

EXHIBIT A

Int. Cl.: 42

Prior U.S. Cl.: 100

United States Patent and Trademark Office

Reg. No. 1,230,599
Registered Mar. 8, 1983

SERVICE MARK
Principal Register

AURELIO'S

Aurelio's Pizza, Inc. (Illinois corporation)
2045 Ridge Rd.
Homewood, Ill. 60430

For: RESTAURANT SERVICES, in CLASS 42
(U.S. Cl. 100).
First use Jan. 2, 1970; in commerce Jan. 2, 1970.
Owner of U.S. Reg. No. 1,054,871.

Ser. No. 356,189, filed Mar. 24, 1982.

R. ELLSWORTH WILLIAMS, Examining Attorney

EXHIBIT B

Int. Cl.: 43

Prior U.S. Cls.: 100 and 101

United States Patent and Trademark Office

Reg. No. 3,393,848

Registered Mar. 11, 2008

SERVICE MARK
PRINCIPAL REGISTER



AURELIO'S PIZZA, INC. (ILLINOIS CORPORATION)
18162 HARWOOD AVENUE
HOMewood, IL 60430

FOR: RETAIL RESTAURANT SERVICES SPECIALIZING IN PIZZA PIES AND PIZZA RELATED FINISHED FOOD PRODUCTS FOR IN-HOUSE CONSUMPTION AS WELL AS CARRY-OUT SERVICES, IN CLASS 43 (U.S. CLS. 100 AND 101).

FIRST USE 11-1-1974; IN COMMERCE 11-1-1974.

OWNER OF U.S. REG. NOS. 1,054,871, 1,862,660 AND OTHERS.

NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "PIZZA", APART FROM THE MARK AS SHOWN.

SER. NO. 76-675,261, FILED 4-9-2007.

DARRYL SPRUILL, EXAMINING ATTORNEY

EXHIBIT C

REVISED 02/09

AURELIO'S IS PIZZA FRANCHISE, LTD.

FRANCHISE AGREEMENT

***** STATE OF ILLINOIS *****

EXHIBIT "E"
TO ILLINOIS FRANCHISE DISCLOSURE DOCUMENT

TABLE OF CONTENTS

<u>SECTION</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
I	License	5
II	Term, Expiration and Renewal	6
III	Franchised Location and Exclusive Territory	8
IV	Payments to Company and Continuing Royalties	10
V	Advertising	14
VI	Franchise Granted to Franchisee	17
VII	Opening for Business and Inspection	21
VIII	Training	21
IX	Further Obligations of the Company	25
X	Relationship of Franchisee to the Company	26
XI	Improvement and Lease of Franchised Restaurant	27
XII	Insurance	31
XIII	Other Obligations of Franchisee	33
XIV	Assignment	41
XV	Default and Termination	46
XVI	Remedies of Company	50
XVII	Obligations Upon Termination	50
XVIII	Indemnity by Franchisee	53
XIX	Waiver	53
XX	Governing Laws, Jurisdiction and Venue	54
XXI	Entire Agreement	54
XXII	Severability	54
XXIII	Counterparts	55
XXIV	Survival of Covenants	55
XXV	Article and Paragraph Headings	56
XXVI	Notices	56
XXVII	Submission of Agreement	57

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") made and entered into this 7th day of February, 2010, by and between **AURELIO'S IS PIZZA FRANCHISE, LTD.**, an Illinois corporation with offices located at 18162 S. Harwood Avenue, Illinois, (hereinafter sometimes referred to as the "Company" or the "Franchisor"), and **PFC OF ILLINOIS, INC.**, an Illinois corporation, with offices located at 310 West Lincoln Highway, Frankfort, Illinois, (hereinafter sometimes referred to as the "Franchisee"), is made with reference to the following facts:

A. The Company is the sole and exclusive owner and user of service marks, designs, copyrights and trademarks, all of which are used in the promotion, sale and servicing of pizza pie, sauces, recipes, dressings, various food products, beverages and supplies; and

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

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

3. The color scheme, pattern and design, and the color combinations of the exteriors and of the interiors of said structures and supplementary areas, and on certain of the furnishings therein;
4. Appearance of certain of said structures and supplementary areas and the distinctive trademarks, service marks, designs, slogans, names and matter now or hereafter displayed therein; or said part hereof;
5. The trademarks, trade names, service marks, insignia, emblems, signs, designs, color and patterns, and other distinctive features, as now or hereafter in use as part of the system, both as identifying the system of pizzerias, and as identifying the type, character and standard of quality of service which the public may expect to receive at the Aurelio's Is Pizza franchised pizzerias;
6. Style, color and character of equipment, furnishings and appliances used in or about the pizzeria and the supplies and equipment bearing the name of the Aurelio's Is Pizza Franchise and/or other distinctive characteristics;
7. Rules of operation, advertising service and publicity and promotion services and other seminars; and
8. Copyrighted menus.

C. The Franchisee desires to be franchised to provide retail service of the same distinctive nature and high quality and the same distinguishing characteristics, as established by the Company, under and using the same trademarks, service marks, color pattern and scheme, signs, designs, copyrighted materials and other distinguishing characteristics of the system, and as established by the Company. It is the intention of the parties that the pizzeria to be operated by the Franchisee under this Franchise Agreement, together with pizzerias now or hereafter operated by the Company and those operated or to be operated by other Franchisees under similar agreements, will form a unified system of such pizzerias. The success of such system is dependent upon continuing good reputation of each and every pizzeria operated within the system and upon the continuing good will of the public toward the name "Aurelio's Is Pizza", and toward the system and its distinguishing

characteristics. The success of both parties to this agreement and of other Franchisees is directly affected by the business conduct of all Franchisees using the system. The Franchisee, therefore, recognizes that adherence to the terms of this Franchise Agreement is a matter of mutual importance and consequence to the Franchisee, the Company and to all other Franchisees. Accordingly, the Company is willing to grant said franchise upon the terms and subject to the conditions hereinafter set forth.

WHEREFORE, IT IS AGREED:

ARTICLE I

LICENSE

1. The Company hereby grants to the Franchisee and the Franchisee hereby accepts a franchise to use upon the terms set forth in this Agreement the Aurelio's Is Pizza Franchise and the Aurelio's Is Pizza Trademarks which now or which may hereafter identify the Aurelio's Is Pizza Franchise, as well as Aurelio's copyrighted materials, in connection with the promotion and operation of one (1) of the type of franchised pizzeria (as hereinafter described) at the franchised location (as hereinafter described) in accordance with the requirements of this Agreement. Franchisees shall not use or otherwise employ any other trademark, trade name, service mark or commercial symbol in connection with such business.

2. The franchise is granted to operate one (1) retail pizzeria business solely and exclusively at the location described in Article III "Franchised Location". Franchisee recognizes and acknowledges that the Company is the sole and exclusive owner of the "marks" and hereby agrees to not register or attempt to register such marks in Franchisee's name or that of any other firm,

persons or corporations, and franchisee will not use the "marks" or any part thereof as any part of any name not allowed by the Company. Immediately upon the expiration or termination of this agreement or any renewal thereof, Franchisee agrees to cease and forever abstain from using the aforesaid "marks" and copyrighted materials and shall return to the Company all copyrighted materials and all documents, instructions, display items and the like bearing any of the "marks".

ARTICLE II

TERM, EXPIRATION and RENEWAL

1. This Agreement shall continue in effect for a period of five (5) years from the date hereof unless sooner terminated pursuant to Article XIV of this Agreement. Provided, however, if the term of the lease shall be terminated for any reason prior to the expiration of such five-year period, this Agreement shall automatically terminate upon the sooner termination or expiration of any such lease. It shall be extended automatically for further periods of five (5) years unless at least six (6) months before the expiration of any five-year term, notice of intention to not renew is given in writing by one party to the other. The Franchisor may choose not to renew the Franchise Agreement only as set forth in Paragraph 3 of this Article. Any such renewal shall be accomplished by execution by the parties of a Franchise Agreement and all other agreements, legal instruments and documents then currently used by the Franchisor in the grant of a franchise. However, no additional initial or renewal franchise fee shall be payable.

2. If the term of the lease for the franchise location shall expire or terminate prior to the expiration of five (5) years from the date hereof and Franchisee and Company are able to mutually agree upon a new franchised location in accordance with the following procedure, the term of this

Agreement shall continue in effect for its full term of five (5) years plus any renewals pursuant to the provisions of this Agreement. If the term of the lease for the franchised location shall expire or terminate prior to the expiration of five (5) years from the date hereof and Franchisee desires to so continue the terms of this Agreement its full term, Franchisee shall, not less than six (6) months prior to the expiration of the lease for the franchised location, advise the Company of at least two (2) locations which are available for lease by Franchisee, either of which Franchisee believes is suitable as the new franchised location. If the Company does not agree in its sole subjective discretion, exercised in good faith, that either of such locations so selected by the Franchisee is suitable as the new franchised location, it shall advise the Franchisee within ninety (90) days thereafter and shall select at least two (2) locations which are available for lease by Franchisee, either one of which the Company believes is suitable as the new franchised location. If the Franchisee, in his sole subjective discretion, exercised in good faith, does not agree that either of such locations is suitable or fails to notify the Company of Franchisee's judgment prior to the date of expiration of the lease for the original franchised location, this Agreement shall automatically terminate upon the date of expiration of such lease. If, however, a new franchised location shall be selected in accordance with the foregoing procedure, the Franchisee shall promptly lease such location, whereupon the term of this Agreement shall continue until five (5) years from the date of this Agreement have elapsed. Nothing herein shall be construed to allow the Franchisee to relocate the franchised business to a location within the exclusive territory of another Franchisee.

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

- A. The Franchisee commits any "material breach" of the Franchise Agreement, as defined in Article XIV, Paragraphs 1 and 2.

- B. The Franchisee is not able to maintain possession of the premises at which he was originally located or is unable to secure and develop suitable premises approved by Franchisor.
- C. The parties are unable to agree upon terms of a renewal Franchise Agreement and all other agreements, legal instruments and documents then currently used by Franchisor in the grant of franchises.
- D. The Franchisee refuses to bring his restaurant up to the Franchisor's current standards for signage and refurbishing and remodeling of interior and exterior of the restaurant.
- E. The Franchisee's QSC performance has fallen below Franchisor's then current standards for two (2) or more inspections during the prior twelve (12) month period.

ARTICLE III

FRANCHISED LOCATION AND EXCLUSIVE TERRITORY

1. **Franchised Location.** The franchised location shall be those premises identified by the following street address: 310 West Lincoln Highway, Frankfort, Illinois.
2. **Sole Location.** The Franchisee shall conduct the business franchised hereby and use the Aurelio's Is Pizza Franchise and Aurelio's Is Pizza Trademarks solely at the franchised location, or should the provisions of Paragraph 2 of Article II be applicable, at the new franchised location, if any, selected in accordance with the procedure therein set forth.
3. **Type of Pizzeria.** The Franchisee shall conduct a sit-down type of pizzeria at the franchised location. The Franchisee may not reduce the type of services specified herein during the term of this Agreement and any renewals thereof.

4. **Exclusive Territory.** To facilitate the successful development of the Franchise, Franchisee's Franchise shall be exclusive within the following area: Three (3) mile radius. During the term of this Agreement, neither the Company nor any other of its franchisees shall be authorized to establish a franchise within the Franchisee's exclusive territory, nor shall the Company establish other food-service establishments selling products or services similar to those offered by the Franchisee under any other proprietary mark or indicia, trademark, service mark or trade name within the Franchisee's exclusive territory. However, the Company or its affiliate, Aurelio's Pizza, Inc. may sell its products at wholesale, at special events, to grocery stores and supermarkets for resale, to restaurants and other food service businesses for resale within any airport, enclosed shopping mall, sports arena, movie theater or school (elementary, high school, college, university or trade school) within the franchisee's exclusive territory.

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

6. **Exclusive Territory upon Relocation.** Any relocation of the franchised business to a location within the exclusive territory, pursuant to Article II, Paragraph 2, shall not change the boundaries of the Franchisee's exclusive territory. Upon relocation of the franchised business to a location outside of the exclusive territory, the Franchisee may be accorded a new exclusive territory as determined by the Company in its sole discretion.

ARTICLE IV

PAYMENTS TO COMPANY AND CONTINUING ROYALTIES

1. **Initial Franchise Fee.** As a part of the consideration for the rights granted by the Company to the Franchisee hereunder, Franchisee agrees to pay to the Company as an initial franchise fee the sum of Forty-Five Thousand Dollars (\$45,000.00). Said sum shall be payable in full upon the execution of this Agreement. The initial franchise fee shall not be refundable in whole or in part except as set forth in Paragraph 1 of Article VIII, below.

Franchisee acknowledges that the grant of the franchise constitutes the sole consideration for the payment of the franchise fee and that said sum shall be fully earned by the Company upon execution and delivery hereof.

No further initial franchise fee shall be payable during the terms thereof.

2. **Initial Franchise Fee for Additional Locations.** The franchise fee may be reduced at the Company's sole discretion if a new, additional franchise is sold to an existing Franchisee or the majority shareholder of an existing corporate franchisee. The reduced franchise fee shall be \$20,000.00, plus the estimated costs to Franchisor for travel expenses, plus up to \$500.00 per day to cover the costs of meals, lodging and other living expenses and the salaries of the instructors. However, nothing in this Paragraph shall grant to the Franchisee any right to open any franchised location other than the one (1) location specifically licensed in this Agreement, nor obligate the Company to grant any further rights or locations to the Franchisee.

3. **Continuing Royalties.** The Franchisee shall pay to the Company during the entire term of this Agreement a continuing royalty fee equal to five percent (5%) of the gross sales of Franchisee as hereinafter defined. Payments of such continuing royalty shall be payable on the 25th

day of the following month in which such gross sales are earned, except as provided in Paragraph 9 below.

4. **Late Payment of Royalties.** In the event any royalty payment shall not be made when due, there shall be assessed a late charge of \$100.00 for the Company's expenses regarding collection of such late payments, and all amounts due shall accrue interest at a rate of 1.5% for each month or part of a month each payment is due, until paid in full.

5. **Advertising Fee.** An advertising fee to support national and regional advertising equal to one percent (1%) of the gross sales shall be paid to Franchisor at the same time as royalty payments are made. The advertising fee shall be placed in the Advertising Fund and shall be expended in accordance with the terms of Article V, Paragraph 2.

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

7. **Reporting of Gross Sales.**

- a. No later than the twenty-fifth (25th) day of each month, the Company shall have received from Franchisee, on forms prescribed by the Company, statements stating the fees due to Franchisee during the preceding month itemized by revenue producing activity as specified from time to time by the Company, the gross volume of business at the premises for the prior month and such other information as the Company may require, all signed and certified as true and correct by an authorized agent of

Franchisee. Franchisee shall further furnish the Company with a copy of each of its reports and returns for sales, use and gross receipt taxes and complete copies of any state or federal income tax returns covering the operation of the franchised business, all of which Franchisee shall certify as true and correct.

- b. Upon the Company's request, Franchisee shall prepare and deliver to the Company on a monthly basis, no later than the twenty-fifth (25th) day of each month, an unaudited profit and loss statement in a form satisfactory to the Company covering Franchisee's business for the prior month and such additional reports, balance sheet, POS records, or other financial records or information as the Company may require, all of which shall be certified by Franchisee as true and correct.

8. **Records.**

- a. Franchisee shall record all sales and shall keep and maintain accurate records thereof in accordance with generally accepted accounting principles.
- b. Franchisee shall keep and preserve for a period of not less than thirty-six (36) months after the end of each calendar year, all business records, including, but not limited to, cash register receipts, cash register tape readings, sales tax or other tax returns, bank books, duplicate deposit slips, POS records, computer records and other evidence of gross sales and business transactions for such year. The Company shall have the right at any time to enter Franchisee's premises to inspect, audit and make copies of books of account, bank statements, documents, records, tax returns, papers, POS records, computer records and files of Franchisee relating to gross sales and business transacted and upon request by the Company, Franchisee shall make any such materials available for inspection at Franchisee's premises. If the Company should cause an audit to be made and the gross sales and business transacted as shown by Franchisee's statements should be found to be understated by two percent (2%) or more, Franchisee shall immediately pay to the Company the cost of such audit, as well as the additional amount payable as shown by such audit, plus interest allowed by law (1-1/2% per month); otherwise, the cost of the audit shall be paid by the Company. Should an audit or investigation disclose that Franchisee has knowingly and willfully withheld the rendering or reporting of any portion of gross sales as herein above defined, same shall be considered to be a separate material breach for each such month and the Company shall have the right to terminate this Agreement forthwith at its option. If the Franchisee should at any time cause an audit of Franchisee's business

to be made by a public accountant, Franchisee shall furnish the Company with a copy of said audit, without any cost or expense to the Company.

- c. Franchisee agrees to allow the company access to the State, Federal and local income tax returns of the Franchisee, and Franchisee hereby waives any privilege pertaining thereto.
- d. Within thirty (30) days after the expiration of each calendar quarter, Franchisee shall furnish the Company with a profit and loss statement of the franchised business for such previous calendar quarter; and within ninety (90) days after the end of each calendar year, Franchisee shall furnish the Company with a profit and loss statement and balance sheet of the franchised business for the previous calendar year. All such financial statements shall be prepared in accordance with the format established by the Company and in accordance with generally accepted accounting principles.

9. **Accounting Controls.** The Company may offer guidance to the Franchisee in setting up books and records, auditing them, and providing the necessary forms. The Company may issue a manual of accounting procedures, or require periodic reports, which may be amended or modified from time to time, which must be followed by Franchisee. The Company may require this uniformity of accounting and also the furnishing of periodic reports because it is a necessary adjunct to its own planning, control and accounting functions. Therefore, if it is deemed desirable and in the best interest of Franchisees and Company that Franchisees use a uniform accounting system and make reports based therein in order that the Company may be able to disseminate helpful information to its Franchisees, evaluate the relative operating performance of each Franchisee, and develop criteria that will enable the Company to formulate plans and policies in the interest of each Franchisee and Company and will enable each Franchisee to obtain the most satisfactory results from his business. Therefore, the Franchisee shall install, maintain and use an accounting system in accordance with Company manual of Franchisee accounting procedures. Any such system shall be

given priority in use by Franchisee, but shall not be exclusive of any other different accounting system that Franchisee may desire to use.

10. **Electronic Transfer of Data and Funds.** When instituted by Franchisor, Franchisee shall report gross sales information daily to Franchisor in the format required by Franchisor including but not limited to direct download of POS information through the Company intranet. Franchisee shall authorize Franchisor and cooperate to allow electronic funds transfer (EFT) of all royalties and advertising fees weekly, on a specific day of the following week to be determined by Franchisor in which such gross sales are earned.

ARTICLE V

ADVERTISING

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

- a. Franchisee shall spend during each twelve-month period of the term of this Agreement an amount equal to not less than two percent (2%) of Franchisee's gross sales during such period on media for advertising, public relations and promotional campaigns for his franchised pizzeria.
- b. Franchisee will be required to submit to Company, in writing, for the Company's approval, at least fourteen (14) days prior to publication, all proposed advertising, publicity and promotional campaigns. All local advertising shall display the Company's website address, www.AURELIOSPIZZA.COM. Should the Company disapprove of the format, content or any other aspect of such proposed advertising, publicity or promotional campaign, Franchisee shall refrain from conducting such program.
- c. Franchisee will be required, within thirty (30) days after the end of each twelve-month period during the term hereof, to report to the Company, in such manner and detail as the Company from time-to-time prescribes for its Franchisees, the advertising, publicity or promotional campaigns conducted by it pursuant to this paragraph and provide the Company with receipts or other verification of the sums spent on media therefor during such period.

- d. Franchisee will honor all gift certificates issued by any Aurelio's Is Pizza restaurant, whether franchised or company-owned, and the Company shall insure payment from the issuing restaurant for the value of the certificate.
- e. In the event that Franchisee shall fail to expend such sums on local advertising during any calendar year, Franchisor may, immediately upon notice provided to Franchisee, assess Franchisee for any such deficiency, which shall be deposited to and become part of the Advertising Fund.
- f. Franchisee, at its expense and exclusive of any fees paid to the Advertising Fund, and exclusive of any local advertising under this paragraph shall:
 - (i) Obtain listings of the Franchised Business in the white and yellow pages of all local telephone directories of the kind and size specified from time-to-time by Franchisor for all comparable Aurelios Is Pizza System units; and
 - (ii) Obtain, display and maintain any special promotional materials of the kind and size as Franchisor may from time-to-time require for comparable Aurelios Is Pizza System units.

2. **Advertising Fund.** Recognizing the value of standardized advertising and marketing programs to the furtherance of the goodwill and public image of the Aurelios Is Pizza System, Franchisee agrees to pay to the Aurelios Is Pizza Advertising Fund ("Advertising Fund") a recurring, non-refundable advertising fund contribution of one percent (1%) of Franchisee's gross sales for the preceding month to be paid on a monthly basis as more fully set forth in Article IV, Paragraph 5 above. Said sum shall be expended by the Advertising Fund for national and regional advertising and promotional materials and market research for the Aurelios Is Pizza System, under the following conditions and limitations:

- a. Franchisor or its designee shall exclusively maintain and administer the Advertising Fund for national and/or regional advertising, public relations and marketing programs and market research.
- b. All reasonable costs incurred by Franchisor or charged to Franchisor by third parties for the production and dissemination of such advertising and promotional materials may be charged to the Advertising Fund.

- c. Franchisor, upon request, shall provide Franchisee with an accounting of receipts and disbursements of the Advertising Fund for each fiscal year of said Fund, which shall coincide with Franchisor's fiscal year.
- d. Selection of concepts, materials, media and locale for media placement for the Advertising Fund shall be at the sole discretion of the Franchisor.
- e. The Advertising Fund, all contributions thereto, and any earnings thereon, shall be used exclusively to meet any and all costs of maintaining, administering, directing, and preparing advertising and/or promotional activities. Franchisee shall contribute to the Advertising Fund by separate check made payable to the Advertising Fund. All sums paid by the Franchisee to the Advertising Fund shall be maintained in an account separate from the other monies of Franchisor and shall not be used to defray any of Franchisor's expenses except as provided herein, and as Franchisor may incur in activities reasonably related to the administration or direction of the Advertising Fund and advertising programs for franchisees and the System. The Advertising Fund and its earnings shall not otherwise inure to the benefit of Franchisor. Franchisor shall maintain separate bookkeeping accounts for the Advertising Fund.
- f. It is anticipated that all contributions to and earnings of the Advertising Fund will be expended for advertising and/or promotional purposes during the taxable year in which contributions and earnings are received. If, however, excess amounts remain in the Advertising Fund at the end of such taxable year, all expenditures in the following taxable year(s) shall be made first out of accumulated earnings and contributions from previous years, next out of earnings in the current year, and finally from contributions.
- g. The Advertising Fund is not, and shall not be, an asset of Franchisor. Although the Advertising Fund is intended to be of perpetual duration, Franchisor maintains the right to terminate the Advertising Fund. The Advertising Fund shall not be terminated, however, until all monies in the Advertising Fund have been expended for advertising and/or promotional purposes or refunded to the then existing Franchisees on a pro-rata basis based upon contributions.
- h. Franchisee understands that such advertising is intended to maximize the public's awareness of the Franchised Units and the System, and that Franchisor accordingly undertakes no obligation to insure that any individual Franchise Owner benefits directly or on a pro rata basis from the placement, if any, of such advertising in his local market.
- i. Franchisor shall have the sole right to enforce the obligations of Franchisee, and all other Franchisees of the Aurelios Is Pizza System who are obligated to contribute to the Advertising Fund, and neither Franchisee nor any other Franchisee of Franchisor who shall be obligated to contribute to the Advertising Fund shall be deemed a third

party beneficiary with respect to said Advertising fund or have any right to enforce any obligation to contribute thereto.

- j. No part of the Advertising Fund shall be used by Franchisor to defray any of its general operating expenses other than those reasonably allocable to such Advertising, or other activities reasonably related to the administration or direction of the Advertising Fund and its related programs. Franchisor may hire an employee to manage and provide advertising and marketing expertise for the Advertising Fund and may pay the employee's salary and benefits from the Fund.
- k. Franchisor may, in its sole discretion, elect to accumulate monies in the Advertising Fund for such periods of time as it deems necessary or appropriate, with no obligation to expend all monies received in any fiscal year during such fiscal year.
- l. Franchisor shall contribute to the Advertising Fund by payment into the Fund of any and all rebates received by Franchisor for any and all inventory and supplies purchased by its Franchisees.
- m. It is recognized that Franchisor's affiliate, Aurelio's Pizza, Inc., operates an Aurelio's restaurant which would benefit from the Advertising Fund. Therefore, Franchisor shall enter into an agreement with Aurelio's Pizza, Inc. to require it to contribute to such Advertising Fund by contribution of all rebate monies received by Aurelio's Pizza, Inc. for any and all inventory and supplies purchased by it.
- n. In the event Franchisor's expenditures for Advertising in any one fiscal year shall exceed the total amount contributed to the Advertising Fund during such fiscal year, Franchisor shall have the right to be reimbursed to the extent of such excess contributions from any amounts subsequently contributed to the Advertising Fund or to use such excess as a credit against its future contributions.

ARTICLE VI

FRANCHISE GRANTED TO FRANCHISEE

- 1. **Nature of Grant.** The franchise granted hereby is a franchise only upon the terms and conditions contained herein, to use and display the Aurelio's Is Pizza trademarks and to use the Company's trade secrets, copyrighted materials, methods of operation and good will, but only in connection with the promotion and sale at the franchised pizzeria and related services for the public

and for retail sales of an approved pizza menu in accordance with the Aurelio's Is pizza Franchise and the requirements of this Agreement. Nothing herein shall give the Franchisee any right, title or interest in or to the Aurelio's Is Pizza trademarks, the Company's trade secrets, copyrighted materials, methods of operation or good will or any of the same except a mere privilege and franchise during the term hereof to display and use the same according to the foregoing limitations and upon the terms, covenants and conditions contained herein. Upon the expiration or termination of the Franchise for any reason, Franchisee shall deliver and surrender up to the Company each and all of the Company's manuals, bulletins, instruction sheets, copyrighted materials and forms and shall not thereafter use any of the same or any of such trade secrets, methods of operation, copyrighted materials, good will, or any of them. Franchisee acknowledges that the material and information now or hereafter provided and/or revealed to him pursuant to this Agreement is revealed in confidence and Franchisee expressly agrees to keep and respect the confidence so reposed.

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

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

- a. Franchisee agrees that, as between the Company and Franchisee, the Aurelio's Is Pizza trademarks and copyrights are the exclusive property of the Company and Franchisee now asserts no claim and will hereafter assert no claim to any good will, reputation or ownership thereof by virtue of Franchisee's franchised use thereof. Franchisee agrees that he will not do or permit any act or thing to be

done in derogation of any of the Company's rights in connection with the same, either during the term of this Agreement or thereafter, and that he will use same only for the uses and in the manner franchised hereunder and as herein provided.

- b. Franchisee shall not use, or permit the use, as part of the name of any corporation, limited liability company, or partnership which may operate the franchised business pursuant hereto, the words "Aurelio's Is Pizza" or any name or combination of words confusingly similar thereto.

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

5. **Confidentiality of Franchise System.** The Franchisee hereby acknowledges that the Company is the sole owner of all proprietary rights in and to the Franchise System and all material and information relating to the System now or hereafter revealed to the Franchisee under this Agreement. The Franchisee further acknowledges that the System, in its entirety, constitutes trade secrets of the Company and that they are revealed to the Franchisee in confidence, solely for the purpose of enabling the Franchisee to establish and operate the franchised pizzeria licensed herein in accordance with the terms of this Agreement. Such trade secrets include, but are not limited to recommended prices, training manuals, operations manuals, policy manuals, sales promotion aids, advertising mats, business forms, bookkeeping systems, accounting procedures, marketing reports, informational bulletins and recipes for mixes, sauces and formulas. The Franchisee hereby agrees that both during and after the term of this Agreement, he will not reveal any of such trade secrets to any other person or entity and that he will not use any of such trade

secrets in connection with any business or venture in which he has a direct or indirect interest, whether as a proprietor, partner, joint venturer, shareholder, officer, director, member, or in any other capacity other than in connection with the operation of the franchised pizzeria licensed herein. Nothing contained in this Section shall be deemed to prohibit the Franchisee from engaging or participating in any lawful trade or business, either during or after the term of this Agreement, provided that the Franchisee does not reveal, use or appropriate in connection therewith any of the proprietary rights, confidential information therewith any of the proprietary rights, confidential information or trade secrets referred to in this Section and does not violate any other provision of this Agreement.

6. **Rights to Goodwill.** The Franchisee acknowledges that all goodwill which may arise from the Franchisee's use of the Company's Marks, or System, is and shall at all times remain the sole and exclusive property of the Company and shall inure to the sole benefit of the Company. Nothing contained in the preceding sentence shall be construed to prohibit the Franchisee from receiving, for a sale of his business made in compliance with the provisions of this Agreement, a price which includes payment for any goodwill belonging to the Franchisee.

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

ARTICLE VII

OPENING FOR BUSINESS AND INSPECTION

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

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

ARTICLE VIII

TRAINING

1. **Franchisee and Manager Training.** Prior to the date of Franchisee's entry into physical possession of the premises from which he will operate his franchised pizzeria, Franchisee and Franchisee's Manager and Pizzeria Director, shall satisfactorily pursue and complete the

Company's training program. If Franchisee is a corporation, limited liability company or partnership, then the Company and the Franchisee shall agree upon a person representing the Franchisee who shall be the person primarily in charge of managing the day-to-day operations of the Franchisee, which person shall also satisfactorily pursue and complete the Company's training program. Such training program shall be for a minimum of seven (7) days at the Company's training center in Homewood, Illinois or at an assigned Aurelio's location. Should the Company not be satisfied as to each such person's pursuit or completion of the Company's training program, the Company shall have the right to disqualify Franchisee as a Franchisee hereunder and to thereby terminate this Agreement. In the event of a termination of this Agreement by the Company pursuant to this paragraph, the Company shall refund to Franchisee the entire initial franchise fee paid by him to the Company pursuant to Paragraph 1 of Article IV hereof.

2. **Staff Training.** Prior to the date Franchisee's franchised pizzeria is ready to open for business to the public, all personnel whom Franchisee will employ at the commencement of operation of his franchised pizzeria, other than maintenance personnel and those who have completed the Company's training pursuant to Paragraph 1 above, shall satisfactorily pursue and complete the Company's employee training program at the franchised location. Franchisee or its Chief Executive Officer, Franchisee's Manager and Pizzeria Director shall participate and assist with such staff training.

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

its representatives shall have full authority to schedule all such initial management and staff for training purposes. Franchisee shall not hire or use any management or initial staff in the operation of his franchised pizzeria who have not successfully completed the applicable initial training program.

4. **Additional Training.** For six (6) months after Franchisee opens for business to the public:

- a. All new personnel whom Franchisee employs other than maintenance personnel and those who have satisfactorily previously completed the Company's training pursuant to Paragraphs 1 and 2 above, shall satisfactorily pursue and complete the Company's employee training program at the Company's training center in Homewood, Illinois.
- b. Should Franchisee employ a manager of the franchised pizzeria or food service director of the franchised pizzeria other than those persons who have completed the Company's training program as described in Paragraph 2 above, such persons shall, prior to the time they actually perform services in the franchised pizzeria, satisfactorily pursue and complete the Company's management training program.
- c. If the Company shall determine, through its inspection of the franchised pizzeria that, in its sole subjective judgment, exercised in good faith, any of Franchisee's personnel is not satisfactorily performing his duties, as prescribed by the Company's operations manual, the Company shall have the right to require such person to pursue such additional training as the Company determines is necessary. Such person shall satisfactorily pursue and complete such training prior to returning to work with the franchised pizzeria.
- d. Franchisee shall pay all wages for all Franchisee management personnel and staff to attend any additional training.

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

6. **Expenses of Training.**

- a. The training program for the Franchisee, Franchisee's manager and pizzeria director and all personnel whom Franchisee will employ at the commencement of operation of his franchised pizzeria, other than maintenance personnel, shall normally take place at the Company's training center located in Homewood, Illinois, or at another assigned Aurelio's location. All expenses incurred by trainees in connection with attendance at or during such training, including, but not limited to, the cost of air fare and other transportation, meals, lodging and other living expenses shall be at the sole expense of the Franchisee.
- b. In the event that the Company is required to bring instructors to the franchised premises to train the personnel described in Paragraphs 1 or 2 prior to the commencement of operation, the Franchisee shall be responsible for booking and paying in advance for airfare for direct flights, lodging and rental cars and other transportation for all instructors and for Joseph M. Aurelio or his designated replacement. The Franchisee shall further deposit with the Company, in advance of such training, the sum of \$10,000.00, to be applied by the Company toward the food per diem, salaries and wages of all instructors, except for Joseph M. Aurelio or his designated replacement. The Franchisee shall further reimburse the Company for all expenses incurred for per diem for meals, wages and salaries of the instructors, except the salary of Joseph M. Aurelio or his designated replacement, over and above the amount of said deposit.

7. **Training for Additional Locations.** In the event Franchisee is granted the right to open additional locations, the Franchisee's Manager, Pizzeria Director and first staff for each additional location shall satisfactorily pursue and complete the Company's training programs as set forth in Paragraphs 1 through 5 above. Should the Company not be satisfied as to each person's pursuit or completion of the Company's training program, the Company shall have the right to withdraw approval of the new franchise and terminate any Franchise Agreement theretofore entered into with regard to the new franchise. However, nothing in this Paragraph shall grant to the Franchisee any right to open any franchised location other than the one (1) location specifically licensed in this Agreement, nor obligate the Company to grant any further rights or locations to the Franchisee.

8. **Training Upon Assignment.** Upon assignment of this Franchise Agreement pursuant to the terms of Article XIV below, the new Franchisee and Franchisee's Manager and Pizzeria Director shall satisfactorily pursue and complete the Company's training program. If Franchisee is a corporation, limited liability company or partnership, then the Company and the Franchisee shall agree upon a person representing the Franchisee who shall be the person primarily in charge of managing the day-to-day operations of the Franchisee, which person shall also satisfactorily pursue and complete the Company's training program. Should the Company not be satisfied as to each person's pursuit or completion of the Company's training program, the Company shall have the right to disqualify the new Franchisee as a Franchisee hereunder and to hereby withdraw approval of the new Franchisee and terminate any Franchise Agreement theretofore entered into with the new Franchisee. Further, all such persons and any staff who are not otherwise trained shall pursue and complete the Company's employee training program at the franchised location.

ARTICLE IX

FURTHER OBLIGATIONS OF THE COMPANY

1. **Additional Initial Obligations.** In connection with the franchise herein granted the Company agrees to provide:
 - a. One (1) operations manual (optional at the Company's discretion);
 - b. A basic bookkeeping system (optional at the Company's discretion);
 - c. A Designated Design Firm, who shall be chosen each year by the Franchisor through competitive bidding, which firm shall make available for purchase by Franchisee a basic package of equipment, fixtures, decor and small wares sufficient to equip Franchisee's restaurant.

- d. A choice of standard sets of preliminary plans, sample interior layouts, equipment and fixtures specifications, materials list, and equipment and fixtures list. Franchisee is responsible for compliance with local building standards and zoning requirements and may adapt the plans and specifications to conform thereto upon prior written consent of Franchisor.
 - e. A standard set of Aurelio's branded decorations and photographs to be displayed at Franchisee's restaurant as directed by the Company.
 - f. Approved distributors of a Point of Sale (POS) System consisting of POS software specifically modified for use at Aurelio's Is Pizza restaurants, as well as computer hardware compatible with such software.
 - g. Assistance and/or advice in purchasing other merchandise and services required to open and operate Franchisee's business;
 - h. Assistance and/or advice in hiring Franchisee's first staff;
 - i. Assistance and/or advice in the development of a "grand opening" promotional and publicity campaigns.
2. **Ongoing Obligations.** During the entire term of this Agreement to:
 - a. Be available at the home office of the Company for consultation and guidance of the Franchisee with respect to the operation and management of the franchised business;
 - b. Provide training to key employees on the terms described in Article VIII;
 - c. Provide on-going quality assurance through regular inspections and on-location training and assistance by one of the Company's franchise directors.

ARTICLE X

RELATIONSHIP OF FRANCHISEE TO THE COMPANY

1. It is expressly agreed that the parties intend by this Agreement to establish the relationship of Franchisor and Franchisee and that it is not the intention of either party to undertake a joint venture or to make the Franchisee in any sense an agent, employee or affiliate of the Company.

It is further agreed that Franchisee has no authority to create or assume in the Company's

name or on its behalf, any obligation, express or implied, or to act or purport to act as its agent or representative for any purpose whatsoever.

ARTICLE XI

IMPROVEMENT AND LEASE OF FRANCHISED PIZZERIA

1. **Franchisee's Sole Cost and Expense.** Franchisee shall, at his sole cost and expense, improve, decorate, equip and furnish the premises from which he will conduct his franchised pizzeria and purchase inventory and supplies for the operation thereof.

2. **Standard Plans and Specifications.** Franchisor or its Designated Design Firm will provide Franchisee with a restaurant design package, including sample layouts for the interior of a typical restaurant, sets of typical preliminary plans, equipment lists and decor specifications. Franchisee shall, at his sole expense employ architects, designers, engineers or others as may be necessary to complete, adapt, modify or substitute the sample plans and specifications for the restaurants. Franchisee shall, at his or her sole expense, make such modifications in such plans and prepare site plans so as to bring the plans and the franchised restaurant and the entire franchised location into compliance with such building codes and local zoning provisions as may be applicable and required from time to time. No change or addition shall be made in or to the plans or specifications furnished by Franchisor or its Designated Design Firm without Franchisor's or its Designated Design Firm's, prior written consent and approval, which consent and approval shall not be unreasonably withheld. Franchisee shall not commence construction of the restaurant until Franchisor accepts in writing the final plans and specifications to be used in constructing the restaurant, which approval shall not be unreasonably withheld. Unless Franchisor expressly disapproves such plans and specifications within thirty (30) days from their submission to Franchisor,

they shall be deemed to be accepted. Franchisor or its Designated Design Firm shall consult with Franchisee, to the extent Franchisor deems necessary, on the construction and equipping of the restaurant, but it shall be and remain the sole responsibility of Franchisee to diligently design, construct, equip and otherwise ready and open the restaurant.

3. **Construction.** Franchisee shall use a licensed general contractor approved by Franchisor to perform all remodeling and construction work at the restaurant. Franchisor shall not be responsible for delays in the construction, equipping or decoration of the restaurant or for any loss or damage to Franchisee or any third party resulting from the design or construction of such restaurant and shall be indemnified by Franchisee as provided for in Article XVIII herein. Franchisee must obtain Franchisor's or its Designated Design Firm's written acceptance of any and all changes in the restaurant plans prior to construction of such restaurant or the implementation of such changes, which acceptance shall not be unreasonably withheld.

4. **Equipment Requirements.**

- a. Franchisee shall purchase from Franchisor's Designated Design Firm a basic package of equipment, fixtures, decor and small wares, which shall be sufficient to equip Franchisee's restaurant. No change or addition shall be made in or to such basic package furnished by the Designated Design Firm without Franchisor's or its Designated Design Firm's, prior written consent and approval, which consent and approval shall not be unreasonably withheld.
- b. Franchisee shall use the Company's standard set of Aurelio's branded decorations and photographs, which shall be displayed as directed by the Company.
- c. Franchisee shall purchase from Franchisor's approved suppliers a Point of Sale (POS) System consisting of specified POS software specifically modified for use at Aurelio's restaurants, as well as computer software compatible with such software.
- d. Franchisee shall purchase from any source all equipment and services necessary to communicate with Franchisor by facsimile, internet and intranet.

5. **Inspection and Approval.** Franchisor and its Designated Design Firm shall have access to the restaurant site while work is in progress and may require such reasonable alterations or

modification of the construction of the restaurant as it deems necessary. Franchisee's failure to commence the design, construction, equipping and opening of its restaurant with reasonable due diligence shall be grounds for the termination of this Agreement. Franchisor or its Designated Design Firm shall make a final inspection of the completed restaurant and may require such corrections and modifications as it deems necessary to bring the restaurant into compliance with accepted plans and specifications, and the designated display of Aurelio's branded decorations and photographs. The restaurant will not be allowed to commence operations if it does not conform, in any material respect, to the plans and specifications approved by Franchisor, including any changes to such plans and specifications accepted by Franchisor, and the designated display of Aurelio's branded decorations and photographs. Failure to promptly correct any unauthorized variance from the accepted plans and specifications, and the designated display of Aurelio's branded decorations and photographs will result in the termination of this Agreement.

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

7. **Lease Requirements and Franchisor's Succession Rights.** Franchisee's lease or sublease for the premises at the franchised location shall provide for:

- a. A term of not less than five (5) years, with an option for an additional five (5) year term.
- b. The right on the part of Franchisee to assign said lease or sublease to the Company and the right of the Company to succeed to Franchisee's interest under said lease upon the disqualification of Franchisee and the termination of this Agreement pursuant to Article VIII hereof.
- c. The right on the part of the Company, if it so elects, to succeed to Franchisee's interest under said lease or sublease in the event of a termination of this Agreement, pursuant to Article XIV hereof, because of a material breach of this Agreement by Franchisee.
- d. The right on the part of the Company to notice from the landlord of any default by Franchisee under said lease or sublease simultaneously with notice to Franchisee, but in any event, not less than thirty (30) days prior to the termination of said lease, and the right, but not the obligation, to cure any such default prior to such termination. The cost to the Company to so cure any such default on the part of the Franchisee under his lease or sublease shall be due and payable to the Company by Franchisee upon demand.
- e. A fully executed copy of such lease or sublease shall be delivered to the Company promptly upon the execution thereof.

8. **Maintaining and Refurbishing of Restaurant.**

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

refurbishing, remodeling or improving, substantially in conformity with Franchisor's then current standards as aforesaid.

ARTICLE XII

INSURANCE

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

- a. Comprehensive general liability insurance covering operations and premises, completed operations, products liability and contractual liability with minimum policy limits of \$2,000,000.00 per occurrence for bodily injury or property damage and \$3,000,000.00 aggregate per policy period;
- b. All risk property damage insurance in an amount not less than 100% of the replacement cost value of the Franchisee's equipment, improvements to the premises and the premises itself, if owned by Franchisee;
- c. Liquor liability insurance (dram shop insurance), where alcoholic beverages are sold from the franchised location, with policy limits of \$1,000,000.00;
- d. Non-owned and hired motor vehicles insurance, specifically covering delivery drivers, with minimum policy limits of \$2,000,000.00;
- e. Worker's compensation and employer's liability insurance with minimum policy limits of \$1,500,000.00 each accident, each employee and disease policy limits; and
- f. Business income insurance in a minimum amount equal to 50% of gross sales for the prior year (or 50% of expected gross sales for the first year).

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

' of the Aurelio's Is Pizza restaurant. All policies of liability insurance shall require the insurer to defend Franchisor, Franchisee and Aurelio's Is Pizza, Inc. in any such litigation.

3. **Companies Acceptable.** Such policy or policies shall be written by an insurance company acceptable to Franchisor and shall include the minimum coverage specified above. Additional coverage and higher policy limits may reasonably be specified for all franchises from time to time by Franchisor in writing.

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

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

6. **Franchisor's Rights.** Franchisee shall give the Franchisor 30 days written notice prior to amending, modifying or cancelling any required insurance policies or changing insurance carriers. Should Franchisee, for any reason, not procure and maintain the insurance coverage required by this Franchise Agreement, the Franchisor shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance coverage through agents and insurance companies of its own choosing and charge same to Franchisee, which charges, together with the fee of One Hundred Dollars (\$100.00) for expenses incurred by Franchisor in connection with such

procurement, shall be payable by Franchisee immediately upon notice. Nothing contained herein shall be construed or deemed to impose on Franchisor any duty or obligation to obtain or maintain any specific forms, kinds or amounts of insurance for or on behalf of Franchisee, or as an undertaking or representation by Franchisor that such insurance as may be obtained by Franchisee or by Franchisor for Franchisee will insure Franchisee against any or all insurable risks of loss which may or can arise out of, or in connection with, the operation of the Franchisee's Business.

ARTICLE XIII

OTHER OBLIGATIONS OF FRANCHISEE

1. **Compliance with Laws and Company's Operations Manual.** Franchisee shall not sell without prior written approval services or products other than those specified by the Company and shall not use the premises for any other purpose than the operation of an "Aurelio's Is Pizza" restaurant. Franchisee shall operate his franchised business in strict compliance with all applicable laws, rules, codes and regulations of duly constituted governmental authorities and in strict compliance with the standard procedures, policies, rules and regulations established by the Company and incorporated in the Company's operations manual. Such standard procedures, policies, rules and regulations established by the Company may be revised from time to time as circumstances warrant and Franchisee shall strictly comply with all such procedures as they may exist from time to time as though they were specifically set forth in this Agreement. By way of illustration and without limitation, such standard procedures, policies, rules and regulations may or will specify payment procedures, hours of operation, advertising and promotion, cooperative programs, minimum standards and qualification for employees, uniforms and standards of dress and appearance, employee training,

artistic standards, service requirements, including products which must be offered, equipment, accounting, forms and reports and in general will govern all matters that in the Company's judgment require standardization and uniformity in all franchised businesses. The Company has furnished Franchisee with its current operations manual for his review prior to the execution of this Agreement.

2. **Compliance with Health and Sanitation Laws.** Franchisee shall operate his franchised restaurant in strict compliance with all applicable laws, rules, codes and regulations of any duly constituted governmental authority relating to health, sanitation and safety. All owners and management personnel shall be serv-safe certified upon opening and at all times thereafter.

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

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

5. **In-Term Covenant Not to Compete.** During the term of this Agreement, Franchisee and its officers, directors, shareholders, members and partners, if applicable, covenant individually and

jointly, not to directly or indirectly own, operate, control or manage any pizzeria restaurant business, other than as a Franchise owner in the Aurelio's Is Pizza system. Provided, however, that Franchisee shall not be prohibited hereby from owning equity securities of any pizzeria business, whose shares are traded on a stock exchange or on the over-the-counter market so long as the Franchise Owner's ownership interest shall represent two percent (2%) or less of the total number of outstanding shares of such business. In furtherance of this covenant, Franchisee shall cause all of its officers, directors, shareholders, members or partners to execute a Non-Competition Agreement in the form specified by the Company requiring the same to refrain from such activities during the term of this Agreement. It is the intention of this Agreement to preclude not only direct competition but also all forms of indirect competition, such as consultation for competitive businesses, or any assistance or transmission of information of any kind or nature whatsoever which would be of any material assistance to any business competitive with the franchised pizzeria which Franchisee will conduct hereto or the Company.

6. **Post Termination Non-Competition Covenant.** Franchisee and its officers, directors, shareholders, members and partners, if applicable, covenant individually and jointly, that for two (2) years after termination of this Agreement he will not, either directly or indirectly, own, operate, control or manage any pizzeria restaurant business in competition with the business which Franchisee will conduct pursuant to this Agreement within a five (5) mile radius of the franchised location. In furtherance of this covenant, Franchisee shall cause its officers, directors, shareholders, members or partners to execute a Non-Competition Agreement in the form specified by the Company requiring the same to refrain from such activities for such two (2) year period after termination. It is the intention of this Covenant to preclude not only direct competition but also all forms of indirect competition, such as consultation for competitive businesses, or any assistance or transmission of

information of any kind or nature whatsoever which would be of any material assistance to any business competitive with the Company.

7. **Non-Competition Obligations of Key Management Employees.** Franchisee shall cause each of its key management employees to execute a Non-Competition Agreement at the time of hiring of each such employee, in the form specified by the Company. Said Non-Competition Agreement shall require the key management employee to refrain from competition with the franchised pizzeria which the Franchisee will conduct hereto and the Company during the term of employment and for two (2) years after such term of employment shall terminate.

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

9. **Purchases from the Company.** Franchisee is required to use the Company's boxed and branded sauces, cheese, sausage, pepperoni, other meats, dough mix, garlic mix, packaged Italian dressing, mushrooms and all other foods and ingredients, as well as all Aurelio's Is Pizza branded boxes and packaging, as required from time to time by the Company. All such foods and ingredients shall be purchased from approved suppliers. The Company or a firm affiliated with the Company may be an approved supplier.

10. **Purchases from Approved Suppliers.**

- a. Franchisee agrees to purchase all boxed and branded sausage, pepperoni, meat, cheese, spices, Aurelio's Is Pizza mixes, sauces, dressings, mushrooms and all other foods and ingredients required for the preparation of foodstuffs sold by Franchisee, as well as all Aurelio's Is Pizza branded boxes and packaging, solely from suppliers who demonstrate, to the continuing reasonable satisfaction of the Company, the ability to meet the Company's reasonable standards and specifications for such items and who possess adequate quality controls and capacity to supply Franchisee's needs promptly and

reliably; and who have been approved in writing by the Company and not thereafter disapproved. If Franchisee desires to purchase any items from an unapproved supplier, Franchisee shall submit to the Company a written request for such approval, or shall request the supplier itself to do so. Such approval shall be at the sole discretion of the Company. Rejection of any proposed supplier may be based solely upon the Company's decision not to reveal its secret recipes to that proposed supplier. The Company shall have the right to require, as a condition of its approval, that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, at the Company's option, either to the Company or to an independent, certified laboratory designated by the Company for testing prior to granting approval. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test shall be paid by the supplier. The Company reserves the right, as its option, to reinspect the facilities and products of any such approved supplier and to revoke its approval upon its failure to continue to meet any of the foregoing criteria.

- b. The Company currently has approved only two (2) suppliers as meeting the high quality standards set by the Company. Boxed and branded sausage, pepperoni, meat and cheese shall be supplied by Aurelio's Quality Products, LLC, d/b/a John & Sons Distributing, Inc. Boxed and branded produce, spices, sauces, mixes, dressings and mushrooms shall be supplied by Wilkens Produce. Notwithstanding the above, the Company may change suppliers or approve other suppliers from time to time in other geographical areas, pursuant to Sub-paragraph 7(a) above or at the Company's discretion.
- c. Franchisee agrees to purchase all soft drink products, including all syrup, and bottled soda from such national supplier as designated by the Company from time to time. The Company currently designates that franchisee use only Pepsi branded products in order to take advantage of Pepsi's national accounting pricing for the benefit of all franchisees. Any Pepsi distributor serving franchisee's location shall be designated as approved supplier, and franchisee shall have the right to choose such approved supplier. The Company may change its national soft drink supplier upon 30 days written notice to its franchisees, in the Company's sole discretion. Franchisee shall have no right to submit or propose any other national soft drink supplier to the Company.
- d. Franchisee agrees to purchase its basic package of equipment, fixtures, decor and small wares from Franchisor's Designated Design Firm. Such firm shall be chosen yearly by Franchisor pursuant to competitive bidding upon such basic package and other equipment available to be used in Franchisee's restaurant.

- e. Franchisee shall at all times during the term of this Agreement carry in stock a complete line of Aurelio's Is Pizza products in sufficient quantity as shall be necessary to meet reasonably expected demand therefor.
- f. Franchisee shall not make, initiate, manufacture, alter or dilute the Aurelio's Is Pizza products and shall maintain in confidence any information he may acquire thereto.

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

12. **Maintenance and Repair.** It is of the essence of this Agreement that at all times during the term of this Agreement, the franchised pizzeria shall maintain the image, appearance and color scheme specified in the Company's operations manual. Accordingly, Franchisee shall at all times during the term of this Agreement, at his sole expense, maintain the interior and exterior of the premises from which he conducts his franchised pizzeria, all equipment, furniture, furnishings and leasehold improvements, air conditioning systems and signs in and at the franchised location and all the appurtenances thereto in clean and good condition and repair and will promptly repair, replace, repaint and refurbish the same when necessary. The Franchisee will repaint the interior of the franchised pizzeria in accordance with the Company's color scheme, at such times as directed by the Company.

13. **Employees.** Franchisee shall at all times throughout the term of this Agreement keep the franchised location adequately staffed with, and pay the salaries and wages of sufficient, competent employees, licensed where required by law, all of whom have been trained in the Company's system, so as to enable Franchisee to operate the franchised pizzeria efficiently and in a manner in keeping with the standards set by the Company. Franchisee will pay to all employees the

minimum wage requirements under state laws. Franchisee shall ensure that all employees, including management, wear uniforms approved by the Company.

14. **Photographs, Signs and Business Licenses.** All exterior signage must be approved by the Company prior to ordering, and such signage must include the Company's logo as required by the Company. The Company will from time to time furnish Franchisee with such number of additional or substitute approved photographs or signs for interior display as the Company determines is necessary, in its sole subjective discretion. The Franchisee shall display such photographs and signs in the manner as directed by the Company. The Franchisee shall not display in the franchised pizzeria any photograph or sign not approved by the Company, which approval it may withhold in its sole subjective discretion. The Franchisee shall display all required business licenses and the "Owner/Operator Decal" provide by the Company, framed, on a wall in the front of the restaurant in public view.

15. **Limitations on Sales.** Franchisee shall comply with the following limitations upon sales from the franchised location:

- a) Franchisee shall offer and sell only these foods and beverages approved by the Company. Additional foods or beverages may be sold, but only after obtaining the prior written approval of the Company, which will not be unreasonably withheld.
- b) Franchisee shall offer and sell all foods and beverages required by the Company.
- c) Franchisee shall not use the franchise premises for any purpose or any other business other than the operation of an "Aurelio's Is Pizza" restaurant.
- d) Franchisee shall not sell at wholesale or for redistribution or resale, or allow, authorize or otherwise permit the redistribution or resale of any of the foods or beverages offered at the franchised location, either with or without the use of the Company's marks.

16. **Company Menu.** Franchisee shall be required to use only those menus approved by the Company.

17. **Hours of Operation.** Franchisee's restaurant shall be open for business, seven (7) days per week and a minimum of fifty (50) hours per week, or such longer number of hours as may be specified in the Operations Manual.

18. **Services and Products Offered.** Franchisee shall offer in all cases carry-out and delivery services to the public, as well as dine-in services if Franchisee has purchased a Franchise for a sit-down restaurant. All sizes of pizza and quantities of other foods must be offered for sale, as specified by the Company from time to time. Franchisee shall use the size and type of Aurelio's branded box or packaging as specified by the Company from time to time.

19. **Additional Programs.** Franchisee shall fully participate in all coupon, gift card, marketing and customer service programs mandated by Franchisor. Franchisee shall allow full access for internet and intranet communication with Franchisor and other Franchisees and shall install all equipment and services necessary therefor. Franchisee shall be available for communication with the Company by facsimile, and shall install such equipment and telephone line as necessary for the same. Franchisee acknowledges that technology changes rapidly, and Franchisee agrees to participate in and cooperate with any other or additional program reasonably mandated by Franchisor from time to time during the term of this Agreement and any renewals thereof.

ARTICLE XIV

ASSIGNMENT

1. **Assignment by the Company.** The Company shall have the right to assign this Agreement and all of its rights and privileges hereunder to any other person, firm or corporation

provided that, in respect to any assignment resulting in the subsequent performance by the assignee of the functions of the Company:

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

2. **Assignment by Franchisee.** During the term of this Agreement, Franchisee shall not transfer, sell or assign the Franchise Agreement, the franchise, nor any part of the ownership of the Franchisee (including voting stock, securities convertible thereto, membership interests, and general or limited partnership interests), either voluntarily, involuntarily, directly or indirectly, except upon the terms and conditions set forth in Sections 3 through 7 of this Article.

3. **Consent to Assignment.** Any such assignment, transfer or sale without the prior written approval of the Franchisor shall constitute a default in this Agreement which shall allow the Franchisor the right to terminate this Agreement without prior notice. The consent of the Franchisor shall not be unreasonably withheld; and the withholding of such consent by the Franchisor shall be reasonably related to those factors affecting the ability of the proposed assignee to successfully operate the franchised restaurant in accordance with the terms of this Agreement. Such factors shall include, but not be limited to, whether the proposed assignee is of good moral character and financially responsible and possesses the requisite business experience and capability, credit standing, health and financial resources, and whether the proposed assignee is then (and will continue to be after the proposed assignment) the owner or operator of another business competitive with the franchised pizzeria located in the city in which the franchised location is situated. Notwithstanding the foregoing, any consent granted by the Franchisor may be withdrawn and shall be null and void

should the Franchisee or the proposed assignee not comply with any of the other conditions to assignment set forth in Sections 3 through 7 of this Article.

4. **Transfer Fee.** Upon the assignment by Franchisee of this Agreement, assignee shall pay to Franchisor a transfer fee in the maximum amount of Twenty Thousand (\$20,000.00) Dollars. Said transfer fee shall be paid in order to reimburse the Company for all reasonable costs and expenses incurred in connection with any such assignment or proposed assignment, including, without limitation, costs of credit investigations, testing and training the assignee.

5. **Conditions to Assignment by Franchisee.** The right of Franchisee to assign, transfer or sell his interest in this Agreement shall be subject to the following conditions:

- a. Franchisee shall serve upon the Company a written notice setting forth all of the terms and conditions of the proposed assignment and all available information concerning the proposed assignee. Within thirty (30) days after the Company's receipt of such notice (or if it shall request additional information, within thirty (30) days after receipt of such additional information), the Company may either consent or withhold its consent, as hereinabove provided, to the assignment. If the Company shall do neither, then consent to the assignment shall be deemed to be approved, subject to the completion of the conditions set forth in subparagraphs (b) through (h) below.
- b. All ascertained or liquidated debts of the Franchisee to the Franchisor or to any third parties in connection with the operation of any Franchised Location owned in whole or in part by the Franchisee or any entity affiliated with the Franchisee have been paid in full.
- c. The assignee shall, for the benefit of the Company, expressly assume and agree to perform all of the obligations of the Franchisee hereunder.
- d. That as of the date of any such assignment, the assignor shall have fully complied with all of its obligations to the Company, whether under this Agreement, or any other agreement, arrangement or understanding with the Company.
- e. The assignee, the Manager, the Pizzeria Director and all staff not otherwise trained shall have successfully completed the Company's training program, as described in Paragraph 7 of Article VIII of this Agreement. If Franchisee is a corporation, limited liability company or partnership, then the Company and the Franchisee shall agree upon

a person representing the Franchisee who shall be the person primarily in charge of managing the day-to-day operations of the Franchisee, which person shall also satisfactorily pursue and complete the Company's training program.

- f. The assignee shall execute Franchisor's then current standard Franchise Agreement for a full term as provided therein.
- g. The assignee's shareholders or members shall have executed Franchisor's then current Personal Guarantee.
- h. The assignee shall have paid Twenty Thousand Hundred Dollars (\$20,000.00) as and for a transfer fee as more fully set forth in Article XIV, Paragraph 3 above.
- i. The assignee shall have been approved as set forth in Article XIII, Paragraph 2 above.

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

- a. Franchisee shall be and remain together with said Legal Entity jointly and severally liable for all existing or subsequent breaches of this Agreement and for all obligations accrued or accruing hereunder. Franchisee shall waive notice or demand in the event of a default, and will be bound by any modifications or supplemental agreements entered into between the Company and the assignee Legal Entity, as hereinafter set forth.
- b. The assignee Legal Entity shall execute an acceptance of such assignment, which shall contain a recital agreeing to be bound by all of the terms and conditions herein contained.
- c. Franchisee shall be possessed of and retain at all times, legal and beneficial ownership of not less than sixty-six and two-thirds percent (66-2/3%) of all the outstanding ownership interests of the assignee Legal Entity, and the voting power of such ownership interests.

- d. The assignee Legal Entity shall not use in its name, Aurelio's Is Pizza or any derivation thereof or any similar name or any of the words contained in such name.
- e. All of the certificates of the assignee Legal Entity both issued and unissued shall have endorsed upon them the following statement: "The transfer of this ownership interest is subject to the terms and conditions of a Franchise Agreement, all dated _____, 200__, " and the date of such execution shall be inserted into such statement.
- f. When formation of the Legal Entity shall have been completed, Franchisee shall advise the Company and thereafter keep the Company advised of the names, addresses and titles of the officers, directors, managing members and resident agent of the assignee Legal Entity, and the names and addresses of all shareholders or members and the number of shares issued to each.
- g. The Legal Entity is newly organized and its activities are confirmed exclusively to operating an Aurelio's Is Pizza restaurant pursuant to this Franchise Agreement.
- h. The prior Franchisee, or a manager approved by the Franchisor, actively manages the corporation and continues to devote his best efforts and full and exclusive time to the day-to-day operation and development of the Franchise.

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

- a. All conditions set forth in Article XIV, Paragraphs 4(a) through (i) are fulfilled.

- b. It shall be demonstrated to the reasonable satisfaction of Franchisor that such executor, administrator, personal representative, distributee or guardian is of good moral character, and possesses the business experience and capability, credit standing, health and financial resources necessary to successfully operate Franchisee's restaurant in accordance with the terms of this Agreement. Such executor, administrator, personal representative, distributee or guardian shall cooperate with Franchisor in making available such information as Franchisor may require to make the above-described determinations.
- c. The executor, administrator, personal representative, distributee or guardian shall agree to personally participate in the management of the franchised restaurant.
- d. The executor, administrator, personal representative, distributee or guardian shall submit to Franchisor satisfactory evidence that he has succeeded or otherwise become entitled to all rights of Franchisee hereunder, or to all rights of the deceased in Franchisee, as the case may be. If the deceased or disabled person was the Franchisee, such executor, administrator, personal representative, distributee or guardian shall have executed and delivered to Franchisor a written instrument, in form satisfactory to the Franchisor, by which he expressly assumes all obligations of the Franchisee hereunder, whether accrued at the date of Franchisee's death or disability or arising thereafter, and agrees to be bound by all of the terms and provisions of this agreement to the same extent and in the same manner as Franchisee. If the deceased or disabled person was the owner of an interest in Franchisee, such executor, administrator, personal representative, distributee or guardian shall execute and deliver to the Franchisor its then standard forms of personal guarantee of the obligations of the Franchisee hereunder.
- e. The ultimate transfer of this Agreement due to such death or disability shall have been closed prior to the expiration of nine (9) months from the date of death or the onset of disability, unless such period is expressly extended by Franchisor in writing.

8. **No Right To Encumber.** Notwithstanding the above, the Franchisee shall have no right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever without the express prior written permission of the Company,

which permission may be withheld for any lawful reason whatsoever in the Company's sole subjective judgment.

ARTICLE XV

DEFAULT AND TERMINATION

1. **Company's Right of Termination After Notice of Default.** The Company may terminate this Agreement prior to its expiration only on account of a material breach of this Agreement by Franchisee or the disqualification of the Franchisee pursuant to Paragraph 1 of Article VIII. As used herein, the phrase "material breach" shall mean:

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

2. **Company's Right of Termination Without Prior Notice of Default.** Each of the following shall also be deemed a "material breach" of this Agreement which shall be grounds for termination of this Agreement without notice. Said material breaches, or any of them, shall by their nature be deemed noncurable, and the Company shall not be required to give Franchisee any notice of default with respect thereto. In subparagraphs a, e and f below, each minimum period of time or minimum number of violations shall be considered a separate material breach.

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

- g. If Franchisee violates and fails to cure or repeatedly violates any health or safety law, ordinances or regulation or operates the franchise in a manner that presents a health or safety hazard to its customers or the public.
- h. If Franchisee receives three (3) or more notices to comply with the Franchise Agreement, Operations Manual, or any specification, standard or operating procedure prescribed by Franchisor, whether or not such failures are corrected, with any twenty-four (24) month period.
- i. If Franchisee makes any material misrepresentations or misstatements on his application for the franchise or with respect to the ownership of the franchise.
- j. If Franchisee suffers termination, cancellation of or fails to renew or extend the lease or sublease for, or otherwise fails to maintain possession of the premises occupied by the franchised business and fails to secure suitable alternative approved by Franchisor.
- k. If Franchisee is convicted of a felony or any other crime of offense that is reasonably likely, in the sole opinion of Franchisor, to adversely affect the System, the Marks, the goodwill associated therewith, or Franchisor's interest therein.
- l. If the Franchisee fails to keep and preserve business records as required by Article IV, Paragraph 7 of this Agreement.
- m. If Franchisee shall allow a judgment against him in the amount of more than \$5,000 to remain unsatisfied for a period of more than thirty (30) days (unless a supersedes or other appeal bond has been filed); if the Franchised Location, or the Franchisee's assets are seized, taken over or foreclosed by a government official in the exercise of its duties, or seized, taken over, or foreclosed by a creditor or lienholder; or if a levy of execution of attachment has been made upon the license granted by this Agreement or upon any property used in the Franchised Location, and it is not discharged within five (5) days of such levy or attachment.

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

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

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

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

6. **Cross-Default.** Any material default by Franchisee under the terms and conditions of this Agreement or any Lease, or any other agreement between Franchisor, or its affiliates, and Franchisee, or any entity affiliated with Franchisee, or any default by Franchisee of its obligations to any Advertising Fund of which it is a member, shall be deemed to be a material default of each and every said agreement. Furthermore, in the event of termination, for any cause, of this Agreement or any other agreement between the parties hereto, Franchisor may, at its option, terminate any or all said agreements.

ARTICLE XVI

REMEDIES OF COMPANY

1. In the event of a material breach of this Agreement, the Company may, at its election:

- a. Terminate this Agreement in accordance with the provisions of Article XV hereof and seek such relief as it may deem proper to protect its rights hereunder.
 - b. Bring such action in any court of competent jurisdiction for injunctive or other provisional relief as the Company deems to be necessary or appropriate to compel Franchisee to comply with his obligation hereunder or to protect the Company's trademark, copyright or other property rights.
 - c. Pursue such other remedies as may be available to it at law or equity, including, but not limited to, the collection of all sums owing to the Company at the time of termination of this Agreement.
2. If Franchisor secures any declaration, injunction or order of specific performance, if any provision of this Agreement is enforced at any time by Franchisor or if any amounts due from Franchise Owner to Franchisor are, at any time, collected by or through an attorney at law or collection agency, Franchisee shall be liable to Franchisor for all costs and expenses of enforcement and collection including, but not limited to, court costs and reasonable attorneys' fees.

ARTICLE XVII

OBLIGATIONS UPON TERMINATION

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

1. Pay to the Company within seven (7) days of such termination or expiration all royalties, service fees, advertising fees and other charges owed by the Franchisee to the Company;
2. Continue to pay to the Company all scheduled payments upon any note financing the initial franchise fee;
3. Return to the Company all copies of the operations manual then in the possession or control of the Franchisee;

4. Return to the Company all interior decorations, including pictures, signs and trademarked items, provided free to the Franchisee.

5. Take any and all actions as may be required to cancel all assumed names or equivalent registrations relating to the use of any name or mark and to notify the telephone company and listing agencies of the termination or expiration of the Franchisee's right to use all telephone numbers and all classified and other directory listings of the Aurelio's Is Pizza restaurant;

6. Franchisee acknowledges that there shall be substantial confusion among the public if, after the termination of this Agreement, Franchisee continues to use the telephone number listed in and telephone directory under the name "Aurelio's Is Pizza," or some other name confusingly similar thereto. Accordingly, effective upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee shall direct the telephone company servicing Franchisee to disconnect the telephone number listed under the Company name in the then-current telephone directory, or transfer such number to Company or to such person and location as Company directs. If Franchisee fails to promptly so direct the telephone company in accordance with Company's instructions, Franchisee hereby irrevocably appoints Company as attorney-in-fact to direct the telephone company to make such transfer. Franchisee understands and agrees that notwithstanding any billing arrangements with any telephone company or yellow pages directory company, Company shall be deemed for purposes hereof to be the subscriber of such telephone numbers, with full authority to instruct the applicable telephone or yellow pages directory company as to the use and disposition of telephone listings and numbers. Franchisee hereby agrees to release, indemnify and hold such companies harmless from any damages or loss on account of following Company's said instructions.

7. If the Franchisee retains possession of the premises from which the franchised business was operated, then the Franchisee must make such reasonable modifications in the exterior

and interior decor of the premises in order to remove its identification to the public as an Aurelio's Pizzeria;

8. Cease doing business under the Company's names and marks and refrain from identifying himself or the premises as an Aurelio's Is Pizza restaurant;

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

10. Generally refrain from operating or doing business under any name or in any manner that might tend to give the general public the impression that he is, either directly or indirectly, associated, affiliated with, franchised by, or related to the Company and to refrain from either directly or indirectly, using any name, logotype, trademark or symbol confusingly similar to the trademarks or names utilized by the Company;

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

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

ARTICLE XVIII

INDEMNITY BY FRANCHISEE

1. Franchisee agrees to defend, indemnify and save the Company harmless from and against any and all claims, demands, losses, damages, costs, liabilities and expenses (including, but not limited to, attorney's fees and costs of suit) of whatever kind or character, on account of any actual or alleged loss, injury or damage to any person, firm or corporation or to any property arising out of or in connection with Franchisee's business conducted pursuant hereto.

ARTICLE XIX

WAIVER

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

ARTICLE XX

GOVERNING LAWS, JURISDICTION AND VENUE

1. This Agreement shall be deemed to have been made in the State of Illinois and shall be construed according to the laws of the state. The parties agree to submit all disputes hereunder to the jurisdiction of the courts of the State of Illinois, and agree that venue shall lie in Cook County, Illinois.

ARTICLE XXI

ENTIRE AGREEMENT

1. This Agreement contains all of the terms and conditions agreed upon by the parties hereto with reference to the subject matter hereof. No other agreements, oral or otherwise, shall be deemed to exist or to bind any of the parties hereto and all prior agreements and understandings are superseded hereby. No officer or employee or agent of the Company has any authority to make any representation or promise not contained in this Agreement, or in any Prospectus or Offering Circular for prospective Franchisees required by applicable law, and Franchisee agrees that he has executed this Agreement without reliance upon any such representations or promises. This Agreement cannot be modified or changed except by written instrument signed by all of the parties hereto.

ARTICLE XXII

SEVERABILITY

1. If any of the provisions of their contract governing termination or non-renewal are inconsistent with Illinois law, Illinois Compiled Statutes, 815 ILCS 705/9 and 705/20, the said Illinois law shall apply.

2. Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provision of this Agreement thus affected shall be curtailed and limited only to the extent that any part, article, paragraph or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the entire

Agreement shall not fail on account thereof and the balance of the Agreement shall continue in full force and effect. If any tribunal or Court of appropriate jurisdiction deems any provision hereof (other than for the payment of money) unreasonable, said tribunal or Court may declare a reasonable modification hereof, and this Agreement shall be valid and enforceable, and the parties hereto agree to be bound by and perform the same as thus modified.

ARTICLE XXIII

COUNTERPARTS

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

ARTICLE XXIV

SURVIVAL OF COVENANTS

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

ARTICLE XXV

ARTICLE AND PARAGRAPH HEADINGS

1. The article and paragraph headings contained herein are for the convenience of the

parties only and shall not for any purpose whatsoever be deemed a part of this Agreement.

ARTICLE XXVI

NOTICES

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

If to Franchisor:

Joseph M. Aurelio
Aurelio's Is Pizza Franchise, Ltd.
18162 Harwood Avenue
Homewood, Illinois 60430
Facsimile No.: 708-798-6692

With copy
(which shall not constitute notice) to:

A. Michael Kopec
Kopec & White
801 South MacArthur Boulevard
Springfield, Illinois 62704
Facsimile No.: 217/726-7543

If to Franchisee:

PFC of Illinois, Inc.
310 West Lincoln Highway
Frankfort, Illinois 60423

Facsimile No.: _____

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

ARTICLE XXVII

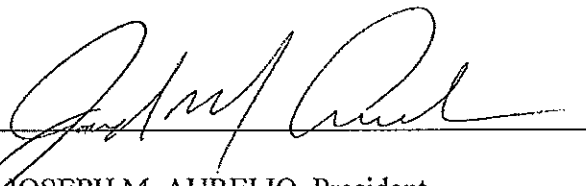
SUBMISSION OF AGREEMENT

1. The submission of this Agreement does not constitute an offer, and this Agreement shall become effective only upon the execution hereof by the company and Franchisee. THIS AGREEMENT SHALL NOT BE BINDING ON THE COMPANY UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF THE COMPANY. IN THOSE STATES WHERE REQUIRED BY LAW, THIS AGREEMENT SHALL NOT BECOME EFFECTIVE UNTIL AND UNLESS FRANCHISEE SHALL HAVE BEEN FURNISHED BY THE COMPANY SUCH DISCLOSURE IN WRITTEN FORM AS MAY BE REQUIRED UNDER OR PURSUANT TO APPLICABLE LAW.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this 7th day of February, 2010.

THE COMPANY:

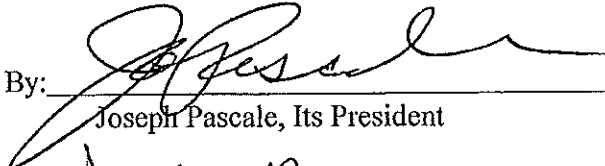
AURELIO'S IS PIZZA FRANCHISE, LTD.

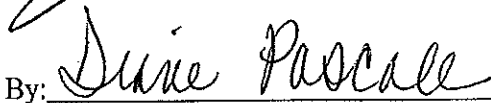
By: 
JOSEPH M. AURELIO, President

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

FRANCHISEE(S):

PFC OF ILLINOIS, INC.

By: 
Joseph Pascale, Its President

By: 
Diane Pascale, Its Secretary

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Handwritten mark

TRADE MARK
"AURELIO'S IS PIZZA"