obtains financing whereby funding is provided with the assistance of the United States Small Business Administration ("SBA Financing"), Franchisee shall be permitted to grant the lender of such SBA Financing a senior lien on any Collateral Franchisee uses to secure the SBA Financing, and Franchisor and Franchisee further agree that (i) the provisions of Attachment 10 are fully incorporated herein and applicable to Franchisor and Franchisee, (ii) Franchisor shall subordinate its security interest or other lien on Franchisee's Collateral to that of the lender of the SBA Financing and (iii) Franchisor waives the requirement of the written acknowledgement referenced in this Section.

ARTICLE 15: INDEMNIFICATION

15.1 Indemnification by You

You and each of the Principals shall, at all times, indemnify and hold harmless to the fullest extent permitted by law us, our successors and assigns, their respective partners and affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them ("Indemnitees"), from all "losses and expenses" (as defined in Section 15.4 below) incurred in connection with any action, suit, proceeding, claim, demand, investigation or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted) which arises out of or is based upon any of the following:

15.1.1 The infringement, alleged infringement, or any other violation or alleged violation by you or any of the Principals of any patent, trademark or copyright or other proprietary right owned or controlled by third parties (except as such may occur with respect to any right to use the Marks, any copyrights or other proprietary information granted hereunder pursuant to Article 10), including, but not limited to, the unauthorized use of any image, likeness or recording of a public figure;

15.1.2 The violation, breach or asserted violation or breach by you or any of the Principals of any federal, state or local law, regulation, ruling, standard or directive or any industry standard;

15.1.3 Libel, slander or any other form of defamation of us, the System or any franchisee operating under the System, by you or by any of the Principals;

15.1.4 The violation or breach by you or by any of the Principals of any warranty, representation, agreement or obligation in this Agreement or in any other agreement between you or any of your affiliates and us and our Indemnitees; and

15.1.5 Acts, errors, or omissions of you, any of your affiliates and any of the Principals and the officers, directors, shareholders, partners, agents, representatives, independent contractors and employees of you and your affiliates in connection with the establishment and operation of the Restaurant, including, but not limited to, any acts, errors or omissions of any of the foregoing in the operation of any motor vehicle. The parties understand and agree that we cannot and do not exercise control over the manner

of operation of any motor vehicles used by, or on behalf of, you or any employee, agent or independent contractor of yours and that the safe operation of any motor vehicle is, therefore, entirely your responsibility.

15.2 Notification of Action or Claim

You and each of the Principals agree to give us prompt notice of any such action, suit, proceeding, claim, demand, inquiry, or investigation. At the expense and risk of you and each of the Principals, we may elect to assume (but under no circumstance are we obligated to undertake) or appoint associate counsel of our own choosing with respect to, the defense and/or settlement of any such action, suit, proceeding, claim, demand, inquiry or investigation. Such an undertaking by us shall, in no manner or form, diminish the obligation of you and each of the Principals to indemnify the Indemnitees and to hold them harmless.

15.3 We May Settle

In order to protect persons or property, or our reputation or goodwill, or the reputation or goodwill of others, we may, at any time and without notice, as we in our reasonable judgment deem appropriate, consent or agree to settlements or take such other remedial or corrective action as we deem expedient with respect to the action, suit, proceeding, claim, demand, inquiry or investigation if, in our reasonable judgment, there are reasonable grounds to believe that:

15.3.1 any of the acts or circumstances enumerated in Section 15.1.1 through 15.1.4 above have occurred; or

15.3.2 any act, error, or omission as described in Section 15.1.5 may result directly or indirectly in damage, injury, or harm to the System, any person or any property.

15.4 Losses and Expenses

All losses and expenses incurred under this Article 15 shall be chargeable to and paid by you or any of the Principals pursuant to your obligations of indemnity under this Section, regardless of any actions, activity or defense undertaken by us or the subsequent success or failure of such actions, activity, or defense.

As used in this Article 15, the phrase “losses and expenses” shall include, without limitation, all losses, compensatory, exemplary or punitive damages, fines, charges, costs, expenses, lost profits, reasonable attorneys’ fees, court costs, settlement amounts, judgments, compensation for damages to our reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing the same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

15.5 Indemnitees Do Not Assume Liability

The Indemnitees do not hereby assume any liability whatsoever for acts, errors, or omissions of any third party with whom you, any of the Principals, your affiliates or any of the officers, directors, shareholders, partners, agents, representatives, independent contractors and employees of you or your affiliates may contract, regardless of the purpose. You and each of the Principals shall hold harmless and indemnify the Indemnitees for all losses and expenses which may arise out of any acts, errors or omissions of you, the Principals, your affiliates, the officers, directors, shareholders, partners, agents, representatives, independent contractors and employees of you and your affiliates and any such other third parties without limitation and without regard to the cause or causes thereof or the negligence of us or any other party or parties arising in connection therewith and whether such negligence be sole, joint or concurrent, or active or passive.

15.6 Recovery from Third Parties

Under no circumstances shall the Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against you or any of the Principals. You and each of the Principals agree that the failure to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable from you or any of the Principals by the Indemnitees.

15.7 Survival of Terms

You and the Principles expressly agree that the terms of this Article 15 shall survive the termination, expiration or transfer of this Agreement or any interest herein.

ARTICLE 16: RELATIONSHIP OF THE PARTIES

16.1 No Fiduciary Relationship

The parties acknowledge and agree that you shall be an independent contractor and this Agreement does not create a fiduciary relationship between them, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose. You understand and agree that you are and will be an independent contractor under this Agreement. Nothing in this Agreement may be interpreted as creating a partnership, joint venture, agency, employment or fiduciary relationship of any kind. Your employees are not our employees. Neither you nor any of your employees whose compensation you pay may in any way, directly or by implication, shall be considered our employee for any purpose, regardless of inclusion in mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. We will not have the power to hire or terminate the employment of your employees. You expressly agree, and will never claim otherwise, that our authority under this Agreement to determine that certain of your employees are qualified to perform certain tasks for your Restaurant does not directly or indirectly vest in us the power to influence the employment terms of any such employee.

You agree that you alone are to exercise day-to-day control over all operations, activities and elements of your Restaurant, and that under no circumstance shall we do so or be deemed to do so. You further acknowledge and agree, and will never claim otherwise, that the various restrictions, prohibitions, specifications and procedures of the System which you are required to comply with under this Agreement, whether set forth in our Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your Franchised Business, which you alone control, but only constitute standards you must adhere to when exercising your control of the day-to-day operations of your Restaurant.

16.2 Independent Contractor

During the term of this Agreement, you shall hold yourself out to the public as an independent contractor conducting your Restaurant operations pursuant to the rights granted by us. You agree to take such action as shall be reasonably necessary to that end, including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Restaurant premises established for the purposes hereunder or on any delivery vehicle and on all letterhead, business cards, forms, and as further described in the Manual. We reserve the right to specify in writing the content and form of such notice.

You acknowledge and agree that any training we provide for your employees is geared to impart to those employees, with your ultimate authority, the various procedures, protocols, systems and operations of a Restaurant and in no fashion reflects any employment relationship between us and such employees. If

it is ever asserted that we are the employer, joint employer or co-employer of any of your employees in any private or government investigation, action, proceeding, mediation, arbitration or other setting, you irrevocably agree to assist us in defending said allegation, appearing at any venue requested by us to testify on our behalf; participating in depositions or other appearances; or preparing affidavits rejecting any assertion that we are the employer, joint employer or co-employer of any of your employees.

16.3 Sole and Exclusive Employer of Your Employees

You hereby irrevocably affirm, attest and covenant your understanding that your employees are employed exclusively by you and in no fashion are any such employee employed, jointly employed or co-employed by us. You further affirm and attest that each of your employees is under your exclusive dominion and control and never under our direct or indirect control in any fashion whatsoever. You alone hire each of your employees; set their schedules; establish their compensation rates; and pay all salaries, benefits and employment-related liabilities (such as workers' compensation insurance premiums/payroll taxes/Social Security contributions/unemployment insurance premiums). You alone have the ability to discipline or terminate your employees to the exclusion of us, and you acknowledge that we have no such authority or ability. You further attest and affirm that any minimum staffing requirements established by us are solely for the purpose of ensuring that the Franchised Business is at all times staffed at those levels necessary to operate the Franchised Business in conformity with the System and the products, services, standards of quality and efficiency, and other brand attributes known to and desired by the consuming public and associated with the Proprietary Marks. You affirm, warrant and understand that you may staff the Franchised Business with as many employees as you desire at any time so long as our minimal staffing levels are achieved. You also affirm and attest that any recommendations you may receive from us regarding salaries, hourly wages or other compensation for employees are recommendations only, designed to assist you to efficiently operate your Franchised Business, and that you are entirely free to disregard our recommendations regarding such employee compensation. Moreover, you affirm and attest that any training provided by us for your employees is geared to impart to those employees, with your ultimate authority, the various procedures, protocols, systems and operations of a Restaurant and in no fashion reflects any employment relationship between us and such employees. Finally, should it ever be asserted that we are the employer, joint employer or co-employer of any of your employees in any private or government investigation, action, proceeding, mediation, arbitration or other setting, you irrevocably agree to assist us in defending said allegation, including (if necessary) appearing at any venue requested by us to testify on our behalf (and, as may be necessary, submitting yourself to depositions, other appearances and/or preparing affidavits dismissive of any allegation that we are the employer, joint employer or co-employer of any of your employees). To the extent we are the only named party in any such investigation, action, proceeding, mediation, arbitration or other setting to the exclusion of you, should any such appearance by you be required or requested by us, we will recompense you the reasonable costs associated with your appearing at any such venue.

16.4 You are Not Authorized

You understand and agree that nothing in this Agreement authorizes you or any of the Principals to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other obligation in our name or the Marks, and that we shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, or for any act or omission of you or any of the Principals or any claim or judgment arising therefrom.

ARTICLE 17: TERMINATION

17.1 Automatic Termination – No Right to Cure

17.1.1 You acknowledge and agree that each of your obligations described in this Agreement is a material and essential obligation of yours; that non-performance of such obligations will adversely and substantially affect us and the System; and that our exercise of the rights and remedies set forth herein is appropriate and reasonable.

17.1.2 You shall be in default under this Agreement, and all rights granted to you herein shall automatically terminate without notice to you, if you, or any of your partners, if you are a partnership, or any of your officers, directors, shareholders, or members, if you are a corporation or limited liability company, shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; if you are adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian for you or your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a *supersedeas* bond is filed); if you are dissolved; if execution is levied against your business or property; if suit to foreclose any lien or mortgage against the premises or equipment is instituted against you and not dismissed within thirty (30) days; or if the real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable.

17.1.3 You shall be deemed to be in material default and we may, at our option, terminate this Agreement and all rights granted hereunder, without affording you any opportunity to cure the default, (except as otherwise stated below), effective immediately upon notice to you, upon the occurrence of any of the following events:

(a) If you operate the Restaurant or sell any products or services authorized by us for sale at the Restaurant at a location which has not been approved by us;

(b) If you fail to acquire an Authorized Location for the Restaurant within the time and in the manner specified in Article 2;

(c) If you fail to construct or remodel the Restaurant in accordance with the plans and specifications provided to you under Section 5.3 as such plans may be adapted with our approval in accordance with Section 2.5;

(d) If you fail to open the Restaurant for business within the period specified in Section 2.6 hereof, subject to any extension(s) we may grant;

(e) If you at any time cease to operate or otherwise abandon the Restaurant (you will be deemed to have abandoned the Restaurant if you do not operate it for three (3) consecutive days, unless the closure is due to circumstances beyond your control or we have consented to such closure), or lose the right to possession of the premises (including, without limitation, if the lease or any other agreement by which you have the right to possess the premises is terminated), or otherwise forfeit the right to do or transact business in the jurisdiction where the Restaurant is located; provided, however, that this provision shall not apply in cases of Force Majeure (acts of God, strikes, lockouts or other industrial disturbances, war, riot, epidemic, acts of terrorism, fire or other catastrophe or other forces beyond your control; provided, however, that Force Majeure shall not include your lack of financing), if through no fault

of yours the premises are damaged or destroyed by an event as described above (and subject to Section 1.3.2 above), provided that you apply within thirty (30) days after such event for our approval to relocate or reconstruct the premises (which approval shall not be unreasonably withheld) and you diligently pursue such reconstruction or relocation;

(f) If you or any of the Principals are convicted of, or have entered a plea of *nolo contendere* to, a felony, a crime involving moral turpitude, or other crime that we believe is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or our interests therein;

(g) If you or any of the Principals commit any act which would reasonably and objectively bring Franchisor or its products into disrepute, contempt, scandal or ridicule, at any time, then Franchisor shall be entitled to terminate this Agreement after giving Franchisee three (3) days notice to cure such offense, act or failure to perform. If you fail to cure such offense, act or failure to perform within such three (3) day period, we may terminate your rights under this Agreement, and assume the operations of the Restaurant without incurring any liability towards franchisee;

(h) If a threat or danger to public health or safety results from the construction, maintenance or operation of the Restaurant;

(i) If you or any of the Principals purport to transfer any rights or obligations under this Agreement or any interest in you or the Restaurant to any third party without our prior written consent or without offering us a right of first refusal with respect to such transfer, contrary to the terms of Article 14 of this Agreement;

(j) If you or any of your affiliates fail, refuse, or neglect promptly to pay any monies owing to us, or any of our affiliates or vendors, when due under this Agreement or any other agreement, or to submit the financial or other information required by us under this Agreement and do not cure such default within five (5) days following notice from us (or such other cure period specified in such other agreement, unless no cure period is stated or such period is less than five (5) days, in which case the five (5) day cure period shall apply);

(k) If you or any of the Principals fail to comply with the in-term covenants in Section 10.3 hereof or you fail to obtain execution of the covenants and related agreements required under Section 10.3.4 hereof within thirty (30) days following notice from us;

(l) If, contrary to the terms of Section 10.2.1 hereof, you or any of the Principals disclose or divulge any confidential information provided to you or the Principals by us, or fail to obtain execution of covenants and related agreements required under Section 10.2.2 hereof within thirty (30) days following notice from us;

(m) If a transfer upon death or permanent disability is not transferred in accordance with Article 14 and within the time periods therein;

(n) If you conceal revenues, knowingly maintains false books, or records, or submits any false reports, fails to input all sales (whether made on-premises, through delivery or catering, or at off-site events) into the POS System, or otherwise attempts to circumvent Franchisor's sales and data reporting requirements;

(o) If you breach in any material respect any of the covenants in any material respect set forth in Article 6 or have falsely made any of the representations or warranties set forth in Article 6;

(p) If you fail to propose a qualified replacement or successor General Manager within the time required under Section 6.3.4 following ten (10) days prior written notice;

(q) If you fail to procure and maintain the insurance policies required by Article 12 and you fail to cure such default within ten (10) days following notice from us;

(r) If you misuse or make any unauthorized use of the Marks or otherwise materially impair the goodwill associated therewith or our rights therein; provided that, notwithstanding the above, you shall be entitled to notice of such event of default and shall have twenty-four (24) hours to cure such default;

(s) If you or any of the Principals commit three (3) material events of default under this Agreement within any twelve (12) month period, whether or not such defaults are of the same or different nature and whether or not such defaults have been cured by you after notice by us;

(t) If any of your managers is not able to complete our initial training program to our satisfaction, after having given you the opportunity to designate a replacement manager;

(u) If you fail to comply with all applicable laws and ordinances relating to the Restaurant, including Anti-Terrorism Laws, or if your or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance, or regulation;

(v) If you or any of the Principals have misrepresented or omitted material facts in applying for the Franchise; or

(w) Any license or permit you are required to maintain for the operation of the Restaurant is revoked.

17.2 Notice of Termination – 30 Days to Cure

Except as provided in Sections 17.1.2 and 17.1.3 of this Agreement, upon any default by you which is susceptible of being cured, we may terminate this Agreement by giving written notice of termination stating the nature of such default to you at least thirty (30) days prior to the effective date of termination. However, you may avoid termination by immediately initiating a remedy to cure such default and curing it to our reasonable or making a bona fide attempt to cure to our reasonable satisfaction within the thirty (30) day period and by promptly providing proof thereof to us. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require. Defaults which are susceptible of cure hereunder may include, but are not limited to, the following illustrative events:

17.2.1 If you fail to comply with any of the requirements imposed by this Agreement, as it may from time to time be amended or reasonably be supplemented by us, or fail to carry out the terms of this Agreement in good faith.

17.2.2 If you fail to maintain or observe any of the standards, specifications or procedures prescribed by us in this Agreement or otherwise in writing.

17.2.3 If you fail, refuse, or neglect to obtain our prior written approval or consent as required by this Agreement.

17.2.4 If any license or permit you are required to maintain for the operation of the Restaurant is suspended.

17.3 Cross-Defaults, Non-Exclusive Remedies, etc.

Any default by you (or any person/company affiliated with you) under this Agreement may be regarded as a default under any other agreement between us (or any of our affiliates) and you (or any of your affiliates). Any default by you (or any person/company affiliated with you) under any other agreement, including, but not limited to, any lease and/or sublease, between us (or any of our affiliates) and you (or any person/company affiliated with you), and any default by you (or any person/company affiliated with you) under any obligation to us (or any of our affiliates) may be regarded as a default under this Agreement. Any default by you (or any person/company affiliated with you) under any lease, sublease, loan agreement, security interest or otherwise, whether with us, any of our affiliates and/or any third party may be regarded as a default under this Agreement and/or any other agreement between us (or any of our affiliates) and you (or any of your affiliates).

In each of the foregoing cases, we (and any of our affiliates) will have all remedies allowed at law, including termination of your rights (and/or those of any person/company affiliated with you) and our (and/or our affiliates') obligations. No right or remedy which we may have (including termination) is exclusive of any other right or remedy provided under law or equity and we may pursue any rights and/or remedies available.

17.4 Our Right to Discontinue Services to You

If you are in breach of any obligation under this Agreement, and we deliver to you a notice of termination pursuant to this Article 17, we have the right to suspend our performance of any of our obligations under this Agreement including, without limitation, the sale or supply of any services or products for which we are an approved supplier to you and/or suspension of your "click though" subpage on our website, until such time as you correct the breach.

17.5 Amendment Pursuant to Applicable Law

Notwithstanding anything to the contrary contained in this Article, if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this franchise and the parties hereto shall limit our rights of termination under this Agreement or shall require longer notice periods than those set forth above, this Agreement is deemed amended to satisfy the minimum notice periods or restrictions upon such termination required by such laws and regulations; provided, however, that such constructive amendment shall not be deemed a concession by us that the grounds for termination set forth in this Agreement do not constitute "good cause" for termination within the meaning ascribed to that term by any applicable law or regulation. We shall not be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, hearing or proceeding relating to this Agreement or the termination of this Agreement.

ARTICLE 18: POST-TERMINATION

Upon termination or expiration of this Agreement, all rights granted hereunder to you shall forthwith terminate, and:

18.1 Cease Operations

You shall immediately cease to operate the Restaurant under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold yourself out as a present or former franchisee of ours.

18.2 Stop Using the System

You shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, computer software, procedures, and techniques associated with the System; the mark “Russo’s New York Pizzeria”; and all other Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System.

In particular, you shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms and any other articles which display the Marks, and shall immediately change all paint colors, remove all of our proprietary or non-proprietary design items so the look and feel of your post-termination restaurant is not similar to the look and feel of a Russo’s New York Pizzeria Restaurant. You must remove the pizza oven from your post-termination restaurant. Your post-termination menu shall not contain any pizza, flat bread pizza or pasta entrees.

18.3 Cancellation of Assumed Names

You shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the mark “Russo’s New York Pizzeria” or any other service mark or trademark of ours, and you shall furnish us with evidence satisfactory to us of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

18.4 No Use of Similar Marks

You agree, in the event you continue to operate or subsequently begin to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute our rights in and to the Marks, and further agree not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with us constituting unfair competition.

18.5 Payment of Sums Owed

You and your Principals shall promptly pay all sums owing to us. Such sums shall include all damages, costs and expenses, including reasonable attorneys’ fees, incurred by us as a result of any default by you, which obligation shall give rise to and remain, until paid in full, a lien in our favor against any and all of the personal property, furnishings, equipment, fixtures, and inventory owned by you and on the premises operated hereunder at the time of default.

18.6 Payment of Damages, Costs and Expenses

You and the Principal shall pay to us all damages, costs and expenses, including reasonable attorneys’ fees, incurred by us in connection with obtaining any remedy available to us for any violation of

this Agreement and, subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Article 18.

18.7 Delivery of Manuals and Materials

You shall immediately deliver to us all Manuals, software licensed by us (if any), records, files, instructions, correspondence, all materials related to operating the Restaurant, including, without limitation, agreements, invoices, and any and all other materials relating to the operation of the Restaurant in your possession or control, and all copies thereof (all of which are acknowledged to be our property), and shall retain no copy or record of any of the foregoing, except your copy of this Agreement and of any correspondence between the parties and any other documents which you reasonably need for compliance with any provision of law.

18.8 Confidential Information

You and the Principal shall comply with the restrictions on confidential information contained in Article 10 of this Agreement and shall also comply with the non-competition covenants contained in Article 10. Any other person required to execute similar covenants pursuant to Article 10 shall also comply with such covenants.

18.9 Advertising and Promotional Materials

You shall also immediately furnish us with an itemized list of all advertising and sales promotion materials bearing the Marks or any of our distinctive markings, designs, labels, or other marks thereon, whether located on your premises or under your control at any other location. We shall have the right to inspect these materials. We shall have the option, exercisable within thirty (30) days after such inspection, to purchase any or all of the materials at your cost, or to require you to destroy and properly dispose of such materials. Materials not purchased by us shall not be utilized by you or any other party for any purpose unless authorized in writing by us.

18.10 Signage

Upon execution of this Agreement, in partial consideration of the rights granted hereunder, you acknowledge and agree that all right, title and interest in the signs used at the Restaurant are hereby assigned to us, and that upon termination or expiration of this Agreement, neither you nor any lien holder of yours shall have any further interest therein.

18.11 Assignment of Lease

If you operate the Restaurant under a lease for the Restaurant premises with a third party or, with respect to any lease for equipment used in the operation of the Franchised Business, then you shall, at our option, assign to us any interest which we have in any lease or sublease for the premises of the Restaurant or any equipment related thereto. We may exercise such option at or within thirty (30) days after either termination or (subject to any existing right to renew) expiration of this Agreement. In the event we do not elect to exercise our option to acquire the lease or sublease for the Restaurant premises or do not have such option, you shall make such modifications or alterations to the Restaurant premises as are necessary to distinguish the appearance of the Restaurant from that of other Restaurants operating under the System and shall make such specific additional changes as we may reasonably request. If you fail or refuse to comply with the requirements of this Section 18.11, we shall have the right to enter upon the premises of the Franchised Business, without being guilty of trespass or any other crime or tort, to make or cause to be made such changes as may be required, at your expense, which expense you agree to pay upon demand. Notwithstanding the provisions of this Section 18.11 to the contrary, in the event the lease is assigned to us, we hereby indemnify and hold harmless you and any guarantors under said lease, for any breach by us

or our successors or assigns from any liability arising out of the lease for the Restaurant premises from and after the date of the assignment of lease.

18.12 Our Right to Purchase

18.12.1 Except as provided in Sections 18.9, 18.10 and 18.13, we shall have the option, to be exercised within thirty (30) days after termination or expiration of this Agreement, to purchase from you any or all of the furnishings, equipment (including any point of sale or computer hardware and software systems), signs, fixtures, motor vehicles, supplies, and inventory of yours related to the operation of the Restaurant, at fair market value. If we exercise our right to purchase all or a portion of your assets, we shall be purchasing such assets only and shall be assuming no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If the parties cannot agree on the fair market value within thirty (30) days of our exercise of this option, fair market value shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and each shall pay one-half (1/2) of the appraisal fees. If we elect to exercise any option to purchase herein provided, we shall have the right to set off (i) all fees for any such independent appraiser due from you, (ii) all amounts due from you to us and (iii) any costs incurred in connection with any escrow arrangement (including reasonable legal fees), against any payment therefor and shall pay the remaining amount in cash. If we do not elect to purchase your pizza ovens, you shall remove all pizza ovens from the Restaurant within forty-five (45) days after termination or expiration of this Agreement.

18.12.2 In addition to the options described above and if you own the Restaurant premises, then we shall have the option, to be exercised at or within thirty (30) days after termination or expiration of this Agreement, to purchase the Restaurant premises including any building thereon, if applicable, for the fair market value of the land and building, and any or all of the furnishings, equipment, signs, fixtures, vehicles, supplies and inventory therein at fair market value. We shall purchase assets only and shall assume no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If you do not own the land on which the Restaurant is operated and we exercise our option for an assignment of the lease, we may exercise this option for the purpose of purchasing the building if owned by you and related assets as described above. If the parties cannot agree on fair market value within thirty (30) days of our exercise of this option, fair market value shall be determined in accordance with appraisal procedure described above.

18.12.3 With respect to the options described in Sections 18.11, 18.12.1 and 18.12.2, you shall deliver to us in a form satisfactory to us, such warranties, deeds, releases of lien, bills of sale, assignments and such other documents and instruments which we deem necessary in order to perfect our title and possession in and to the properties being purchased or assigned and to meet the requirements of all tax and government authorities. If, at the time of closing, you have not obtained all of these certificates and other documents, we may, in our sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents.

18.12.4 The time for closing of the purchase and sale of the properties described in Sections 18.12.1 and 18.12.2 shall be a date not later than thirty (30) days after the purchase price is determined by the parties or the determination of the appraisers, or such date we receive and obtain all necessary permits and approvals, whichever is later, unless the parties mutually agree to designate another date. The time for closing on the assignment of the lease described in Section 18.11 shall be a date no later than ten (10) days after our exercise of the option thereunder unless we are exercising our options under either Section 18.12.1 or 18.12.2, in which case the date of the closing shall be on the same closing date prescribed for such option. Closing shall take place at our corporate offices or at such other location as the parties may agree.

18.13 Restaurant Assets

Notwithstanding anything to the contrary contained in Sections 18.11 and 18.12, if you operate the Restaurant from a premises that is subleased to you by us, upon termination (or expiration without renewal) of this Agreement, we shall have the right to take immediate possession of the assets of the Restaurant, including, any or all of the furnishings, equipment (including any point of sale or computer hardware and software systems), signs, fixtures, motor vehicles, supplies, and inventory of yours related to the operation of the Restaurant. We shall have a lien against all such assets in the amount of any amounts due to us under this Agreement or any other agreement. We shall have the right to have such assets appraised at the lower of cost or fair market value of the used assets, and to acquire all right, title and interest to such assets, without conducting any public sale, by paying to you (or to any lender of yours who has a lienholder interest in the assets) the difference between the appraised value and the amounts owed to us by you at the time of termination. If the lien on the assets from your lender has priority over any lien of ours, and the amount of the lien is in excess of the appraised value of such assets, we shall have the right to deal directly with your lienholder, and to pay any amounts due to you directly to the lienholder. You agree to provide all further assurances, and to execute all documents required by us or by law to lawfully effect such transfer, and to perfect our security interest. We shall have the right to take such action without the execution of any further documents by you if you fail or refuse to comply with these further assurances.

18.14 Assignment of Options by Us

We shall be entitled to assign any and all of our options in this Section to any other party, without your consent.

18.15 Telephone Numbers, Yellow Pages Listings, etc.

You, at our option, shall assign to us all rights to the telephone numbers of the Restaurant and any related Yellow Pages trademark listing or other business listings and execute all forms and documents required by us and any telephone company at any time to transfer such service and numbers to us. Further, you shall assign to us all Internet listings, domain names, Internet Accounts, advertising on the Internet or World Wide Web, websites, listings with search engines, e-mail addresses or any other similar listing or usage related to the Franchised Business. The forms we may require you to execute include, but are not limited to, those included in Attachment 6 hereto. Notwithstanding any forms and documents which may have been executed under Section 7.9, you hereby appoint us as your true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as is necessary to complete such assignment. This power of attorney shall survive the expiration or termination of this Agreement. You shall thereafter use different telephone numbers, email addresses or other listings or usages at or in connection with any subsequent business conducted by you.

18.16 Liquidated Damages

If we terminate this Agreement with cause or you violate any covenant in Section 10.3 above, you agree to pay to us, within fifteen (15) days after the effective date of termination, liquidated damages equal to the average value of the Royalty Fees you paid or owed (per month) to us during the twelve (12) months before the termination multiplied by (i) the number of months remaining on the agreement, or (ii) \$200,000, whichever is higher.

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages we would incur from this Agreement's termination, your violation of Section 10.3 and the loss of cash flow from Royalty Fees due to, among other things, the complications of determining what costs, if any, we might have saved and how much the Royalty Fees would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

If you breach the confidentiality agreement and disclosure of Russo's confidential information or violate any covenant in Sections 10.1 or 10.2 above, you agree to pay to us, within fifteen (15) days after the effective date of termination, liquidated damages equal to Five Million Dollars (\$5,000,000).

The above liquidated damages provisions only cover our damages from the loss of cash flow from the Royalty Fees and breach of the confidentiality agreement. It does not cover any other damages, including damages to our reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Royalty Fee section and Article 10. You and each of your owners agree that the liquidated damages provision does not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty Fee section and Article 10.

ARTICLE 19: MISCELLANEOUS

19.1 Notices

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by expedited delivery service or certified or registered mail, return receipt requested, first class postage prepaid, or sent by facsimile or email (provided that the sender confirms the facsimile by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission) to the respective parties at the following addresses set forth in the introductory paragraph of this Agreement unless and until a different address has been designated by written notice to the other party.

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of facsimile, upon transmission (provided confirmation is sent as described above) or, in the case of expedited delivery service or registered or certified mail, three (3) business days after the date and time of mailing.

19.2 Entire Agreement

This Agreement, the documents referred to herein, and the Attachments hereto, constitute the entire, full and complete agreement between us and You and the Principals concerning the subject matter hereof and shall supersede all prior related agreements between us and you and the Principals; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by us in the Disclosure Document that was furnished to you by us. Except for those permitted to be made unilaterally by us hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

19.3 No Waiver

No delay, waiver, omission or forbearance on our part to exercise any right, option, duty or power arising out of any breach or default by you or the Principals under this Agreement shall constitute a waiver by us to enforce any such right, option, duty or power against you or the Principals, or as to a subsequent breach or default by you or the Principals. Acceptance by us of any payments due to us hereunder subsequent to the time at which such payments are due shall not be deemed to be a waiver by us of any preceding breach by you or the Principals of any terms, provisions, covenants or conditions of this Agreement.

19.4 Our Prior Approval

Whenever this Agreement requires our prior approval or consent, you shall make a timely written request to us, and such approval or consent shall be obtained in writing.

19.5 No Warranty or Guaranty

We make no warranties or guarantees upon which you may rely and assume no liability or obligation to you or any third party to which we would not otherwise be subject, by providing any waiver, approval, advice, consent or suggestion to you in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

19.6 Continued Obligation to Pay Sums

If a Force Majeure event shall occur, then, in addition to payments required under Section 17.1.3(e), you shall continue to be obligated to pay to us any and all amounts that you shall have duly become obligated to pay in accordance with the terms of this Agreement prior to the occurrence of any Force Majeure event and the Indemnitees shall continue to be indemnified and held harmless by you in accordance with Article 15. Except as provided in Section 17.1.3(e) and the immediately preceding sentence herein, none of the parties hereto shall be held liable for a failure to comply with any terms and conditions of this Agreement when such failure is caused by an event of Force Majeure. Upon the occurrence of any event of the type referred to herein, the party affected thereby shall give prompt notice thereof to the other parties, together with a description of the event, the duration for which the party expects its ability to comply with the provisions of the Agreement to be affected thereby and a plan for resuming operation under the Agreement, which the party shall promptly undertake and maintain with due diligence. Such affected party shall be liable for failure to give timely notice only to the extent of damage actually caused.

19.7 Arbitration

Except to the extent we elect to enforce the provisions of this Agreement by judicial process and injunction in our sole discretion, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter) which have not been settled through negotiation or mediation will be settled by binding arbitration within the county and state where we maintain our headquarters under the authority of such state's statutes (the "Statutes"). The arbitrator(s) will have a minimum of five (5) years of experience in franchising or distribution law and will have the right to award specific performance of this Agreement. If the parties cannot agree upon a mutually agreeable arbitrator, then the arbitration shall be conducted as per the selection method set forth in the Statutes. To the extent such rules are not inconsistent with the provisions of this arbitration provision or the Statutes, the proceedings will be conducted under the commercial arbitration rules of the American Arbitration Association. The decision of the arbitrator(s) will be final and binding on all parties. This Section will survive termination or non-renewal of this Agreement under any circumstances. Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction thereof. During the pendency of any arbitration proceeding, you and we shall fully perform our respective obligations under this Agreement.

19.8 Venue; Governing Law

With respect to any claims, controversies or disputes which are not finally resolved through negotiation, mediation or arbitration, or as otherwise provided above, You and the Principals hereby irrevocably submit themselves to the jurisdiction of the state courts and the Federal District Court nearest to our headquarters. You and the Principals hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision. You and the Principals hereby agree that service of process may be made upon any of them in any proceeding relating to or arising out of this Agreement or the relationship created by this Agreement by any means allowed by Texas or federal law. You and the Principals further agree that venue for any proceeding relating to or arising out of this Agreement shall be the county and state where we maintain our headquarters; provided, however, with respect to any action (1) for monies

owed, (2) for injunctive or other extraordinary relief or (3) involving possession or disposition of, or other relief relating to, real property, we may bring such action in any State or Federal District Court which has jurisdiction. With respect to all claims, controversies, disputes or actions, related to this Agreement or the relationship created thereby, this Agreement and any such related claims, controversies, disputes or actions shall be governed, enforced and interpreted under the law of the state where we maintain our headquarters.

19.9 Agreement Regarding Governing Law and Choice of Forum

You, the Principals and we acknowledge that the parties' agreement regarding applicable state law and forum set forth in Sections 19.7 and 19.8 above provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising out of this Agreement or the parties' relationship created by this Agreement. Each of you, the Principals and we further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of forum have been negotiated in good faith and are part of the benefit of the bargain reflected by this Agreement.

19.10 Waiver of Punitive Damages; Waiver of Jury Trial

You, the Principals and we hereby waive, to the fullest extent permitted by law, any right to or claim or any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against either party, their officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, either party shall be limited to the recovery of any actual damages sustained by it. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of waiver by agreement of punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) shall continue in full force and effect.

We and you irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of us against the other. Any and all claims and actions arising out of or relating to this Agreement, the relationship of you and us, or your operation of the Restaurant, brought by either party hereto against the other, whether in mediation, arbitration, or a legal action, shall be commenced within two (2) years from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

19.11 Execution in Multiple Counterparts

This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

19.12 Captions

The captions used in connection with the sections and subsections of this Agreement are inserted only for purpose of reference. Such captions shall not be deemed to govern, limit, modify or in any other manner affect the scope, meaning or intent of the provisions of this Agreement or any part thereof nor shall such captions otherwise be given any legal effect.

19.13 Survival of Terms

Any obligation of you or the Principals that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest of you or the Principals therein, shall be deemed to survive such termination, expiration or transfer.

19.14 Severability of Provisions

Except as expressly provided to the contrary herein, each portion, section, part, term and provision of this Agreement shall be considered severable; and if, for any reason, any portion, section, part, term or provision 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, this shall not impair the operation of, or have any other effect upon, the other portions, sections, parts, terms or provisions of this Agreement that may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties; the invalid portions, sections, parts, terms or provisions shall be deemed not to be part of this Agreement; and there shall be automatically added such portion, section, part, term or provision as similar as possible to that which was severed which shall be valid and not contrary to or in conflict with any law or regulation.

19.15 Joint and Several Obligations

All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable. Without limiting the obligations individually undertaken by the Principals under this Agreement, all acknowledgments, promises, covenants, agreements and obligations made or undertaken by you in this Agreement shall be deemed, jointly and severally, undertaken by all of the Principals.

19.16 Rights and Remedies Cumulative

All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between you or any of your affiliates and us. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of our rights pursuant to Article 17 of this Agreement shall not discharge or release you or any of the Principals from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.

19.17 References

Each reference in this Agreement to a corporation or partnership shall be deemed to also refer to a limited liability company and any other entity or organization similar thereto. Each reference to the organizational documents, equity owners, directors, and officers of a corporation in this Agreement shall be deemed to refer to the functional equivalents of such organizational documents, equity owners, directors, and officers, as applicable, in the case of a limited liability company or any other entity or organization similar thereto.

19.18 No Rights or Remedies Except to the Parties

Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than you, us, our officers, directors, members and employees and such of your and our respective successors and assigns as may be contemplated (and, as to you, authorized by Article 14), any rights or remedies under or as a result of this Agreement.

19.19 Effectiveness of Agreement

This Agreement shall not become effective until signed by an authorized officer of ours.

19.20 Modification of the System

You understand and agree that the System must not remain static if it is to meet, without limitation, presently unforeseen changes in technology, competitive circumstances, demographics, populations, consumer trends, societal trends and other marketplace variables, and if it is to best serve the interests of us, you and all other franchisees. Accordingly, you expressly understand and agree that we may from time to time change the components of the System including, but not limited to, altering the products, programs, services, methods, standards, forms, policies and procedures of that System; abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination or for other reasons; adding to, deleting from or modifying those products, programs and services which your Franchised Business is authorized and required to offer; modifying or substituting entirely the building, premises, equipment, signage, trade dress, décor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes which you are required to observe hereunder; and changing, improving, modifying, or substituting other words or designs for, the Marks. You expressly agree to comply with any such modifications, changes, additions, deletions, substitutions and alterations; provided, however, that such changes shall not materially and unreasonably increase your obligations hereunder.

You shall accept, use and effectuate any such changes or modifications to, or substitution of, the System as if they were part of the System at the time that this Agreement was executed.

We shall not be liable to you for any expenses, losses or damages sustained by you as a result of any of the modifications contemplated hereby. You hereby covenant not to commence or join in any litigation or other proceeding against us or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. You expressly waive any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

19.21 Operation in the Event of Absence or Disability

In order to prevent any interruption of the Franchised Business operations which would cause harm to the Franchised Business, thereby depreciating the value thereof, you authorize us, who may, at our option, in the event that you are absent for any reason or are incapacitated by reason of illness and are unable, in our sole and reasonable judgment, to operate the Franchised Business, operate the Franchised Business for so long as we deem necessary and practical, and without waiver of any other rights or remedies we may have under this Agreement. All monies from the operation of the Franchised Business during such period of operation by us shall be kept in a separate account, and the expenses of the Franchised Business, including reasonable compensation and expenses for our representative, shall be charged to said account. If, as herein provided, we temporarily operate the Franchised Business franchised herein for you, you agree to indemnify and hold harmless us and any representative of ours who may act hereunder, from any and all acts which we may perform, as regards the interests of you or third parties.

19.22 Step-In Rights

If we determine in our sole judgment that the operation of your business is in jeopardy, or if a default occurs, then in order to prevent an interruption of the Franchised Business which would cause harm to the System and thereby lessen its value, you authorize us to operate your business for as long as we deem necessary and practical, and without waiver of any other rights or remedies which we may have under this Agreement. In our sole judgment, we may deem you incapable of operating the Franchised Business if,

without limitation, you are absent or incapacitated by reason of illness or death; you have failed to pay when due or have failed to remove any and all liens or encumbrances of every kind placed upon or against your business; or we determine that operational problems require that we operate your business for a period of time that we determine, in our sole discretion, to be necessary to maintain the operation of the business as a going concern.

We shall keep in a separate account all monies generated by the operation of your business, less the expenses of the business, including reasonable compensation and expenses for our representatives. In the event of our exercise of the Step-In Rights, you agree to hold harmless us and our representatives for all actions occurring during the course of such temporary operation. You agree to pay all of our reasonable attorneys' fees and costs incurred as a consequence of our exercise of the Step-In Rights. Nothing contained herein shall prevent us from exercising any other right which we may have under this Agreement, including, without limitation, termination.

19.23 Costs and Legal Fees

If we are required to enforce this Agreement in a judicial, mediation or arbitration proceeding, you shall reimburse us for our costs and expenses, including, without limitation, reasonable accountants', attorneys', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by you to comply with this Agreement, you shall reimburse us for any of the above-listed costs and expenses incurred by us.

19.24 Consent to Do Business Electronically

This agreement is made in the State of Texas. The parties to the Franchise Agreement hereby consent to do business electronically. Pursuant to the Uniform Electronic Transactions Act as adopted by the State of Texas, the parties hereby affirm to each other that they agree with the terms of the Franchise Agreement and its Attachments, and by attaching their signature electronically to the Franchise Agreement, they are executing the document and intending to attach their electronic signature to it. Furthermore, the parties acknowledge that the other parties to the Franchise Agreement can rely on an electronic signature as the respective party's signature.

ARTICLE 20: SECURITY INTERESTS

20.1 Collateral

You grant to us a security interest ("Security Interest") in all of the furniture, fixtures, equipment, signage, and realty (including your interests under all real property and personal property leases) of the Restaurant, together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds, and products thereof, wherever located, used in connection with the Restaurant. All items in which a security interest is granted are referred to as the "Collateral".

20.2 Indebtedness Secured

The Security Interest is to secure payment of the following (the "Indebtedness"):

20.2.1 All amounts due under this Agreement or otherwise by you;

20.2.2 All sums which we may, at our option, expend or advance for the maintenance, preservation, and protection of the Collateral, including, without limitation, payment of rent, taxes, levies,

assessments, insurance premiums, and discharge of liens, together with interest, or any other property given as security for payment of the Indebtedness;

20.2.3 All expenses, including reasonable attorneys' fees, which we incur in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting our rights under the Security Interest and this Agreement; and

20.2.4 All other present or future, direct or indirect, absolute or contingent, liabilities, obligations, and indebtedness of you to us or third parties under this Agreement, however created, and specifically including all or part of any renewal or extension of this Agreement, whether or not you execute any extension agreement or renewal instruments.

Our security interest, as described herein, shall be subordinated to any financing related to your operation of the Restaurant, including, but not limited to, a real property mortgage and equipment leases.

20.3 Additional Documents

You will from time to time as required by us join with us in executing any additional documents and one or more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions, or modifications thereof) in form satisfactory to us.

20.4 Possession of Collateral

Upon default and termination of your rights under this Agreement, we shall have the immediate right to possession and use of the Collateral.

20.5 Our Remedies in Event of Default

You agree that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured shall, at our option and without notice, become due and payable immediately, and we shall then have the rights, options, duties, and remedies of a secured party under, and you shall have the rights and duties of a debtor under, the Uniform Commercial Code of Texas (or other applicable law), including, without limitation, our right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted by us in a commercially reasonable manner. Reasonable notification of the time and place of any sale shall be satisfied by mailing to you pursuant to the notice provisions set forth above.

20.6 Special Filing as Financing Statement

This Agreement shall be deemed a Security Agreement and a Financing Statement. This Agreement may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a Financing Statement in the counties or in the office of the Secretary of State, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code as in effect in the appropriate jurisdiction.

ARTICLE 21: TECHNOLOGY

21.1 Computer Systems and Software

The following terms and conditions shall apply with respect to your computer system:

21.1.1 We shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among Restaurants, including without limitation: (a) back office and point of sale systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at Restaurants, between or among Restaurants, and between and among the Franchised Restaurant and us and/or you; (b) Point of Sale Systems; (c) physical, electronic, and other security systems; (d) printers and other peripheral devices; (e) archival back-up systems; and (f) internet access mode and speed (collectively, the “Computer System”). Before purchasing your point of sale system, you must verify that it will successfully integrate with our system. Failure to have a compatible point of sale system shall constitute a material event of default under this Agreement.

21.1.2 We shall have the right, but not the obligation, to develop or have developed for us, or to designate: (a) computer software programs and accounting system software that you must use in connection with the Computer System (“Required Software”), which you shall install; (b) updates, supplements, modifications, or enhancements to the Required Software, which you shall install; (c) the tangible media upon which you shall record data; and (d) the database file structure of your Computer System.

21.1.3 You shall record all sales on computer-based point of sale systems approved by us or on such other types of systems as may be designated by us in the Manual or otherwise in writing (“Point of Sale Systems”), which shall be deemed part of your Computer System.

21.1.4 You shall make, from time to time, such upgrades and other changes to the Computer System and Required Software as we may request in writing (collectively, “Computer Upgrades”).

21.1.5 You shall comply with all specifications issued by us with respect to the Computer System and the Required Software, and with respect to Computer Upgrades. You shall also afford us unimpeded access to your Computer System and Required Software as we may request, in the manner, form, and at the times requested by us.

21.2 Data

We may, from time-to-time, specify in the Manual or otherwise in writing the information that you shall collect and maintain on the Computer System installed at the Restaurant, and you shall provide to us such reports as we may reasonably request from the data so collected and maintained. All data pertaining to the Restaurant, and all data created or collected by you in connection with the System, or in connection with your operation of the Restaurant (including without limitation data pertaining to or otherwise concerning the Restaurant’s customers) or otherwise provided by you (including, without limitation, data uploaded to, or downloaded from your Computer System) is and will be owned exclusively by us, and we will have the right to use such data in any manner that we deem appropriate without compensation to you. Copies and/or originals of such data must be provided to us upon our request. We hereby license use of such data back to you for the term of this Agreement, at no additional cost, solely for your use in connection with the business franchised under this Agreement.

21.3 Privacy

21.3.1 You shall abide by all applicable laws pertaining to privacy of information collected or maintained regarding customers or other individuals (“Privacy”), and shall comply with our standards and policies pertaining to Privacy. If there is a conflict between our standards and policies pertaining to Privacy and applicable law, you shall: (a) comply with the requirements of applicable law; (b) immediately give us written notice of said conflict; and (c) promptly and fully cooperate with us and

our counsel as we may request to assist us in our determination regarding the most effective way, if any, to meet our standards and policies pertaining to Privacy within the bounds of applicable law.

21.3.2 You may capture customer data only in strict accordance with our specifications and only using those technologies and processes that are approved by us. Any and all customer data collected or provided by you, retrieved from your Point of Sale Systems, or otherwise collected from you by Franchisor or provided to Franchisor, is and will be owned exclusively by Franchisor and will be considered to be Franchisor's proprietary and Confidential Information. Franchisor has the right to use such data in any manner without compensation to you. Franchisor licenses to you the use of such data solely for the purpose of operating the Franchised Business; provided that, this license shall automatically and irrevocably terminate, without any additional action or notice required by Franchisor, upon the expiration or earlier termination of this Agreement.

21.4 Telecommunications

You shall comply with our requirements (as set forth in the Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between your Computer System and our Intranet (as defined below), if any, and/or such other computer systems as we may reasonably require.

21.5 Intranet

We may establish a website providing private and secure communications between us, you, franchisees, licensees and other persons and entities as determined by us, in our sole discretion (an "Intranet"). You shall comply with our requirements (as set forth in the Manual or otherwise in writing) with respect to connecting to the Intranet, and utilizing the Intranet in connection with the operation of the Restaurant. The Intranet may include, without limitation, the Manuals, training other assistance materials, and management reporting solutions (both upstream and downstream, as we may direct). You shall purchase and maintain such computer software and hardware as may be required to connect to and utilize the Intranet.

21.6 On-line Use of Proprietary Marks

You shall not use the Proprietary Marks or any abbreviation or other name associated with us and/or the System as part of any e-mail address, domain name, and/or other identification of you in any electronic medium. You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without our prior written consent as to your plan for transmitting such advertisements.

21.7 No Outsourcing Without Prior Written Consent

You shall not hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, or any other of your obligations without our prior written approval therefor, unless we have designated an approved supplier to provide such services. Our consideration of any proposed outsourcing vendor(s) may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with us and you in a form that is reasonably provided by us.

21.8 Changes to Technology

You and we acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we shall have the right to establish, in writing,

reasonable new standards for the implementation of technology in the System; and you agree that you shall abide by those reasonable new standards established by us as if this Article 21 were periodically revised by us for that purpose. You acknowledge and understand that this Agreement does not place any limitations on either our right to require you to obtain Computer Upgrades or the cost of such Computer Upgrades.

ARTICLE 22: YOUR REPRESENTATIONS AND ACKNOWLEDGMENTS

22.1 Your Representations

You represent and warrant to us, with the intention that we are relying thereon in entering into this Agreement, that:

22.1.1 If you are a corporation, limited liability company, general partnership, partnership, or limited partnership, then you are organized under the laws of the state of your principal place of business (or another state which you have identified to us) and are in good standing with and qualified to do business in each state and political/governmental subdivision having jurisdiction over the Restaurant.

22.1.2 If you are a corporation, limited liability company, general partnership, partnership, or limited partnership, you have all corporate power and authority to execute, deliver, consummate and perform this Agreement, and it will be binding upon you and your successors and assigns when executed.

22.1.3 You do not have any material liabilities, adverse claims, commitments or obligations of any nature as of the date of execution of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise which are not reflected as liabilities on the balance sheets of your current financial statements, which you have furnished to us before the execution of this Agreement.

22.1.4 As of the date of execution of this Agreement, there are no actions, suits, proceedings or investigations pending or, to your knowledge or the knowledge any of your officers, directors, principal shareholders, proprietors, partners or principals (as applicable) after due inquiry, threatened, in any court or arbitral forum, or before any governmental agency or instrumentality, nor to the best of your knowledge or the knowledge of any such persons or entities (after due inquiry) is there any basis for any claim, action, suit, proceeding or investigation which affects or could affect, directly or indirectly, any of your assets, properties, rights or business; your right to operate and use your assets, properties or rights to carry on your business; and/or which affects or could affect your right to assume and carry out in all respects the duties, obligations and responsibilities specified in this Agreement.

22.1.5 Neither you nor any of your Principals is a party to any contract, agreement, covenant not to compete or other restriction of any type which may conflict with, or be breached by, the execution, delivery, consummation and/or performance of this Agreement.

22.1.6 All of your representations and warranties contained in this Agreement are complete, correct and accurate as of the date of execution of this Agreement and will survive any termination or expiration of this Agreement.

(Signatures appear on the following page)

EACH OF THE PARTIES hereto has caused this Agreement to be executed by its duly authorized representative as of the date first above written.

FRANCHISOR:
NEW YORK PIZZERIA INCORPORATED
a Texas corporation

By: _____
Name: Gerardo Anthony Russo
Title: President, CEO
Accepted On: _____
(the "Effective Date")

FRANCHISEE (Entity):

By: _____
Name: _____
Title: _____
Date: _____

FRANCHISEE (Principal):

Name: _____
Date: _____

FRANCHISEE (Principal):

Name: _____
Date: _____

ATTACHMENT 1 TO THE FRANCHISE AGREEMENT

AUTHORIZED LOCATION AND DESIGNATED AREA

1. AUTHORIZED LOCATION

Pursuant to Section 1.2 of the Franchise Agreement, the Restaurant shall be located at the following Authorized Location:

2. DESIGNATED AREA:

Pursuant to Section 1.4 of the Franchise Agreement, the Designated Area shall be:

ACCEPTED:

FRANCHISOR:
NEW YORK PIZZERIA INCORPORATED

By: _____
Name: Gerardo Anthony Russo
Title: President, CEO
Dated: _____

FRANCHISEE (Entity):

By: _____
Name: _____
Title: _____

FRANCHISEE (Principal):

Name: _____

FRANCHISEE (Principal):

Name: _____

TTACHMENT 2 TO THE FRANCHISE AGREEMENT

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned (“Assignor”) assigns, transfers and sets over to New York Pizzeria Incorporated, a Texas corporation (“Assignee”), all of Assignor’s right and title to and interest in that certain “Lease” a copy of which is attached as Exhibit A respecting premises commonly known as _____. This assignment is for collateral purposes only and except as specified in this document Assignee will have no liability or obligation of any kind whatsoever arising from or in connection with this assignment or the Lease unless and until Assignee takes possession of the premises the Lease demises according to the terms of this document and assumes Assignor’s obligations under the Lease.

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

Upon Assignor’s default under the Lease or under the “Franchise Agreement” for a Restaurant between Assignee and Assignor or in the event Assignor defaults under any document or instrument securing the Franchise Agreement Assignee has the right to take possession of the premises the Lease demises and expel Assignor from the premises. In that event Assignor will have no further right and title to or interest in the Lease but will remain liable to Assignee for any past due rental payments or other charges Assignee is required to pay Lessor to effectuate the assignment this document contemplates.

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

ASSIGNEE:

NEW YORK PIZZERIA INCORPORATED

By: _____
Name: _____
Title: _____
Date: _____

ASSIGNOR:

By: _____
Name: _____
Title: _____
Date: _____

CONSENT TO COLLATERAL ASSIGNMENT AND AGREEMENT OF LESSOR

The undersigned Lessor under the Lease:

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

(b) Agrees that Assignee will have the right, but not the obligation, to cure any default by Assignor under the Lease within thirty (30) days after Lessor's delivery of notice of the default under section (a) above;

(c) Consents to the Collateral Assignment and agrees that if Assignee takes possession of the premises the Lease demises and confirms to Lessor that it has assumed the Lease as tenant, Lessor will recognize Assignee as tenant under the Lease, provided that Assignee cures within the thirty (30) day period noted in section (b) above Assignor's defaults under the Lease; and

(d) Agrees that Assignee may further assign the Lease to or enter into a sublease with a person, firm or corporation who agrees to assume the tenant's obligations under the Lease and is reasonably acceptable to Lessor and that upon that assignment Assignee will have no further liability or obligation under the Lease as assignee, tenant or otherwise, other than to certify that the additional assignee or sublessee operates the premises the Lease demises as a Restaurant.

Dated: _____

_____, Lessor

ATTACHMENT 3 TO THE FRANCHISE AGREEMENT

STATEMENT OF OWNERSHIP INTERESTS AND FRANCHISEE'S PRINCIPALS

- A. The following is a list of all shareholders, partners or other investors in Franchisee, including all investors who own or hold a direct or indirect interest in Franchisee, and a description of the nature of their interest:

Name

Percentage of Ownership/Nature of Interest

- B. In addition to the persons listed in paragraph A., the following is a list of all of Franchisee's Principals described in and designated pursuant to Section 19.17 of the Franchise Agreement. Each of Franchisee's Principals shall execute the Confidentiality and Non-Competition Agreement substantially in the form set forth in Attachment 4 (see Sections 10.2.2 and 10.3.4 of the Franchise Agreement):

ATTACHMENT 4 TO THE FRANCHISE AGREEMENT

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

**(for trained employees, shareholders, officers, directors,
general partners, members and managers of Franchisee)**

In consideration of my being a _____ of _____
("Franchisee"), and other good and valuable consideration, the receipt and sufficiency of which is
acknowledged, I hereby acknowledge and agree that:

1. Pursuant to a Franchise Agreement dated _____, 20____ (the "Franchise Agreement"), Franchisee has acquired the right and franchise from New York Pizzeria Incorporated (the "Company") to establish and operate a Restaurant (the "Franchised Business") and the right to use in the operation of the Franchised Business the Company's trade names, service marks, trademarks, logos, emblems, and indicia of origin (the "Proprietary Marks"), as they may be changed, improved and further developed from time to time in the Company's sole discretion, only at the following authorized and Authorized Location: _____ (the "Authorized Location").

2. The Company, as the result of the expenditure of time, skill, effort and resources has developed and owns a distinctive format and system (the "System") relating to the establishment and operation of Franchised Businesses offering Italian New York style pizza, Neapolitan pizza, XL 28 Inch party pizza, pizza by the slice, soup, salad, calzone, pasta entrees, sandwiches, Italian menu items, desserts, beer and wine, coffee specialties and other non-alcoholic beverages. The Company possesses certain proprietary and confidential information relating to the operation of the System, which includes certain proprietary trade secrets, recipes, methods, techniques, formats, specifications, systems, procedures, methods of business practices and management, sales and promotional techniques and knowledge of, and experience in, the operation of the Franchised Business (the "Confidential Information").

3. Any and all information, knowledge, know-how, and techniques which the Company specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement.

4. As _____ of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me training programs, the Company's Confidential Operations Manuals (the "Manuals"), and other general assistance during the term of the Franchise Agreement.

5. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term of the Franchise Agreement, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

6. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as _____ of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

7. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, either directly or indirectly for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, act as a consultant for, perform services for, or have any interest in any food service business which: (a) is the same as, or substantially similar to, a Franchised Business; or (b) offers to sell or sells any products or services which are the same as, or substantially similar to, any of the products offered by a Franchised Business (a "Competitive Business"); and for a continuous uninterrupted period commencing upon the cessation or termination of my position with Franchisee, regardless of the cause for termination, or upon the expiration, termination, transfer, or assignment of the Franchise Agreement, whichever occurs first, and continuing for two (2) years thereafter, either directly or indirectly, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, act as a consultant for, perform services for, or have any interest in any Competitive Business that is, or is intended to be, located at or within:

7.1 Franchisee's Designated Area, as defined in the Franchise Agreement ("Franchisee's Designated Area");

7.2 Seventy-five (75) miles of Franchisee's Designated Area; or

7.3 Seventy-five (75) miles of any Franchised Business operating under the System and the Proprietary Marks.

The prohibitions in this Paragraph 7 do not apply to my interests in or activities performed in connection with a Franchised Business. This restriction does not apply to my ownership of less than five percent (5%) beneficial interest in the outstanding securities of any publicly held company.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

9. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

11. This Agreement shall be construed under the laws of the State of Texas, without regard to the application of Texas conflict of law rules. The only way this Agreement can be changed is in writing signed by both the Franchisee and me.

Signature

Name

Address

Title

ACKNOWLEDGED BY FRANCHISEE

By:_____

Name:_____

Title:_____

ATTACHMENT 5 TO THE FRANCHISE AGREEMENT

ELECTRONIC TRANSFER AUTHORIZATION

**AUTHORIZATION TO HONOR CHARGES DRAWN BY AND
PAYABLE TO NEW YORK PIZZERIA INCORPORATED ("COMPANY")**

Company Name: NEW YORK PIZZERIA INCORPORATED
Address: 5120 Woodway Drive, Suite 8030, Houston, Texas 77056
Company ID: 76-0571075

Depositor hereby authorizes and requests _____ (the "Depository") to initiate debit and credit entries to Depositor's _____ checking or _____ savings account (select one) indicated below drawn by and payable to the order of Company by Electronic Funds Transfer, provided there are sufficient funds in said account to pay the amount upon presentation.

Depositor agrees that the Depository's rights with respect to each such charge shall be the same as if it were a check drawn by the Depository and signed by Depositor. Depositor further agrees that if any such charge is dishonored, whether with or without cause and whether intentionally or inadvertently, the Depository shall be under no liability whatsoever.

Depository Name: _____

City: _____ State: _____ Zip Code: _____

Transit/ABA Number: _____ Account Number: _____

This authority is to remain in full force and effect until Company and Depository have received written notification from me (or either of us) of its termination in such time and in such manner to afford Company and Depository a responsible opportunity to act on such request.

Depositor: (Please Print)

Date Signed

Signature(s) of Depositor, as Printed Above

Please attach a voided blank check, for purposes of setting up Bank and Transit Numbers.

ATTACHMENT 6 TO THE FRANCHISE AGREEMENT
INTERNET WEB SITES AND LISTINGS AGREEMENT

INTERNET ADVERTISING, SOCIAL MEDIA AND
TELEPHONE ACCOUNT AGREEMENT

THIS INTERNET ADVERTISING, SOCIAL MEDIA AND TELEPHONE ACCOUNT AGREEMENT (the “Agreement”) is made and entered into this day of _____ (the “Effective Date”) by and between New York Pizzeria Incorporated, a Texas Corporation (the “Franchisor”), and _____, a _____ (the “Franchisee”).

WHEREAS, Franchisee desires to enter into a franchise agreement with Franchisor for a Russo’s New York Pizzeria business (“Franchise Agreement”) which will allow Franchisee to conduct internet-based advertising, maintain social media accounts, and use telephone listings linked to the Russo’s New York Pizzeria brand.

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee’s agreement to enter into, comply with, and be bound by all the terms and provisions of this Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Definitions**

All terms used but not otherwise defined in this Agreement shall have the meanings set forth in the Franchise Agreement. “Termination” of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. **Internet Advertising and Telephone Accounts**

2.1 **Interest in Websites, Social Media Accounts and Other Electronic Listings.** Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of Franchise Agreement, certain right, title, or interest in and to certain domain names, social media accounts, hypertext markup language, uniform resource locator addresses, access to corresponding internet websites, and the right to hyperlink to certain websites and listings on various internet search engines (collectively, “Electronic Advertising”) related to the Franchised Business or the Marks.

2.2 **Interest in Telephone Numbers and Listings.** Franchisee has or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, internet page, and other telephone directory listings (collectively, the “Telephone Listings”) related to the Franchised Business or the Marks.

2.3 **Transfer.** On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately:

2.3.1 direct all internet service providers, domain name registries, internet search engines, social media companies, and other listing agencies (collectively, the “Internet Companies”) with which Franchisee has Electronic Advertising: (i) to transfer all of Franchisee’s interest in such Electronic Advertising to Franchisor; and (ii) to execute such documents and take such actions as may be necessary

to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Electronic Advertising, Franchisee will immediately direct the Internet Companies to terminate such Electronic Advertising or will take such other actions with respect to the Electronic Advertising as Franchisor directs; and

2.3.2 direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the “Telephone Companies”) with which Franchisee has Telephone Listings: (i) to transfer all Franchisee’s interest in such Telephone Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Listings or will take such other actions with respect to the Telephone Listings as Franchisor directs.

2.4 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor’s benefit under the Franchise Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee’s true and lawful attorney-in-fact with full power and authority in Franchisee’s place and stead, and in Franchisee’s name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.4.1 Direct the Internet Companies to transfer all Franchisee’s interest in and to the Electronic Advertising to Franchisor, or alternatively, to direct the Internet Companies to terminate any or all of the Electronic Advertising;

2.4.2 Direct the Telephone Companies to transfer all Franchisee’s interest in and to the Telephone Listings to Franchisor, or alternatively, to direct the Telephone Companies to terminate any or all of the Telephone Listings; and

2.4.3 Execute such standard assignment forms or other documents as the Internet Companies and/or Telephone Companies may require in order to affect such transfers or terminations of Franchisee’s interest.

2.5 Certification of Termination. Franchisee hereby directs the Internet Companies and Telephone Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor’s written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.6 Cessation of Obligations. After the Internet Companies and the Telephone Companies have duly transferred all Franchisee’s interests as described in paragraph 2.3 above to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations with respect to the particular Electronic Advertising and/or Telephone Listing. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet Companies and Telephone Companies for the respective sums Franchisee is obligated to pay to them for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such interests, or for any other obligations not subject to the Franchise Agreement or this Agreement.

3. **Miscellaneous**

3.1 **Release.** Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet Companies and/or Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertible in, or in any way related to this Agreement.

3.2 **Indemnification.** Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Agreement.

3.3 **No Duty.** The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's interest in any matter hereunder.

3.4 **Further Assurances.** Franchisee agrees that at any time after the date of this Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Agreement.

3.5 **Successors, Assigns, and Affiliates.** All Franchisor's rights and powers, and all Franchisee's obligations, under this Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Agreement.

3.6 **Effect on Other Agreements.** Except as otherwise provided in this Agreement, all provisions of the Franchise Agreement and attachments and schedules thereto shall remain in effect as set forth therein.

3.7 **Survival.** This Agreement shall survive the Termination of the Franchise Agreement.

3.8 **Governing Law.** This Agreement shall be governed by and construed under the laws of the State of Texas, without regard to the application of Texas conflict of law rules.

-Remainder of Page Intentionally Blank-

The undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISOR:
NEW YORK PIZZERIA INCORPORATED

By: _____
Name: Gerardo Anthony Russo
Title: President, CEO
Dated: _____

FRANCHISEE (Entity):

By: _____
Name: _____
Title: _____

FRANCHISEE (Principal):

Name: _____

FRANCHISEE (Principal):

Name: _____

ATTACHMENT 7 TO THE FRANCHISE AGREEMENT
AMERICANS WITH DISABILITIES ACT CERTIFICATION

New York Pizzeria Incorporated (“Franchisor”) and _____ (“Franchisee”) are parties to a Franchise Agreement dated _____ for the operation of a Restaurant at _____ (the “Franchised Business”). In accordance with Article 2 of the Franchise Agreement, Franchisee certifies to Franchisor that, to the best of Franchisee’s knowledge, the Franchised Business and its adjacent areas comply with all applicable federal, state and local accessibility laws, statutes, codes, rules, regulations and standards, including but not limited to the Americans with Disabilities Act. Franchisee acknowledges that it is an independent contractor and the requirement of this certification by Franchisee does not constitute ownership, control, leasing or operation of the Franchised Business. Franchisee acknowledges that Franchisee has relied on the information contained in this certification. Furthermore, Franchisee acknowledge its obligation under this Franchise Agreement to indemnify Franchisor and the officers, directors, and employees of Franchisor in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with Franchisee’s compliance with the Americans with Disabilities Act, as well as the costs, including attorneys’ fees, related to the same.

FRANCHISEE

By:_____

Name:_____

Title:_____

ATTACHMENT 8 TO THE FRANCHISE AGREEMENT

GUARANTY

This Guaranty and Covenant (this “Guaranty”) is given by the undersigned (“Guarantor”) on _____ to New York Pizzeria, Inc. a Texas Corporation (“Franchisor”), in order to induce Franchisor to enter into that certain Franchise Agreement dated of even date herewith (the “Franchise Agreement”) with _____, a(n) _____, _____ and _____ (collectively “Franchisee”).

Guarantor acknowledges that Guarantor is the spouse of Franchisee’s Principal, as that term is used in the Franchise Agreement.

Guarantor acknowledges that Guarantor has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Guaranty are in partial consideration for, and a condition to the granting of, the rights granted in the Franchise Agreement to Franchisee, and that Franchisor would not have granted these rights without the execution of this Guaranty by Guarantor.

Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the monetary obligations and non-competition covenants and agreements of the Franchisee as set forth in the Franchise Agreement, including but not limited to, the covenants set forth in Sections 10.1, 10.2, 10.3, 10.4 of the Franchise Agreement (“Guaranteed Obligations”). Guarantor shall perform and/or make punctual payment to Franchisor of the Guaranteed Obligations in accordance with the terms of the Franchise Agreement or other applicable document forthwith upon demand by Franchisor.

This Guaranty is an absolute and unconditional continuing guaranty of payment and performance of the Guaranteed Obligations. This Guaranty shall not be discharged by renewal of any claims guaranteed by this instrument, change in ownership or control of the Franchisee entity, transfer of the Franchise Agreement, the suffering of any indulgence to any debtor, extension of time of payment thereof, nor the discharge of Franchisee by bankruptcy, operation of law or otherwise. Presentment, demand, protest, notice of protest and dishonor, notice of default or nonpayment and diligence in collecting any obligation under any agreement between Franchisee and Franchisor are each and all waived by Guarantor and/or acknowledged as inapplicable. Guarantor waives notice of amendment of any agreement between Franchisee and Franchisor and notice of demand for payment by Franchisee. Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Franchisee and Franchisor.

Franchisor may pursue its rights against Guarantor without first exhausting its remedies against Franchisee and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy.

If other guarantors have guaranteed any and or all of the Guaranteed Obligations, their liability shall be joint and several to that of Guarantor.

Until all of the Guaranteed Obligations have been paid in full and/or performed in full, Guarantor shall not have any right of subrogation, unless expressly given to Guarantor in writing by Franchisor.

All Franchisor's rights, powers and remedies hereunder and under any other agreement now or at any time hereafter in force between Franchisor and Guarantor shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Franchisor by law.

Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions nevertheless shall remain effective.

This Guaranty shall extend to and inure to the benefit of Franchisor and its successors and assigns and shall be binding on Guarantor and its successors and assigns.

Guarantor has signed this Guaranty as of the date set forth above.

GUARANTOR - SPOUSE OF FRANCHISEE'S PRINCIPAL:

Print Name: _____
Address:: _____

ATTACHMENT 9 TO THE FRANCHISE AGREEMENT

TRAINING ACKNOWLEDGMENT

By signing below, you hereby acknowledge that New York Pizzeria Incorporated (“Franchisor”), and its designees, have provided to you and your staff the initial training, including headquarter training, required pursuant to the Franchise Agreement signed on the _____ day of _____, 20____, by and between Franchisor and _____ (“Franchisee”, “you”) for a _____ located at _____ (the “Restaurant”).

You further represent and warrant that Franchisor has satisfactorily completed all of its obligations pursuant to Article 5 of the Franchise Agreement, including but not limited to the following: site selection guidance, on-site evaluation, providing the prototype design plans, loaning the Franchisor’s Confidential Operations Manuals, visits to the location, reviewing your advertising and promotional materials, providing management and operations advice, providing a list of approved suppliers and providing the initial training program, including headquarter training. You acknowledge and affirm that you have been trained to the point that you are fully satisfied that you and your team are fully capable of opening and operating the Restaurant (“Acknowledgement”).

By executing this Acknowledgement, you individually, and on behalf of your heirs, legal representatives, successors and assigns, hereby forever releases and discharges Franchisor and its officers, directors, employees, brokers and its representatives, agents and servants, including their respective subsidiary and affiliated corporations, their respective officers, directors, employees, agents and servants, from any and all claims relating to or arising under any agreements between the parties executed prior to the date of this Acknowledgment.

You hereby agree to indemnify and hold harmless, pay or reimburse Franchisor, upon demand, for all reasonable costs and expenses (including reasonable attorney costs) incurred by Franchisor in connection with any claims brought by you or on your behalf against Franchisor based on any alleged failure to provide adequate training or to provide any other services performed by Franchisor, including reasonable attorneys’ fees incurred by Franchisor in defending against any such claims (“Release and Hold Harmless”).

By executing this Release and Hold Harmless, you, individually, and on behalf of your heirs, legal representatives, successors and assigns, hereby forever release and discharge Franchisor and its officers, directors, employees, agents and servants, including its subsidiary and affiliated corporations, their respective officers, directors, employees, agents and servants, from any and all claims relating to or arising under any agreements between the parties executed prior to the date of this Release and Hold Harmless, including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities, or antitrust laws of the United States, or of any state or territory thereof.

FRANCHISEE:

By: _____

Name: _____

Title: _____

ATTACHMENT 10 TO THE FRANCHISE AGREEMENT

PROVISIONS APPLICABLE TO SBA FINANCING

For the purpose of Franchisee's application for funding from a lender in which funding is provided with the assistance of the U. S. Small Business Administration (the "SBA"), and at all times that the SBA has an interest in any SBA-assisted financing provided to Franchisee, Franchisor and Franchisee agree as follows:

1. With respect to a partial interest in the Franchised Business, Franchisor may exercise its option to purchase or its right of first refusal only if the proposed transferee is not a current owner or family member of a current owner of Franchisee.

2. If Franchisor's consent is required for any transfer (full or partial) of the Franchised Business, Franchisor will not unreasonably withhold such consent.

3. If Franchisee owns the real estate where the Franchised Business operates, Franchisee will not be required to sell the real estate upon default or termination of the Franchise Agreement, but Franchisee may be required to lease the real estate for the remainder of the Term (excluding additional renewals) for fair market value.

4. If Franchisee owns the real estate where the Franchised Business operates, Franchisor has not and will not during the Term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental indemnification, control or use restrictions. If any such restrictions are currently recorded against Franchisee's real estate, they must be removed in order for Franchisee to obtain SBA financial assistance.

5. If Franchisee owns the real estate where the Franchised Business operates, the right of Franchisor to assume Franchisee's lease has not and will not during the Term of the Franchise Agreement be recorded against the real estate and may not include any attornment language unless it is subordinated to any SBA financial assistance.

6. For other than regularly scheduled payments and payments otherwise authorized in the Franchise Agreement, Franchisor does not have the authority to unilaterally share, commingle, or withdraw funds from Franchisee's bank account.

7. The Franchise Agreement does not prevent Franchisee from having meaningful oversight over the operations of the Franchised Business. Meaningful oversight includes the authority to:

- i. Approve the annual budget of the Franchised Business;
- ii. Have control over the bank accounts of the Franchised Business; AND
- iii. Have oversight over the employees operating the Franchised Business (who must be employees of Franchisee).

Franchisee agrees that the Franchise Agreement does not prevent Franchisee from having meaningful oversight over the operations of the Franchised Business by requiring Franchisee to comply with quality, marketing, and operations standards that govern Franchisee's use of Franchisor's System.

EXHIBIT C

MULTI-UNIT DEVELOPMENT AGREEMENT

NEW YORK PIZZERIA INCORPORATED
MULTI-UNIT DEVELOPMENT AGREEMENT

TABLE OF CONTENTS

SECTION 1: GRANT	2
SECTION 2: DEVELOPMENT FEE	3
SECTION 3: SCHEDULE AND MANNER FOR EXERCISING DEVELOPMENT RIGHTS	3
SECTION 4: DEVELOPMENT RIGHTS AND OBLIGATIONS	4
SECTION 5: RENEWAL.....	5
SECTION 6: TERM AND RIGHT OF FIRST REFUSAL	5
SECTION 7: YOUR OBLIGATIONS	5
SECTION 8: OUR SERVICES	7
SECTION 9: DEFAULT AND TERMINATION	7
SECTION 10: OBLIGATIONS FOLLOWING TERMINATION.....	9
SECTION 11: TRANSFER OF INTEREST	9
SECTION 12: COVENANTS	12
SECTION 13: NOTICES	13
SECTION 14: INDEPENDENT CONTRACTOR AND INDEMNIFICATION.....	13
SECTION 15: APPROVALS.....	14
SECTION 16: NON-WAIVER	14
SECTION 17: SEVERABILITY AND CONSTRUCTION.....	15
SECTION 18: ENTIRE AGREEMENT.....	15
SECTION 19: DISPUTE RESOLUTION; APPLICABLE LAW	15
SECTION 20: TIMELY PERFORMANCE.....	17
SECTION 21: ACKNOWLEDGMENTS.....	17
SECTION 22: EFFECTIVE DATE	17

ATTACHMENTS:

- 1 Minimum Performance Schedule
- 2 Development Area

NEW YORK PIZZERIA INCORPORATED
MULTI-UNIT DEVELOPMENT AGREEMENT

THIS MULTI-UNIT DEVELOPMENT AGREEMENT (“Agreement”) is made and entered into the day of _____, between New York Pizzeria Incorporated, a Texas corporation having its principal place of business at 5120 Woodway Drive, Suite 8030, Houston, Texas 77056 (“Franchisor”, “we”, “us” or “our”), and _____, an individual residing at _____ (hereinafter “Multi-Unit Developer”, “you” or “your”).

W I T N E S S E T H:

WHEREAS, as the result of the expenditure of time, skill, effort and money, we and our affiliate have developed and own a unique and distinctive system (hereinafter “System”) relating to the establishment and operation of a restaurant operating under the names “Russo’s New York Pizzeria” offering Italian New York style pizza, Neapolitan pizza, XL 28 Inch party pizza, pizza by the slice, and Italian menu items including the following: soups, salads, calzones, pasta entrées, sandwiches, desserts, beer and wine, coffee specialties and other non-alcoholic beverages for dine-in, take-out, catering and delivery (“Restaurant” or “Franchised Business”);

WHEREAS, the distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, décor, color scheme, and furnishings; proprietary products and ingredients; proprietary recipes and special menu items; uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; procedures for inventory, management and financial control; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by us from time to time;

WHEREAS, the System is identified by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the marks “Russo’s New York Pizzeria”, and such other trade names, service marks, and trademarks as are now designated (and may hereafter be designated by us in writing) for use in connection with the System (hereinafter referred to as “Marks” or “Proprietary Marks”);

WHEREAS, we and our affiliate continue to develop, use and control the use of such Marks in order to identify for the public the source of services and products marketed thereunder and under the System, and to represent the System’s high standards of quality, appearance and service; and

WHEREAS, you wish to obtain certain development rights to open and operate Restaurants operating under the Marks and the System within the Development Area described in this Agreement.

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

SECTION 1: GRANT

1.1 We hereby grant to you, pursuant to the terms and conditions of this Agreement, certain development rights (“Development Rights”) to establish and operate _____ (_____) franchised Restaurants, and to use the Marks and System solely in connection therewith, at specific locations to be designated in separate Franchise Agreements executed as provided in Section 3.1 hereof, and pursuant to the schedule established in Attachment 1 of this Agreement (hereinafter “Minimum Performance

Schedule”). Each Restaurant developed hereunder shall be located in the area described in Attachment 2 of this Agreement (hereinafter “Development Area”). The Minimum Performance Schedule shall be deemed completed, and this Agreement shall expire, upon the opening of the last Restaurant to be developed hereunder.

1.2 Each Restaurant for which a Development Right is granted hereunder shall be established and operated pursuant to a Franchise Agreement to be entered into between you and us in accordance with Section 3.1 hereof.

1.3 Except as otherwise provided in this Agreement, we shall not establish, nor franchise anyone other than you to establish, a Restaurant in the Development Area during the term of this Agreement, provided you are not in default hereunder.

1.4 This Agreement is not a Franchise Agreement and does not grant to you any right to use the Marks or System.

1.5 You shall have no right under this Agreement to franchise others under the Marks or System.

SECTION 2: DEVELOPMENT FEE

2.1 In consideration of the development rights granted herein, you shall pay to us a Development Fee of _____ Thousand Dollars (\$ _____), payable upon execution of this Agreement (“Development Fee”). The Development Fee is calculated as Ten Thousand Dollars (\$10,000) for each Restaurant to be developed hereunder.

2.2 You acknowledge and agree that the Development Fee shall be fully earned by us upon execution of this Agreement, shall be non-refundable, shall be for administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the Development Rights granted to you herein. The Development Fee satisfies in full the Initial Franchise Fee due under the Franchise Agreements for each Restaurant to be developed under this Agreement.

SECTION 3: SCHEDULE AND MANNER FOR EXERCISING DEVELOPMENT RIGHTS

3.1 You shall assume all responsibility and expense for locating potential sites for Restaurants and shall submit to us for our evaluation and approval, in the form specified by us, a description of the site, the terms of the lease or purchase, a market feasibility study for the site and such other information and materials as we may reasonably require, together with a letter of intent or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. We shall have thirty (30) days after receipt of such information and materials from you to accept or decline the site in our sole discretion. If the site is accepted, you will then be presented with the Franchise Agreement for execution.

3.2 Recognizing that time is of the essence, you agree to exercise each of the Development Rights granted hereunder in the manner specified herein, and in accordance with the Minimum Performance Schedule. Your failure to adhere to the Minimum Performance Schedule shall constitute a default under this Agreement as provided in Section 9.1 hereof. Under no circumstances may you open a Restaurant for business unless and until there is a fully executed Franchise Agreement in place for such Restaurant and we have been paid all amounts payable to us.

3.3 You shall exercise each Development Right granted herein only by executing a Franchise Agreement for each Restaurant at a site approved by us in the Development Area as hereinafter provided

within ten (10) days after receipt of said Franchise Agreement from us for the approved site and return same to us for our execution. The Franchise Agreement for the first Development Right exercised hereunder has been executed contemporaneously with this Agreement. The Franchise Agreement for each additional Development Right exercised hereunder shall be the then-current Franchise Agreement, subject to any non-material changes therein which are required to be made by changes in any applicable law, regulation or ordinance in effect from time to time. In the event we do not receive the properly executed Franchise Agreement with the appropriate number of copies within said ten (10) days from delivery thereof to you, our approval of the site shall be void and you shall have no rights with respect to said site.

3.4 You acknowledge that the approval of a particular site for a Restaurant by us shall not be deemed to be an assurance or guaranty that the Restaurant will operate successfully or at a profit from such site.

3.5 You may enter into the initial Franchise Agreement or any subsequent Franchise Agreement as required under this Agreement using a newly formed entity, such as a limited liability company, corporation or partnership, for the sole purpose of entering into a Franchise Agreement and operating the Russo's New York Pizzeria Restaurant thereto, provided that you shall also personally sign such Franchise Agreement as a principal.

SECTION 4: DEVELOPMENT RIGHTS AND OBLIGATIONS

4.1 Subject to the provisions of this Agreement, we grant to you the Development Rights, as described in Section 1.1. Notwithstanding any other provision of this Agreement, Development Rights under this Agreement may or may not, in our sole discretion, include the right to develop Restaurants at any "Non-Traditional Sites". Non-Traditional Sites include without limitation gas stations or convenience stores; transportation facilities, including airports, train stations, subways and rail and bus stations; military bases and government offices; sports facilities, including stadiums and arenas; amusement parks, zoos and convention centers; car and truck rest stops and travel centers; educational facilities; recreational theme parks; hospitals; hotels; business or industrial foodservice venues; venues in which foodservice is or may be provided by a master concessionaire or contract foodservice provider; Indian reservations; casinos; or any similar captive market location not reasonably available to you, whether currently existing or constructed or established subsequent to the date hereof.

4.2 Provided you are in full compliance with all the terms and conditions of this Agreement, including without limitation your development obligations described in Section 3.2 and the Minimum Performance Schedule, and you are in full compliance with all of your obligations under all franchise agreements executed pursuant to this Agreement, then during the term of this Agreement neither we nor any of our affiliates will develop or operate or grant franchises for the development or operation of Restaurants within the Development Area, except the franchises that are granted to you pursuant to this Agreement and except as otherwise expressly provided in this Agreement.

4.3 Upon the termination or expiration of this Agreement, we and our affiliates shall have the right to develop and operate, and to grant to others development rights and franchises to develop and operate, Restaurants within the Development Area subject only to the territorial rights granted to you with respect to Restaurants operated by you pursuant to the Franchise Agreements and subject, further, to the right of first refusal described in Section 6 below.

4.4 We and our affiliates retain all rights with respect to Restaurants, the Marks and the sale of any goods and services, anywhere in the world, including, without limitation, the right:

4.4.1 to produce, offer and sell and to grant others the right to produce, offer and sell the products offered at Restaurants and any other goods displaying the Marks or other trade and service marks through alternative distribution channels, as described below, both within and outside the Development Area, and under any terms and conditions we deem appropriate. "Alternative distribution channels" include, but are not limited to, the Internet, catalog sales, grocery stores, club stores, specialty food stores, telemarketing or other direct marketing sales;

4.4.2 to operate and to grant others the right to operate Restaurants located outside the Development Area under any terms and conditions we deem appropriate and regardless of proximity to a Restaurant;

4.4.3 to operate and to grant others the right to operate Restaurants at Non-Traditional Sites within and outside the Development Area under any terms and conditions we deem appropriate, subject to the right of first refusal described in Section 6.2; and

4.4.4 to acquire and operate a business operating one or more restaurants or food service businesses located or operating in the Development Area, except that these businesses will not operate using the Proprietary Marks.

SECTION 5: RENEWAL

This Agreement shall not be subject to renewal; however, if you wish to purchase a new Development Area and continue to develop Restaurants, we will, in good faith, negotiate a new Multi-Unit Development Agreement with you.

SECTION 6: TERM AND RIGHT OF FIRST REFUSAL

6.1 Unless sooner terminated in accordance with the terms of this Agreement, the term of this Agreement and all Development Rights granted hereunder shall expire on the date the last Restaurant is opened pursuant to the Minimum Performance Schedule established in Attachment 1.

6.2 Upon completion of the Minimum Performance Schedule, if we determine that it is desirable to operate one or more additional Restaurants in the Development Area, and provided you have timely complied with the Minimum Performance Schedule and are then in compliance with all terms and conditions of all Franchise Agreements, you shall have a right of first refusal to obtain the Development Rights to such additional Restaurants upon such reasonable terms and conditions as are then determined by us including, but not limited to, the imposition of a new Development Fee and the payment of the then-current initial fees upon execution of the then-current Franchise Agreements. In such case, we shall advise you in writing of the terms and conditions for the acquisition of the Development Rights for such additional Restaurants. You must notify us in writing within sixty (60) days of the receipt of such notice whether you wish to acquire the Development Rights to one or all of such additional Restaurants. If you do not exercise this right of first refusal, in whole, we may, following the expiration of the sixty (60) day period, grant the Development Rights to such additional Restaurants to any other person or persons on the same terms and conditions or we may elect to develop and construct any of such additional Restaurants.

SECTION 7: YOUR OBLIGATIONS

You acknowledge and agree that:

7.1 Except as otherwise provided herein, this Agreement includes only the right to select sites for the establishment of Restaurants and to submit the same to us for our approval in accordance with the

terms of this Agreement. This Agreement does not include the grant of a license by us to you of any rights to use the Marks, the System, or to open or operate any Restaurants within the Development Area. You shall obtain the license to use such additional rights at each Restaurant upon the execution of each Franchise Agreement by both you and us and only in accordance with the terms of each Franchise Agreement.

7.2 The Development Rights granted hereunder are personal to you and cannot be sold, assigned, transferred or encumbered, in whole or in part, except as stated in Section 11 hereof.

7.3 Except as provided in Sections 6.1 and 6.2 hereof, the Development Rights granted hereunder are non-exclusive, and we retain the right, in our sole discretion:

7.3.1 To continue to construct and operate other Restaurants and to use the System and the Marks at any location outside the Development Area, and to license others to do so.

7.3.2 To develop, use and franchise the rights to any trade names, trademarks, service marks, trade symbols, emblems, signs, slogans, insignia, or copyrights not designated by us as Marks for use with different franchise systems for the sale of the different products or services not in connection with the System at any location, on such terms and conditions as we may deem advisable and without granting you any rights therein.

7.3.3 To develop, merchandise, sell and license others to sell any of our products, proprietary or otherwise, presently existing or to be developed in the future, to the public through alternative distribution channels outside or inside of the Development Area and to use the Marks in connection therewith.

7.4 You have sole responsibility for the performance of all obligations arising out of the operation of your business pursuant to this Agreement, including, but not limited to, the payment when due of any and all taxes levied or assessed by reason of such operation.

7.5 In all public records, in your relationship with other persons, and in any documents, you shall indicate clearly the independent ownership of your business and that the operations of said business are separate and distinct from the operation of a Restaurant.

7.6 You shall at all times preserve in confidence any and all materials and information furnished or disclosed to you by us and you shall disclose such information or materials only to such of your employees or agents who must have access to it in connection with their employment. You shall not at any time, without our prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

7.7 You shall comply with all requirements of federal, state and local laws, rules and regulations.

7.8 You shall at no time have the right to sub-franchise any of your Development Rights hereunder.

7.9 In no event shall any Restaurant be opened for business unless and until a Franchise Agreement for such Restaurant has been fully executed and the initial franchise fee for such Restaurant has been fully paid.

7.10 If you own three (3) or more Russo's locations, you are be required to have one (1) Area Manager, who is trained by Russo's corporate and has weekly meetings with the General Managers of the

stores. Your Area Manager must have weekly onsite inspections at each location, prepare and produce to Russo's corporate monthly financial reports (P&L, income statement.) Your Area Manager must have monthly meetings with the Russo's franchisee who owns the locations to go over financial records and operational performance, responsible for follow up on all store complaints and non-compliant issues, responsible for all advertising efforts for the locations, responsible for ensuring that each store is fully staffed and responsible for overseeing the day to day operations of each location.

SECTION 8: OUR SERVICES

We shall, at our expense, provide the following services:

8.1 Review your site selection for conformity to our standards and criteria for selection and acquisition of sites upon our receipt of your written request for approval thereof. We will conduct one (1) on-site evaluation of the proposed location for the Restaurant, and you agree to reimburse our expenses related to this on-site evaluation. If we are required to conduct additional on-site evaluations, you agree to pay us One Thousand Dollars (\$1,000) for each additional on-site evaluation that is required, and you agree to reimburse our representative's expenses related to such additional on-site evaluation, such as travel, lodging and meals.

8.2 Assist you in determining the layout and configuration of each Restaurant once the location has been approved. After you and we have determined the layout and configuration of each Restaurant, you must arrange for site plan and build-out plans and specifications to be prepared and submitted to us for our review and approval.

8.3 Review of your site plan and final build-out plans and specifications for conformity to the construction standards and specifications of the System, upon our receipt of your written request for approval thereof. When you submit the plans to us for our review, you shall pay to us Five Hundred Dollars (\$500) for our (or our agent's) review of the construction plans for your Restaurant.

8.4 Provide such other resources and assistance as may hereafter be developed and offered by us to our other multi-unit developers.

SECTION 9: DEFAULT AND TERMINATION

9.1 The occurrence of any of the following events of default shall constitute good cause for us, at our option and without prejudice to any other rights or remedies provided for hereunder or by law or equity, to terminate this Agreement upon notice to you without opportunity to cure the default, except where prohibited by any applicable state or federal law, whereupon this Agreement shall be terminated in accordance with the provisions of any such law:

9.1.1 If you shall, in any respect, fail to meet the Minimum Performance Schedule.

9.1.2 If you shall purport to effect any assignment other than in accordance with Section 11 hereof.

9.1.3 Except as provided in Section 11 hereof, if you attempt to sell, assign, transfer or encumber this Agreement prior to the time that at least twenty-five percent (25%) of the Restaurants to be constructed and opened for business in accordance with the Minimum Performance Schedule are, in fact, open or under construction.

9.1.4 If you make, or have made, any material misrepresentation to us in connection with obtaining this Agreement, any site approval hereunder, or any Franchise Agreement.

9.1.5 If you default in the performance of any obligation under any Franchise Agreement with us, provided such default results in the termination of the Franchise Agreement.

9.1.6 If you suffer a violation of any law, ordinance, rule or regulation of a governmental agency in connection with the operation of the Restaurant, and permit the same to go uncorrected after notification thereof, unless there is a bona fide dispute as to the violation or legality of such law, ordinance, rule or regulation, and you promptly resort to courts or forums of appropriate jurisdiction to contest such violation or legality.

9.1.7 If any of you are convicted in a court of competent jurisdiction of an indictable offense punishable by a term of imprisonment in excess of one (1) year.

9.1.8 If any of you shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; if you are adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian for you or your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a *supersedeas* bond is filed); if execution is levied against your business or property; if suit to foreclose any lien or mortgage against the premises or equipment is instituted against you and not dismissed within thirty (30) days; or if the real or personal property of the business shall be sold after levy thereupon by any sheriff, marshal, or constable.

9.1.9 If you or any of your affiliates cease to operate all of the Restaurants developed pursuant to the terms of this Agreement.

9.2 Upon occurrence of any of the events stated in this Section 9.2, we may, without prejudice to any other rights or remedies contained in this Agreement or provided by law or equity, terminate this Agreement. Such termination shall be effective thirty (30) days after written notice (or such other notice as may be required by applicable state law) is given by us to you of any of such events, if such defaults are not cured within such period:

9.2.1 If you shall use the System or Marks, or any other names, marks, systems, insignia, symbols or rights which are our property except pursuant to, and in accordance with, a valid and effective Franchise Agreement.

9.2.2 If you shall have any interest, direct or indirect, in the ownership or operation of any food service business engaged in the sale of products the same as or substantially similar to those permitted to be sold by a Restaurant or in any food service business which looks like, copies or imitates the Restaurant or operates in a manner tending to have such effect other than pursuant to a valid and effective Franchise Agreement with us.

9.2.3 If you shall fail to remit to us any payments pursuant to Section 2 when same are due.

9.2.4 If you shall begin work upon any Restaurant at any site unless all the conditions stated in Section 3 hereof have been met.

9.2.5 If you fail to obtain our prior written approval or consent, including but not limited to site approval or site plan approval, as expressly required by this Agreement.

9.2.6 If you default in the performance of any other obligation under this Agreement.

9.2.7 If you open any Restaurant for business before a Franchise Agreement for such Restaurant has been fully executed and the initial franchise fee due to us has been paid.

SECTION 10: OBLIGATIONS FOLLOWING TERMINATION

10.1 Upon termination of this Agreement becoming effective for any reason, or upon expiration of the term hereof, you agree as follows:

10.1.1 To cease immediately any attempts to select sites on which to establish Restaurants.

10.1.2 To cease immediately to hold yourself out in any way as a multi-unit developer of ours or to do anything which would indicate a relationship between you and us.

10.2 No right or remedy herein conferred upon or reserved to us is exclusive of any other right or remedy provided or permitted by law or in equity.

SECTION 11: TRANSFER OF INTEREST

11.1 This Agreement is personal to you and you shall neither sell, assign, transfer nor encumber this Agreement, the Development Rights, or any other interest hereunder, nor suffer or permit any such assignment, transfer or encumbrance to occur directly, indirectly or contingently by agreement or by operation of law without our prior written consent. You understand that this Agreement may not be pledged, mortgaged, hypothecated, given as security for an obligation or in any manner encumbered. The assignment or transfer of any interest, except in accordance with this Section shall constitute a material breach of this Agreement.

11.2 You have represented to us that you are entering into this Agreement with the intention of complying with its terms and conditions and not for the purpose of resale of the Development Rights hereunder. Therefore, you agree that any attempt to assign this Agreement, prior to the time that at least twenty-five percent (25%) of the Restaurant(s) to be constructed hereunder are opened or under construction shall be deemed to be an event of default.

11.3 If you receive from an unaffiliated third party and desire to accept a bona fide written offer to purchase your business, Development Rights and interests, we shall have the option, exercisable within thirty (30) days after receipt of written notice setting forth the name and address of the prospective purchaser, the price and terms of such offer, and a copy of such offer and the other information stated in this Section 11, to purchase such business, Development Rights and interests, including your right to develop sites within the Development Area, on the same terms and conditions as offered by said third party. In order that we may have information sufficient to enable us to determine whether to exercise this option, we may require you to deliver to us certified financial statements as of the end of your most recent fiscal year and such other information about your business and operations as we may request. If we decline or do not accept the offer in writing within thirty (30) days, you may, within thirty (30) days from the expiration of the option period, sell, assign and transfer your business, Development Rights and interest to said third party, provided we have consented to such transfer as required by this Section 11. Any material

change in the terms of the offer prior to closing of the sale to such third party shall constitute a new offer, subject to the same rights of first refusal by us or our nominee, as in the case of an initial offer. Our failure to exercise the option afforded by this Section 11 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section with respect to the proposed transfer.

11.4 You acknowledge and agree that the restrictions on transfer imposed herein are reasonable and are necessary to protect the Development Rights, the System and the Marks, as well as our reputation and image, and are for the protection of us, you and other multi-unit developers and franchisees. Any assignment or transfer permitted by this Section 11 shall not be effective until we receive a completely executed copy of all transfer documents, and we consent in writing thereto.

11.5 Except as provided in Section 11.5 hereof, we agree not to unreasonably withhold our consent to a sale, assignment or transfer by you hereunder. Consent to such transfer otherwise permitted or permissible as reasonable may be refused unless:

11.5.1 All of your obligations created by this Agreement, all other franchise documents, including all Franchise Agreements, and the relationship created hereunder are assumed by the transferee.

11.5.2 All ascertained or liquidated debts of you to us or our affiliated or subsidiary corporations are paid.

11.53 You are not in default hereunder.

11.5.4 We are reasonably satisfied that the transferee meets all of our requirements for new multi-unit developers, including but not limited to, good reputation and character, business acumen, operational ability, management skills, financial strength and other business considerations.

11.5.5 Transferee executes or, in appropriate circumstances, causes all necessary parties to execute, our standard form of Multi-Unit Development Agreement, Franchise Agreements for all Restaurants open or under construction hereunder, and such other then-current ancillary agreements being required by us of new multi-unit developers on the date of transfer.

11.5.6 You execute a general release, in a form satisfactory to us, of any and all claims against us, our officers, directors, employees and principal stockholders of any and all claims and causes of action that you may have against us or any subsidiary or affiliated corporations in any way relating to this Agreement or the performance or non-performance thereof by us.

11.5.7 You or transferee pay to us a transfer fee equal to thirty-five percent (35%) of our then-current initial franchise fee for a single unit franchise to cover our reasonable costs in effecting the transfer and in providing training and other initial assistance to transferee.

11.6 If the proposed transfer is a transfer between existing owners of the Multi-Unit Developer hereunder, or if you wish to add a new owner, then you shall submit to us, in writing, a request for our approval of the proposed transfer among owners or to a new owner together with any information we require in order to evaluate the proposed transfer, including, without limitation, financial and other information relating to the proposed transferee. Our approval of your request will not be unreasonably withheld. If you are requesting to add an owner, the proposed new owner must meet our criteria, including financial capability and that the new owner is not participating in a competing business, and the new ownership structure shall not change the majority ownership in you. If we approve a new owner in you, such new owner shall be bound by the covenants of confidentiality and non-competition set forth herein, and shall execute any documents we may require to enforce these covenants.

11.7 As it relates to death or disability:

11.10.1 Upon your death or upon the death of any owner who has an interest in this Agreement, the Development Rights or you (the “Deceased”), the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party approved by us within twelve (12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by us. If the distributee is not approved by us, then the distributee shall transfer such interest to a third party approved by us within twelve (12) months after the death of the Deceased.

11.70.2 Upon your permanent disability or upon the permanent disability of any owner who has an interest in this Agreement, the Development Rights or you, we may, in our reasonable discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Section 11 within six (6) months after notice to you. “Permanent disability” shall mean any physical, emotional or mental injury, illness or incapacity which would prevent a person from performing the obligations set forth in this Agreement or in the guaranty made part of this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by us, upon examination of the person; or if the person refuses to submit to an examination, then such person automatically shall be deemed permanently disabled as of the date of such refusal for the purpose of this Section 11.10. The costs of any examination required by this Section shall be paid by us.

11.70.3 Upon the death or claim of permanent disability of you or any owner, you or a representative of yours must notify us of such death or claim of permanent disability within ten (10) days of its occurrence. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as described in this Section for any *inter vivos* transfer. If an interest is not transferred upon death or permanent disability as required in this Section, then such failure shall constitute a material event of default under this Agreement.

11.8 Our consent to a transfer of any interest in you or in the Development Rights pursuant to this Section shall not constitute a waiver of any claims we may have against the transferring party, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferee.

11.9 We shall have the right to assign this Agreement and all of our attendant rights and privileges to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of our functions: (i) the assignee shall, at the time of such assignment, be financially responsible and economically capable of performing our obligations; and (ii) the assignee shall expressly assume and agree to perform such obligations.

You expressly affirm and agree that we may sell our assets, our rights to the Marks or to the System outright to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of “New York Pizzeria Incorporated” as Franchisor. Nothing contained in this Agreement shall require us to remain in the restaurant business or to offer the same

products and services, whether or not bearing the Marks, in the event that we exercise our right to assign our rights in this Agreement.

SECTION 12: COVENANTS

12.1 You specifically acknowledge that, pursuant to this Agreement, you will receive valuable training and confidential information, including, without limitation, secret recipes, information regarding the marketing methods and techniques of us and the System. You covenant that during the term of this Agreement, except as otherwise approved in writing by us, you shall not, either directly or indirectly, for yourself/himself, or through, on behalf of or in conjunction with any person, persons or legal entity:

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

12.1.2 Own, maintain, advise, help, invest in, make loans to, be employed by, engage in or have any interest in any restaurant or food service business other than the Franchised Business (including any business operated by you prior to entry into this Agreement), which business is of a character and concept similar to the Restaurant, including a restaurant which offers and sells the same or substantially similar food products (a “Competitive Business”).

12.2 You covenant that, except as otherwise approved in writing by us, you shall not, for a continuous and uninterrupted period commencing upon the expiration or termination of this Agreement, and continuing for two (2) years thereafter (and, in case of any violation of this covenant, for two (2) years after the violation ceases), either directly or indirectly, for yourself, or through, on behalf of or in conjunction with any person, persons, partnership or corporation, own, maintain, advise, help, invest in, make loans to, be employed by, engage in or have any interest in any Competitive Business which is located within twenty (20) miles of any Restaurant in the System.

12.3 Subsections 12.1.3 and 12.2 of this Section shall not apply to ownership by you of less than a five percent (5%) beneficial interest in the outstanding equity securities of any company which is registered under the Securities Exchange Act of 1934.

12.4 The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 12 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 12.

12.5 You understand and acknowledge that we shall have the right, in our sole discretion, to reduce the scope of any covenant stated in Sections 12.1 and 12.2 or any portion thereof, without your consent, effective immediately upon receipt by you of written notice thereof, and you agree that you shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 16 hereof.

12.6 You expressly agree that the existence of any claim you may have against us, whether or not arising from this Agreement, shall not constitute a defense to our enforcement of the covenants in this Section 12.

12.7 You acknowledge that any failure to comply with the requirements of this Section 12 would cause us irreparable injury for which no adequate remedy at law may be available, and you hereby accordingly consent to our seeking injunctive relief prohibiting any conduct by you in violation of the terms of this Section 12. We may further avail ourselves of any other legal or equitable rights and remedies which we may have under this Agreement or otherwise. Notwithstanding the generality of the foregoing, you further understand and agree that if you fail to comply with a non-competition covenant stated herein, you agree to pay to us One Thousand Dollars (\$1,000) per day for each day such failure to comply continues.

If you breach the confidentiality requirements under Section 12.1 and disclosure of Russo's confidential information, you will be subject to liquidated damages in the amount of Five Million Dollars (\$5,000,000).

12.8 During the term of this Agreement, an officer or agent of ours shall have the right to inspect any Restaurant in which you have an interest at reasonable times and during normal business hours to the extent reasonably necessary to determine whether the conditions of this Section 12 are being satisfied. If, by reason of such inspections or otherwise, we have reason to believe that you are not in full compliance with the terms of this Section, we shall give notice of such default to you, specifying the nature of such default. If you deny that you are in default hereunder, as specified by us, you shall have the burden of establishing that such default does not exist and shall give notice to us of your position within ten (10) days of receipt of the notice from us. Unless you so deny such default, you shall immediately take all steps to cure said default in a manner satisfactory to us.

SECTION 13: NOTICES

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

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

SECTION 14: INDEPENDENT CONTRACTOR AND INDEMNIFICATION

14.1 The parties acknowledge and agree that you shall be an independent contractor and this Agreement does not create a fiduciary relationship between them, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose. You understand and agree that you are and will be an independent contractor under this Agreement. Nothing in this Agreement may be interpreted as creating a partnership, joint venture, agency, employment or fiduciary relationship of any kind. Your employees are not our employees. Neither you nor any of your employees whose compensation you pay may in any way, directly or by implication, shall be considered our employee for any purpose, regardless of inclusion in mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. We will not have the power to hire or terminate the employment of your employees. You expressly agree, and will never claim otherwise, that our authority under this Agreement to determine that certain of your employees are qualified to perform certain tasks for you does not directly or indirectly vest in us the power to influence the employment terms of any such employee.

You agree that you alone are to exercise day-to-day control over all operations, activities and elements of your business, and that under no circumstance shall we do so or be deemed to do so. You

further acknowledge and agree, and will never claim otherwise, that the various restrictions, prohibitions, specifications and procedures of the System which you are required to comply with under this Agreement, whether set forth in our Operations Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your Franchised Business, which you alone control, but only constitute standards you must adhere to when exercising your control of the day-to-day operations of your Franchised Business.

14.2 During the term of this Agreement, you shall hold yourself out to the public as an independent contractor conducting your operations pursuant to the rights granted by us. You agree to take such action as shall be reasonably necessary to that end, including, without limitation, exhibiting a notice of that fact in a conspicuous place on any Restaurant premises established for the purposes hereunder and on all letterhead, business cards, forms, and as further described in the Operations Manual. We reserve the right to specify in writing the content and form of such notice.

You acknowledge and agree that any training we provide for your employees is geared to impart to those employees, with your ultimate authority, the various procedures, protocols, systems and operations of a Restaurant and in no fashion reflects any employment relationship between us and such employees. If it is ever asserted that we are the employer, joint employer or co-employer of any of your employees in any private or government investigation, action, proceeding, mediation, arbitration or other setting, you irrevocably agree to assist us in defending said allegation, appearing at any venue requested by us to testify on our behalf; participating in depositions or other appearances; or preparing affidavits rejecting any assertion that we are the employer, joint employer or co-employer of any of your employees.

14.3 You understand and agree that nothing in this Agreement authorizes you to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other obligation in our name, and that we assume no liability for, nor shall be deemed liable by reason of, any act or omission of yours or any claim or judgment arising therefrom. You shall indemnify and hold us and our officers, directors, and employees harmless against any and all such claims arising directly or indirectly from, as a result of, or in connection with your activities hereunder, as well as the cost, including reasonable attorneys' fees, of defending against them, except that the foregoing shall not apply to infringement actions regarding the Marks which are caused solely by our actions or actions caused by the negligent acts of us or our agents.

SECTION 15: APPROVALS

15.1 Whenever this Agreement requires our prior approval or consent, you shall make a timely written request to us for such approval or consent, and, except as otherwise provided herein, any approval or consent granted shall be in writing.

15.2 We make no warranties or guarantees upon which you may rely, and assume no liability or obligation to you or any third party to which we would not otherwise be subject, by providing any waiver, approval, advise, consent or services to you in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

SECTION 16: NON-WAIVER

No failure of ours to exercise any power reserved to us under this Agreement or to insist upon compliance by you with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of our rights to demand exact compliance with the terms of this Agreement. Our waiver of any particular default shall not affect or impair our right with respect to any subsequent default of the same or of a different nature; nor shall any delay, forbearance or omission of ours to exercise any power or right arising out of any breach or default by you of any of the

terms, provisions or covenants of this Agreement affect or impair our rights, nor shall such constitute a waiver by us of any rights hereunder or rights to declare any subsequent breach or default.

SECTION 17: SEVERABILITY AND CONSTRUCTION

17.1 Each covenant and provision of this Agreement shall be construed as independent of any other covenant or provision of this Agreement. The provisions of this Agreement shall be deemed severable.

17.2 If all or any portion of a covenant or provision of this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a decision to which we are a party, you expressly agree to be bound by any lesser covenant or provision imposing the maximum duty permitted by law which is subsumed within the terms of such covenant or provision, as if that lesser covenant or provision were separately stated in and made a part of this Agreement.

17.3 Nothing in this Agreement shall confer upon any person or legal entity other than us or you, and such of our respective successors and assigns as may be contemplated by Section 11 hereof, any rights or remedies under or by reason of this Agreement.

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

17.5 All references herein to gender and number shall be construed to include such other gender and number as the context may require, and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by you shall be deemed jointly and severally undertaken by all those executing this Agreement on your behalf.

17.6 This Agreement may be executed in multiple copies, each of which shall be deemed an original.

SECTION 18: ENTIRE AGREEMENT

This Agreement, the documents referred to herein and the Attachments attached hereto constitute the entire, full and complete agreement between us and you concerning the subject matter hereof and supersede any and all prior agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by us in the Disclosure Document that was furnished to you by us. No amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

SECTION 19: DISPUTE RESOLUTION; APPLICABLE LAW

19.1 Except to the extent we elect to enforce the provisions of this Agreement by judicial process and injunction in our sole discretion, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter) which have not been settled through negotiation will be settled by mediation or binding arbitration within the county and state where we maintain our headquarters under the authority of such state's statutes (the "Statutes"). The arbitrator(s) will have a minimum of five (5) years of experience in franchising or distribution law and will have the right to award specific performance of this Agreement. If the parties cannot agree upon a mutually agreeable arbitrator, then the arbitration shall be conducted as per the selection method set forth in the Statutes. The proceedings will be conducted under the commercial arbitration rules of the American

Arbitration Association, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the Statutes. The decision of the arbitrator(s) will be final and binding on all parties. This Section will survive termination or non-renewal of this Agreement under any circumstances. Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction thereof. During the pendency of any arbitration proceeding, you and we shall fully perform our respective obligations under this Agreement.

19.2 With respect to any claims, controversies or disputes which are not finally resolved through arbitration, or as otherwise provided above, you hereby irrevocably submit to the jurisdiction of the state courts and the Federal District Court closest to our headquarters. You hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision. You hereby agree that service of process may be made upon any of them in any proceeding relating to or arising out of this Agreement or the relationship created by this Agreement by any means allowed by Texas or federal law. You further agree that venue for any proceeding relating to or arising out of this Agreement shall be the county and state where we maintain our headquarters; provided, however, with respect to any action (1) for monies owed, (2) for injunctive or other extraordinary relief or (3) involving possession or disposition of, or other relief relating to, real property, we may bring such action in any State or Federal District Court which has jurisdiction. With respect to all claims, controversies, disputes or actions, related to this Agreement or the relationship created thereby, this Agreement and any such related claims, controversies, disputes or actions shall be governed, enforced and interpreted under the law of the state where we maintain our headquarters.

19.3 You and we acknowledge that the parties' agreement regarding applicable state law and forum set forth in Sections 19.1 and 19.2 above provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising out of this Agreement or the parties' relationship created by this Agreement. Each of you and we further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of forum have been negotiated in good faith and are part of the benefit of the bargain reflected by this Agreement.

19.4 You and we acknowledge that the execution of this Agreement and acceptance of the terms by the parties occurred in Harris County, Texas, and further acknowledge that the performance of certain of your obligations arising under this Agreement, including, but not limited to, the payment of monies due hereunder and the satisfaction of certain training requirements of ours, shall occur in Harris County, Texas.

19.5 You and we hereby waive, to the fullest extent permitted by law, any right to or claim or any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against either party, their officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, either party shall be limited to the recovery of any actual damages sustained by it. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of waiver by agreement of punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) shall continue in full force and effect.

19.6 We and you irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of us against the other. Any and all claims and actions arising out of or relating to this Agreement, the relationship of you and us, or your operation of the Franchised Business, brought by either party hereto against the other, whether in arbitration, or a legal action, shall be commenced within two (2) years from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

19.7 If we are required to enforce this Agreement in a judicial or arbitration proceeding, you shall reimburse us for our costs and expenses, including, without limitation, reasonable accountants', attorneys', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by you to comply with this Agreement, you shall reimburse us for any of the above-listed costs and expenses incurred by us.

SECTION 20: TIMELY PERFORMANCE

You hereby acknowledge that your timely development of the Restaurants in the Development Area in accordance with the Minimum Performance Schedule is of material importance to us and you. You agree, as a condition of the continuance of the rights granted hereunder, to develop and open Restaurants within the Development Area in accordance with the Minimum Performance Schedule, to operate such Restaurants pursuant to the terms of the Franchise Agreements and to maintain all such Restaurants in operation continuously. We agree to diligently act upon any request of or approval from you and any material delay in your ability to meet the Minimum Performance Schedule which is directly caused by our failure to act diligently upon a request for approval shall not constitute a default hereunder. Further, a failure or delay in performance by any party to this Agreement shall not be a default hereunder if such failure or delay arises out of or results from a Force Majeure, which for purposes of this Agreement shall be defined as fire, flood, earthquake or other natural disasters, or acts of a public enemy, war, rebellion or sabotage. Force Majeure shall not include your lack of financing.

SECTION 21: ACKNOWLEDGMENTS

21.1 YOU ACKNOWLEDGE THAT THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES SUBSTANTIAL BUSINESS RISKS AND WILL BE TOTALLY AND COMPLETELY DEPENDENT UPON YOUR ABILITY AS AN INDEPENDENT BUSINESSPERSON.

21.3 YOU ACKNOWLEDGE THAT YOU RECEIVED THE DISCLOSURE DOCUMENT REQUIRED BY THE TRADE REGULATION RULE OF THE FEDERAL TRADE COMMISSION AT LEAST FOURTEEN (14) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED OR ANY PAYMENT WAS MADE TO US OR OUR AFFILIATE.

SECTION 22: EFFECTIVE DATE

This Agreement shall be effective as of the date it is executed by us.

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

NEW YORK PIZZERIA INCORPORATED

By: _____
Name: _____
Title: _____
Date: _____

MULTI-UNIT DEVELOPER:

By: _____
Name: _____
Title: _____

**NEW YORK PIZZERIA INCORPORATED
MULTI-UNIT DEVELOPMENT AGREEMENT**

**ATTACHMENT 1
MINIMUM PERFORMANCE SCHEDULE**

The Agreement authorizes and obliges Multi-Unit Developer to establish and operate _____ () “Russo’s New York Pizzeria” Restaurants pursuant to a Franchise Agreement for each Restaurant in the Development Area. The following is Multi-Unit Developer’s Minimum Performance Schedule:

Minimum Cumulative Number
of Franchise Agreements for
Restaurants to be located
and Operating
Within the Development Area

By this Date

Total: _____

The Minimum Performance Schedule shall be deemed completed, and this Agreement shall expire, upon the opening of the final Restaurant to be developed pursuant to this Agreement.

APPROVED:

MULTI-UNIT DEVELOPER

NEW YORK PIZZERIA INCORPORATED

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

**NEW YORK PIZZERIA INCORPORATED
MULTI-UNIT DEVELOPMENT AGREEMENT**

**ATTACHMENT 2
DEVELOPMENT AREA**

The following describes the Development Area within which Multi-Unit Developer may locate Restaurants under this Agreement:

APPROVED:

MULTI-UNIT DEVELOPER

NEW YORK PIZZERIA INCORPORATED

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

EXHIBIT D**FRANCHISED OUTLETS AS OF DECEMBER 31, 2024****Franchisees:**

Russo's New York Pizzeria Restaurants	
ARIZONA	
MESA Kevin Barth Cannon Beach 4537 S. Power Rd, Ste D101 Mesa, AZ 85212 480-219-4686	
CALIFORNIA	
CLOVIS Don Haines 1845 E Herndon Avenue Clovis, CA 93611 559-578-8070	
OKLAHOMA	
BROKEN ARROW George Martinez 775 W Tucson St Broken Arrow, OK 74011 918-994-6776	
TEXAS	
FAIRFIELD Mauricio Barberi 28610 Hwy 190, #F23 Cypress, TX 77433 281-256-8713	MARQ-E CENTER Joel Bolomboy 7620 Katy Freeway#220 Houston, TX 77024 713-956-2100
CONROE Guillermo Medellin 3915 W. Davis Street, #180 Conroe, TX 77304 936-539-5900	MEMORIAL (BRIAR FOREST) Ramkrushna Patel 13346 Briar Forest Dr., Ste. 100 Houston, TX 77077 281-497-9800
KATY-WESTGREEN Robert Munoz 20900 Katy Fwy #L Katy, TX 77449 281-599-7492	WEST LITTLE YORK Michael Worthen 11755 West Little York, #B103 Houston, TX 77041 713-937-1111
MEYERLAND Mr. Frank Hussain 4870 Beechnut Houston, TX 77096-1604 713-349-8787	PFLUGERVILLE Joel Bolomboy 18816 Limestone Commercial Drive, #500 Pflugerville, TX 78660 512-252-7444
FRISCO Justin Arden 3420 Main Street #200	SOUTH PADRE ISLAND, TX Gildardo Guzman 410 Padre Boulevard

Frisco, TX 75053 972-294-5851	South Padre Island, TX 78597 956-299-4987
BELLA TERRA Azim Khan 5530 W. Grand Parkway South, Suite 200 Richmond, TX 77406 281-239-6336	GRAND PARKWAY MARKETPLACE Gregorius Brown 6633 Spring Stuebner #300 Spring, Texas 77389 281-323-4389
SUGAR LAND Marin Roman 403 Hwy 6 South #C Sugar Land, TX 77478 281-494-1114	SUGAR LAND – GREATWOOD Ben Knapp 6560 Greatwood Pkwy #900 Sugar Land, TX 77479 281-545-8100
CYPRESS CROSSING Ankur Dayal 13126 FM 1960 Road, Suite 125 Houston, Texas 77065 281-653-9503	THE WOODLANDS Guillermo Medellin 3335 College Park Dr., Ste. 300 The Woodlands, TX 77384 936-273-6060
KATY RESERVE Azim Khan SWC of FM 1708 Spring Green Rd, #180 Katy, TX 77494 832-981-7727	MORTON RANCH Jaime Gama 22811 Morton Ranch Rd, Ste 130 Katy, TX 77449 281-396-4694
PEARLAND TOWN CENTER Sam Farouz 11200 Broadway, Suite 635 Pearland, TX 77584 (281) 272-6898	NEW CANEY Jeff Lewis 21572 Market Pl Dr #100 New Caney, TX 77357 281-354-4815
BROWNSVILLE, TX Gildardo Guzman 3340 Pablo Kisel Blvd. Brownsville, TX 78526 956-801-3086	

Russo's Coal-Fired Italian Kitchen Restaurants	
FLORIDA	
PEMBROKE PINES Karla Tomas 14910 Pines Boulevard Pembroke Pines, FL 33027 954-431-1131	
TEXAS	
SAN ANTONIO Juan Carlos Santandreu 17631 La Cantera Pkwy San Antonio, Texas 78257 210-561-7616	RICHARDSON Bhargav Vora 700 East Campbell Road Richardson, TX 75081 972-235-7992

Franchise Agreement Signed But Unit Not Open as of December 31, 2024

<u>Tempe Arizona</u> Kristina Schlosser kristinaschlosser@yahoo.com	<u>Stockton, California</u> Shaukat Shah shah@sjmai.com
--	--

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

***Multi-unit developers**

FRANCHISEES WHO HAVE LEFT THE SYSTEM

(As of December 31, 2024)

TULSA George Martinez Tulsa, OK 918-779-4600	SPRING MARKETPLACE Guillermo Medellin Tomball, TX 832-639-6500
WHITE OAK Joel Bolomboy 3 outlets in Houston, TX 281-306-5222	LEAGUE CITY Mr. Vic Mathews League City, TX 281-337-7992

EXHIBIT E

OPERATIONS MANUAL TABLE OF CONTENTS

1. ***Introduction***
 - Purpose of the Manual
 - How to Use This Manual
 - Company Overview
2. ***Franchise Standards***
 - Brand Guidelines
 - Core Values
 - Franchisee Responsibilities
 -
3. ***Restaurant Setup***
 - Site Requirements
 - Equipment & Fixtures
 - Design & Layout Guidelines
4. ***Hiring & Staffing***
 - Recruiting
 - Training Programs
 - Employee Roles & Responsibilities
 - Payroll and HR Procedures
5. ***Operations Procedures***
 - Daily Opening/Closing
 - Food Preparation & Recipes
 - Sanitation & Safety
 - Equipment Use & Maintenance
6. ***Customer Service***
 - Guest Interaction Standards
 - Complaint Handling
 - Delivery & Takeout Protocols
7. ***Inventory Management***
 - Ordering Supplies
 - Inventory Tracking
 - Waste Reduction
8. ***Marketing & Promotions***
 - Local Store Marketing
 - Social Media Guidelines
 - Promotional Calendar
9. ***Financial Controls***
 - Cash Handling
 - Sales Reporting
 - POS Use
10. ***Compliance***

- Health & Safety Codes
- Legal & Regulatory Obligations
- Franchisor Inspections

11. *Technology & Systems*

- POS System
- Online Ordering
- IT Support

12. *Emergency Procedures*

- Fire, Theft, Medical Incidents
- Crisis Communication

13. *Appendices*

- Forms & Checklists
- Vendor List
- Contact Directory

EXHIBIT F
STATE SPECIFIC ADDENDA

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT AND
FRANCHISE AGREEMENT REQUIRED BY THE STATE OF HAWAII**

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

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.

The Franchise Disclosure Documents and the Franchise Agreement are hereby amended to state:

“Based upon the franchisor's financial condition, the initial fees paid to the franchisor must be deferred until all pre-opening obligations of the franchisor have been met and the franchisee is open for business.”

ILLINOIS ADDENDUM TO THE DISCLOSURE DOCUMENT,
FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT AGREEMENT

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement which designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

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

Your right upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

For info about obtaining a liquor license in Illinois, see:
<https://www.Illinois.gov/ilcc/Pages/Forms-and-Applications.aspx>

For info on becoming TIPS certified in Illinois, see:
<https://www.tipscertified.com/tips-state-pages/Illinois/>

See: Liquor Control Act of 1934, 235 ILCS 5/ (West 2016) for Illinois Dram Shop laws.

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.

In Illinois, payment of Initial Franchise (and Development) Fees will be deferred until franchisor has satisfied its pre-opening obligations to franchisee and the franchisee has commenced business. The Illinois Attorney General's Office imposed this deferral requirement due to the Franchisor's financial condition.

The parties hereto have duly executed this Illinois Addendum on _____.

FRANCHISOR:
NEW YORK PIZZERIA INCORPORATED

By: _____
Name: Gerardo Anthony Russo
Title: President, CEO

FRANCHISEE (Entity):

By: _____
Name: _____
Title: _____

(Additional signatures appear on the following page)

FRANCHISEE (Principal):

Name:_____

FRANCHISEE (Principal):

Name:_____

NEW YORK STATE ADDENDUM TO FDD

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT G OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

Except as provided above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions other than routine litigation incidental to the business that is significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for a franchisee to renew or extend," and Item 17(m), entitled "Conditions for franchisor approval of transfer":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State

of New York and the regulations issued thereunder shall remain in force; this proviso intends that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by a franchisee”: “You may terminate the agreement on any grounds available by law.”
5. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum,” and Item 17(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements -- 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.
7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

EXHIBIT G

LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

State	State Agency	Agent for Service of Process
CALIFORNIA	Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of Financial Protection and Innovation
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner

State	State Agency	Agent for Service of Process
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 st FL New York, NY 10005 212-416-8222	Secretary of State 99 Washington Avenue Albany, NY 12231
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, State Capitol, 14th Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Director of the Department of Consumer and Business Services
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation

State	State Agency	Agent for Service of Process
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Director of Insurance-Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 th Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	<u>Mailing</u> - Department of Financial Institutions PO Box 41200 Olympia, WA 98504-1200 <u>Overnight</u> - Department of Financial Institutions 150 Israel Rd SW Tumwater, WA 98501-6456 (360) 902-8760	Department of Financial Institutions 150 Israel Rd SW Tumwater, WA 98501-6456
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

EXHIBIT H

FRANCHISEE ACKNOWLEDGEMENT STATEMENT

****NOT FOR USE IN CALIFORNIA, MARYLAND, AND WASHINGTON****

'Do not sign if the franchisee is a Maryland resident or if the franchised business will be located within the State of Maryland.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee (or developer) 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.

Franchisee hereby acknowledges the following:

1. Franchisee has conducted an independent investigation of all aspects relating to the financial, operational and other aspects of the business of operating the Franchised Business. Franchisee further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement has been made to Franchisee by Franchisor and Franchisee and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee may experience as a franchisee under this Agreement.

Initial

2. Franchisee has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee and its efforts as an independent business operation.

Initial

3. Franchisee agrees that no claims of success or failure have been made to it or him or her prior to signing the Franchise Agreement and that it/she/he understands all the terms and conditions of the Franchise Agreement. Franchisee further acknowledges that the Franchise Agreement contains all oral and written agreements, representations and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally.

Initial

4. Franchisee has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by the Franchise Agreement that are contrary to the terms of the Franchise Agreement or the documents incorporated herein. Franchisee acknowledges that no representations or warranties are made or implied, except as specifically set forth in the Franchise Agreement. Franchisee represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining the Franchise Agreement.

Initial

5. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by the Franchise Agreement.

Initial

6. Franchisee acknowledges that Franchisor's approval or acceptance of Franchisee's Business location does not constitute a warranty, recommendation or endorsement of the location for the Franchised Business, nor any assurance by Franchisor that the operation of the Franchised Business at the premises will be successful or profitable.

Initial

7. Franchisee acknowledges that it has received the New York Pizza Incorporated's Franchise Disclosure Document with a complete copy of the Franchise Agreement and all related Attachments and agreements at least fourteen (14) calendar days prior to the date on which the Franchise Agreement was executed. Franchisee further acknowledges that Franchisee has read such Franchise Disclosure Document and understands its contents.

Initial

8. Franchisee acknowledges that it has had ample opportunity to consult with its own attorneys, accountants and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee with respect to the Franchise Agreement or the relationship thereby created.

Initial

9. Franchisee, together with Franchisee's advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by the Franchise Agreement.

Initial

10. Franchisee is aware of the fact that other present or future franchisees of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

Initial

11. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products under the Marks licensed herein; and it is understood that Franchisor does not warrant

that such products will not be sold within the Franchisee's Territory by others who may have purchased such products from Franchisor.

Initial

12. BY EXECUTING THE FRANCHISE AGREEMENT, FRANCHISEE AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE'S AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE NEW YORK PIZZA INCORPORATED, AND ANY OF NEW YORK PIZZA INCORPORATED'S PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AND THE FOREGOING ENTITIES' DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THE FRANCHISE AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF.

Initial

FRANCHISEE (Entity):

By:_____

Name:_____

Title:_____

FRANCHISEE (Principal):

Name:_____

FRANCHISEE (Principal):

Name:_____

STATE EFFECTIVE DATES

The following states 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 Franchise Disclosure Document is registered, on file or exempt from registrations in the following states having franchise disclosure laws, with the following effective dates:

<u>STATE</u>	<u>EFFECTIVE DATE</u>
Illinois	Pending
Hawaii	Pending
New York	Pending

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 Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all exhibits carefully.

If New York Pizzeria Incorporated 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.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If New York Pizzeria Incorporated 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, DC 20580 and to your state authority listed on Exhibit G.

The name and principal business address and telephone number of each franchise seller offering the franchise is:

Gerardo Anthony Russo 5120 Woodway Drive, Ste 8030 Houston, Texas 77056 (346) 802-4700	Massimo Begalli 5120 Woodway Drive, Ste 8030 Houston, Texas 77056 (832) 441-7237
---	---

Issuance Date: July 14, 2025.

I received a Disclosure Document dated July 14, 2025, that included the following Exhibits:

- Exhibit A – Financial Statements
- Exhibit B – Franchise Agreement
- Exhibit C – Multi-Unit Development Agreement
- Exhibit D – Franchised Outlets
- Exhibit E – Table of Contents of Confidential Operations Manual
- Exhibit F – State Addenda
- Exhibit G –List of State Administrators/Agents for Service of Process
- Exhibit H – Franchisee Acknowledgement Statement

Date Received: _____
(If other than date signed)

DATE: _____

Print Name: _____

Print Address: _____

City, State: _____

(Signature of recipient)

KEEP FOR YOUR RECORDS

RECEIPT

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all exhibits carefully.

If New York Pizzeria Incorporated 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.

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- Exhibit H – Franchisee Acknowledgement Statement

Date Received: _____
(If other than date signed)

DATE: _____

Print Name: _____

Print Address: _____

City, State: _____

(Signature of recipient)

Please return the signed receipt to: New York Pizzeria Incorporated
at 5120 Woodway Drive, Suite 8030, Houston, Texas 77056.