FRANCHISE DISCLOSURE DOCUMENT
PAISANO'S FRANCHISE SYSTEM, INC.
a Virginia corporation
4465 Brookfield Corporate Drive, Suite 202
Chantilly, Virginia 20151
(703) 378-1500
www.paisanospizza.com

The franchise offered is for a fast casual restaurant offering authentic high-quality ingredients, pizzas and fresh, made-to-order offerings including buffalo wings, salads, calzones, pastas, sandwiches, desserts, beverages and more, all under the PAISANO'S PIZZA KITCHEN marks. The franchise offered is also for offering high-quality chicken-based products under the Rev Chicken marks.

The total estimated investment necessary to begin operation of a single franchised Restaurant is between \$366,000 to \$648,500. This includes \$60,000 that must be paid to the franchisor and/or its affiliate, as appropriate.

The total investment necessary to commence development of multiple franchised Restaurants under our current form of multi-unit development agreement (or "MUDA") will depend on the number of franchises you are awarded the right to develop. By way of example, the total estimated initial investment to develop three (3) franchised Restaurants under our current MUDA ranges from \$385,000 to \$668,500, which includes (a) a payment of \$45,000 towards your Development Fee that is due upon signing of your MUDA, and (b) the estimated initial investment to open and commence operations of the initial franchised Restaurant you are awarded the right to open under that agreement.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Ed Kelley at 4465 Brookfield Corporate Drive, Suite 202, Chantilly, Virginia 20151 and (703) 378-1500.

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

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

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

Issuance Date: May 5, 2022.

How to Use this Franchise Disclosure Document

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

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

What You Need to Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

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

2. **<u>Spousal Liability</u>.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT PURSUANT TO THE MICHIGAN FRANCHISE INVESTMENT LAW

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to: Michigan Attorney General’s Office, Consumer Protection Division, Attention: Franchise Section, G. Mennen Williams Building, 1st Floor, 525 West Ottawa Street, Lansing, Michigan 4893, Telephone Number: 517-373-7117.

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EXHIBITS

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

The Franchisor

Paisano's Franchise System, Inc. (referred to in this Disclosure Document as "Paisano's," "we," "us," or "our" and where the context requires also includes our parent and our affiliates) was formed as a Virginia corporation on June 1, 2009. Our principal place of business is 4465 Brookfield Corporate Drive, Suite 202, Chantilly, Virginia 20151 and we do business under our corporate name and the Marks as described below. In this Disclosure Document, we refer to the person or entity that will be signing the Franchise Agreement (defined below) as "you," "your," or "franchisee," which includes all franchise owners and partners, if you are a corporation, partnership or other entity.

We do not own or operate any businesses of the type being franchised. We have not offered franchises in any other line of business and we do not engage in any other business activity. We began offering franchises in Summer 2009.

Our agents for service of process are listed in Exhibit H.

Our Parents, Predecessors and Affiliates

We have no parent or predecessor company.

We have an affiliated company, Capital Restaurant Group, Inc., a Virginia corporation headquartered at 4465 Brookfield Corporate Drive, Suite 202, Chantilly, Virginia 20151. Capital Restaurant Group, Inc. is a management company that manages us and our affiliates. Capital Restaurant Group, Inc. is also the owner of the Marks, which it has licensed to us so that we may sub-license them to our franchisees.

We have a second affiliated company, Paisano's Marketing LLC, a Virginia limited liability company headquartered at 4465 Brookfield Corporate Drive, Suite 202, Chantilly, VA 20151. Paisano's Marketing, LLC operates to account for local brand fund expenses.

We have a third affiliated company, Rev Chicken, Inc., a Virginia corporation headquartered at 4465 Brookfield Corporate Drive, Suite 202, Chantilly, Virginia 20151. Rev Chicken, Inc. is the owner of the Rev Chicken Marks and other items related to the Rev Chicken brand, business model, proprietary information, and intellectual property, which it has licensed to us so that we may sub-license them to our franchisees.

We have operated, through affiliates, Paisano's Pizza Kitchen outlets similar to the franchise offered by this Disclosure Document since 1998. We may operate other Paisano's Pizza Kitchen concepts, including additional Paisano's Pizza Kitchen outlets, in the future.

None of our affiliates have conducted business in any other line of business, nor have they offered franchises for this business or in any other line of business.

Description of Franchise

We offer franchises for the right to establish and operate fast casual restaurants offering pizzas, calzones, strombolis, salads, sandwiches, hot and cold subs, Italian entrees, pastas, chicken wings, desserts, and beverages ("Restaurant" or "Franchised Business"). The Restaurants operate under the trade name "Paisano's Pizza Kitchen", and the additional principal service marks, trademarks, trade names, logos, emblems and indicia of origin identified in Item 13. These principal marks and all other marks which may be designated by us in the future in writing for use with the System (defined below) are referred to in this Disclosure Document as the "Paisano's Marks". The Marks are owned by Capital Restaurant Group, Inc., which has licensed them to us so that we may sub-license them to our franchisees. Paisano's Pizza Kitchen Restaurants are operated under the Marks and the System as stated within the terms of the Franchise Agreement. The Restaurants are generally located within shopping centers, multi-use developments, lifestyle centers, mega centers, entertainment centers, and urban locations. Restaurants will typically be approximately 1,200 to 2,000 square feet in size. Each Restaurant will offer delivery, take out, pick up, dine-in and catering services.

The franchise offered in this Disclosure Document also includes the right to offer additional menu items under the trade name "Rev Chicken", and the additional principal service marks, trademarks, trade names, logos, and indicia of origin relating to the products and services offered under the name "Rev Chicken". These marks are referred to in this Disclosure Document as the "Rev Chicken Marks", and together with the Paisano's Marks, they are referred to as the "Marks" or the "Proprietary Marks". The products offered under the Rev Chicken Marks are referred to as the "Rev Chicken Products". The Rev Chicken Marks form a part of our Proprietary Marks, and are owned by Rev Chicken, Inc., which has licensed them to us so that we may sub-license them to our franchisees. If you purchase a Paisano's Pizza Kitchen franchise, you will be permitted to offer Rev Chicken Products from and within your Restaurant, or you may be permitted to offer Rev Chicken Products as a delivery only model by partnering with an existing third-party restaurant (a "Host Kitchen"), either as a standalone business or in conjunction with your Paisano's Pizza Kitchen Restaurant.

The Restaurants are established and operated under a comprehensive and unique system (the "System"). The System includes distinctive signage, interior and exterior design, décor and color scheme; special recipes and menu items, including proprietary products and ingredients; uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; inventory, management and financial control procedures (including point of purchase and tracking systems); training and assistance; and advertising and promotional programs; all of which we may change, improve, and further develop, in our discretion. Certain aspects of the System are more fully described in this Disclosure Document and the Confidential Operations Manual. You should expect that the System and the Confidential Operations Manual will evolve and change over time.

Franchise Agreement

We offer the right to establish and operate a Restaurant at an agreed upon location under the terms of a single unit franchise agreement within a Designated Territory (the "Franchise Agreement"), Exhibit C to this Disclosure Document. You may be an individual, corporation, partnership or other form of legal entity. Under the Franchise Agreement, certain parties are characterized as Franchisee's Principals (referred to in this Disclosure Document as "your Principals"). The Franchise Agreement is signed by us and by you and your Principals. By signing the Franchise Agreement, your Principals agree to be individually bound by certain obligations in the Franchise Agreement, including covenants concerning confidentiality and non-competition, and to personally guarantee your performance under the Franchise Agreement (see Item 15). Depending on the type of business activities in which you or your Principals may be involved, we may require you or your Principals to sign additional confidentiality and non-competition agreements.

You must also designate a "General Manager" who will be the main individual responsible for your business. If you are an individual, we recommend that you be the General Manager. If you hire a General Manager, the General Manager must be approved by us and must complete our training program to our satisfaction. The General Manager is not required to have an equity interest in you. The General Manager must individually make certain non-disclosure and non-competition covenants in the Franchise Agreement. See Item 15.

Multi-Unit Development Agreement (or "MUDA")

In certain circumstances, we will offer to you the right to enter into a Multi-Unit Development Agreement in the form attached as Exhibit B to this Disclosure Document (the "Multi-Unit Development Agreement") to develop multiple franchised Restaurants to be located within a specifically described geographic market (the "Development Area"). We will determine the size and boundaries of the Development Area before you sign the Multi-Unit Development Agreement and it will be included in the Multi-Unit Development Agreement. Under the Multi-Unit Development Agreement, you must establish a certain number of Restaurants within the Development Area according to a development schedule, and to enter into a separate Franchise Agreement for each Restaurant established under the Multi-Unit Development Agreement. The Franchise Agreement for the first Restaurant developed under the Multi-Unit Development Agreement will be in the form attached as Exhibit C to this Disclosure Document. For each additional Restaurant developed under the Multi-Unit Development Agreement, you must sign the form of Franchise Agreement that we are then offering to new franchisees which may differ from the Franchise Agreement contained in this Disclosure Document. The size of the Development Area will vary depending upon local market conditions and the number of Restaurants to be developed (see Item 12).

Market and Competition

The market for restaurants is well developed and intensely competitive. You will serve the general public and will compete with a variety of businesses, from locally owned to national and chain restaurants. These include large chain restaurants, fast-casual restaurants, and restaurants specializing in Italian food items generally and pizza-only delivery. The demand for the products and services offered by your Paisano's Pizza Kitchen are also affected by changes in consumer tastes, demographics, traffic patterns and economic conditions. Paisano's Pizza Kitchen locations compete based on price, food quality and service standards.

Industry Regulations

At all times during the operation of your Paisano's Pizza Kitchen, you and your employees must obtain a ServSafe (or equivalent) food handler certification, and you must comply with all laws and regulations for proper food storage, preparation and service. You must obtain all required licenses to permit sales, service and consumption of alcohol at your Paisano's Pizza Kitchen location.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce laws and regulations that govern food preparation and service and food service establishment sanitary conditions. State and local agencies inspect food service establishments to ensure that they comply with these laws and regulations. Some state and local authorities have adopted, or are considering adopting, laws or regulations that could affect: the content or make-up of food served at or by your Paisano's Pizza Kitchen outlet; general requirements or restrictions on advertising containing false or misleading claims, or health and nutrient claims on menus or otherwise, such as "low calorie" or "fat free"; and the posting of calorie and other nutritional information.

You must also comply with all local, state and federal laws and regulations that relate to business operations, land use, insurance, discrimination, employment, workplace safety, and payment processing and customer information security. Your advertising of your Paisano's Pizza Kitchen outlet is regulated by the Federal Trade Commission. There may be federal, state and local laws which affect your Franchised Business in addition to those listed here.

You should investigate whether there are any state or local regulations or requirements that may apply in the geographic area in which you intend to conduct business. You should consider both their effect on your business and the cost of compliance. You are responsible for obtaining all licenses and permits which may be required for your business.

ITEM 2
BUSINESS EXPERIENCE

Founder & Chairman – Fouad Qreitem

Mr. Qreitem is the founder of Capital Restaurant Group, Inc. and Paisano's Franchise System, Inc. Mr. Qreitem launched Paisano's as a fast casual restaurant brand in 1998, with the opening of the Fair Lakes, Virginia Paisano's restaurant. As the owner of the Paisano's brand, Mr. Qreitem has opened 14 affiliate-owned restaurants. In addition, Mr. Qreitem launched Paisano's Franchising company in 2011, and has grown to twenty-two (22) franchise operated Paisano's restaurants. Over the past 23 years, Mr. Qreitem has made Paisano's a household favorite throughout Maryland, Virginia and the District of Columbia. In 2021, Mr. Qreitem launched the first Host Kitchen brand to operate within a Paisano's restaurant – Rev Chicken.

Chief Executive Officer – Ed Kelley

Ed Kelley joined the Paisano's family in February 2020 as Chief Executive Officer of Capital Restaurant Group, Inc. and Paisano's Franchise System, Inc. Mr. Kelley Was one of the founding members of Jiffy Lube International. Inc., which grew to become one of the largest automotive service companies in the world with over 1200 locations and another 400 in the pipeline. Mr. Kelley has launched multiple franchise companies, including several restaurant brands.

Vice President – Franchising – Gary Wise

Mr. Wise graduated from the Robert H. Smith School of Business at the University of Maryland and is a Certified Public Accountant with over 25 years of operational, development and management experience. Gary has been employed with Capital Restaurant Group since 2010 and as Vice President Franchising and Administration since 2020.

Vice President – Financial Planning & Analysis – Luis Gonzalez

Mr. Gonzalez has been our Vice President, Financial Planning & Analysis for Capital Restaurant Group, Inc. since November 2019. From August 2007 to October 2019, he was the Finance Controller for Gate Gourmet, Inc. working for multiple locations throughout North America & Canada Division. He has over fifteen years of progressive experience across multiple companies and a track record of positive, transformative leadership with focus on preparation, analysis, and presentation of ay financial reports to robust internal and external audits. Mr. Gonzalez also performed over twelve years of military service.

Chief Technology Officer – Carlos Escaffi

Mr. Escaffi joined Capital Restaurant Group as an outsourced Chief Technology Officer. Mr. Escaffi has over 30 years' experience launching and building technology service companies, including with Earthlink and AOL. As a technical advisor and architect, Mr. Escaffi has substantial experience with private enterprises and United States government programs.

Human Resources Manager – Beverly McCauley

Ms. McCauley joined Capital Restaurant Group as an outsourced Director of HR in 2021. Ms. McCauley has extensive experience in Human Resources, and as a business owner in construction and services industries.

Director of IT and Operations Support – Jennifer Dillon

Ms. Dillon provides operations and IT support for Capital Restaurant Group, Inc. and Paisano's Franchise System, Inc. Ms. Dillon's experience as a General Manager of Paisano's restaurants provides Capital Restaurant Group with restaurant relevant technology support for operations and systems rollouts and support.

Director of Quality Assurance – Keith Miller

Mr. Miller has been Director of Quality Assurance for Capital Restaurant Group, Inc. and Paisano's Franchise System, Inc. since July 2020. From December 2014 to March 2020, he was

Market Operator for Zoë's Kitchen located in Washington, DC, Maryland, Virginia, and North Carolina. Mr. Miller has extensive Operations experience including with Au Bon Pain, Cheesecake Factory and Ruby Tuesday's.

Office Manager – Komal Patel

Komal Patel is currently working as an Office Manager with Capital Restaurant group. She has been employed with CRG since 2018. Ms. Patel worked as a Staff Accountant with Sweta's CPA Firm from May 2013-January 2017.

ITEM 3
LITIGATION

Temple Hills Pizza, Inc., Paisano's Arcadia, Inc. and Paisano's Wisconsin Ave., Inc. v. Paisano's Franchise System, Inc., et al., AAA Case No. 011-20-0005-5354 (the "Arbitration Claim"). On June 9, 2020, three franchisee entities ("Claimants"), all under common ownership brought an action before the American Arbitration Association against Franchisor alleging breach of contract and fraud.

Elia Ahmadian and Kathleen McKay v. Fouad Qreitem, in the Circuit Court of Virginia for Fairfax County, Case No. 202016028 (the "Civil Action"). On October 15, 2020, the plaintiffs, principals of the above Claimants that sought to purchase additional locations ("Plaintiffs") brought a claim alleging fraud before the Circuit Court of Virginia for Fairfax County against a member of Franchisor's Board of Directors ("Defendant").

In both the Arbitration Claim and the Civil Action, Franchisor and the respective Defendants denied all claims and allegations made by the Claimants/Plaintiffs. On June 26, 2021, a global resolution of both the Arbitration Claim and the Civil Claim was reached, pursuant to which the parties mutually agreed, without payment from either party to the other, to (i) terminate a Multi-Unit Agreement held by Plaintiffs, (ii) to allow Claimants to convert certain of their franchised Restaurants to remote kitchen locations, and (iii) terminate the remaining of Claimants' franchise agreements.

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

Franchise Agreement

Initial Franchise Fee

We will charge you an initial franchise fee when you sign the Franchise Agreement. The initial franchise fee is $25,000. Unless you request that we hold a specific geographic area for you, the initial franchise fee is paid in a lump sum when you sign the Franchise Agreement and is not refundable under any circumstances. We will request that you sign a non-binding letter of intent, and under this letter of intent we will hold a specific area for you for two weeks. If you wish for us to hold this specific area for you for additional time, but not more than four weeks, you must pay to us a non-refundable deposit equal to 10% of the initial franchise fee. If you pay us a deposit, the deposit will be applied toward the initial franchise fee due when you sign the Franchise Agreement.

The initial franchise fee is imposed uniformly on all franchisees, it is fully earned and non-refundable in consideration of administrative and other expenses incurred by us in entering into the Franchise Agreement with you and for our lost or deferred opportunity to enter into a Franchise Agreement with others.

Military and Other Incentive Program(s)

From time to time, we may offer special incentive programs as part of our franchise development activities. We currently offer an incentive whereby we will discount the initial franchise fee to $15,000 for businesses that are majority owned (51% or greater) by first responders or honorably discharged veterans of the U.S. Armed Forces.

We also currently offer an incentive to existing franchisees in good standing who desire to open additional outlets whereby we will discount the initial franchise fee to $20,000 for a Franchised Business, and to $15,000 for a third and each subsequent Franchised Business. We reserve the right to offer, modify or withdraw any incentive program without notice to you.

Site Development & Lease Evaluation Fee

You must pay us a Site Development & Lease Evaluation Fee. The cost is $5,000 and is due when the Letter of Intent for your site is signed. This charge is not refundable.

Training Fee

You must pay us a Training Fee. The cost is $10,000 and is due upon our approval for you to attend training school. This charge is not refundable.

Technology Fee

You must pay us a Technology Fee. The cost is $5,000 and is due before opening. This charge is not refundable.

Restaurant Launch Package

You are required to purchase a Restaurant Launch Package totaling up to $15,000 for an approved opening marketing program during the one week prior to and three weeks following the opening of your System Restaurant. We reserve the right to collect these funds and conduct the opening marketing program on your behalf.

Multi-Unit Development Agreement

Development Fee

When you sign the Multi-Unit Development Agreement (or "MUDA"), you must pay us a development fee equal to $25,000 for the first Restaurant to be developed, plus: (i) $20,000 for each additional Restaurant to be developed under the Multi-Unit Development Agreement (each, an "Additional Franchise") if you are awarded the right to develop between a total of 2 to 5 franchised Restaurants (including your initial location); (ii) $17,500 for each Additional Restaurant if you are awarded the right to develop between 6 and 9 total franchised Restaurants; and (iii) $15,000 per Additional Restaurant if you are awarded the right to develop a total of 10 or more franchised Restaurants.

- *Initial Payment Towards Development Fee*

The initial portion of the Development Fee due upon signing of your MUDA will be the sum of: (i) $25,000 for the first franchised Restaurant; plus (ii) one-half (1/2) of the applicable fee described in the preceding paragraph for each Additional Franchise that you are awarded the right to develop under your Development Agreement.

- *Subsequent Payments towards Development Fee*

Upon signing of the Development Agreement, you will also be agreeing to pay us the second half (1/2) of the applicable fee due in connection with each Additional Franchise at the earlier of (a) when you sign a lease or our then-current franchise agreement for that Additional Franchise, and (b) at least 90 days before the scheduled opening of the Restaurant.

The Development Fee is deemed fully earned upon execution of your MUDA, and is not refundable under any circumstances. We expect and intend to impose the Development Fee, as described above, on our new System multi-unit developers that determine to enter into a MUDA with us.

As described above for single unit franchises, we will request that you sign a non-binding letter of intent, and under this letter of intent we will hold a specific area for you for two weeks. If you wish for us to hold this specific area for you for additional time, but not more than four weeks, you must pay to us a non-refundable deposit equal to 10% of the total Development Fee. If you pay us a deposit, the deposit will be applied toward the Initial Franchise Fee due in connection with the first Franchised Business you are awarded the right to develop under any subsequently-signed MUDA.

ITEM 6
OTHER FEES

Column 1 Type of Fees [1]	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Royalty Fee [2]	6% of Gross Sales or higher if you are not permitted by law to pay Royalty Fees on the sale of alcoholic beverages	Payable weekly on Tuesday (unless Tuesday is not a business day, then it is due on the next business day)	Amounts due will be withdrawn by EFT from your designated bank account. Each week runs from Monday through the following Sunday
Brand Fund Contribution [3]	No greater than 2% of Gross Sales	Payable together with the Royalty Fee	The Brand Fund is described in Item 11
Local Advertising	2% of Gross Sales	Must be spent monthly	To be spent locally using only approved materials and methods. We may require you to give the 2% for Local Advertising directly to us in lieu of being spent locally for regional marketing campaigns.
Franchisor directed regional initiatives	Up to $1,000 per month	Payable monthly on the 5th day of the month	Amount due will be withdrawn by EFT from your designated bank account.
Designated Market Area (DMA) Cooperative Advertising [4]	As determined by Cooperative but not to exceed local advertising obligations	As determined by Cooperative but not to exceed local advertising obligation	If a DMA advertising cooperative is formed for your area, you must join the cooperative. Any money you contribute to a cooperative will count toward your local advertising requirement

Column 1 Type of Fees [1]	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Initial Training (For New Employees, must include approved General Manager or Designated Franchise Operator if no General Manager)	Our then-current per person training fee, plus expenses. Currently $10,000. Current per additional person training fee = $5,000	Before Opening	Our current initial training fee to train up to three people is $10,000. If you request that we provide our initial training program to any additional employees, or to new or replacement employees during the term of your Franchise Agreement, you must pay additional training fees as well as the trainees' expenses, including travel, lodging, meals and wages
Replacement GM or Replacement Designated Franchise Operator	Current per person training fee = $5,000	Before Training	Train a replacement for designated GM or Franchise Operator Training must take place within 30 days of departure of GM or Franchise Operator
Registration Fee	$150 per person	Before Training	Registration for initial training program per person
Additional On-Site Training	Our then-current per diem rate per trainer, plus expenses Current per diem rate = $500	When billed, receipt to be no later than 30 days from billing	If you request that we provide additional training at your Restaurant, or if we determine that you require additional training, you must pay our daily fee for each trainer we send to your Restaurant, and you must reimburse each trainer's expenses, including travel, lodging and meals
Additional Training at our designated location	Our then-current per diem rate Current per diem rate = $300	When billed, receipt to be no later than 30 days from billing	If you or your manager require additional training and we are able to conduct this training at our designated location

Column 1 Type of Fees [1]	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Technology Fee	$300	Monthly	Payable to us or our approved supplier
Interest	1.5% per month or the highest legal contract rate, whichever is less	On demand	Interest may be charged on all overdue amounts owed to us or our Supply Affiliate. Interest accrues from the original due date until payment is received in full
Audit Fee	Cost of audit, in addition to repaying monies owed for Royalty Fees and Brand Fund contributions and interest on monies owed.	When billed	Payable only if we find, after an audit, that you have understated any amount you owe to us or Gross Sales by 2% or more. You must also pay the understated amount plus interest.
Financial Statement and Tax Return Submittal	$100 per location	Monthly	Payable to us for failure to provide financial statement timely within 45 days of each prior month.
Financial Statement Format and Chart of Accounts	$100 per location	Monthly	Payable to us for failure to provide financial statement to us in proper format using our chart of accounts.
Prohibited Product or Service Fine	$250 per day of use of unauthorized products or services	If incurred	This includes the cost of testing in addition to other remedies available to us.

Column 1 Type of Fees [(1)]	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Transfer Fee	$5,000 (Franchise Agreement) $10,000 (Multi-Unit Development Agreement)	Submitted with transfer application	No fee charged to an individual or partnership franchisee that transfers its rights, one time only, to a corporate entity controlled by the same interest holders. Transfer fee does not include training of new developer. If transfer occurs through our system leads as a sale of the business then without a broker then additional 5% of sales price
Renewal (Franchise Agreement)	25% of our then-current initial franchise fee	At time of renewal agreement execution	
Relocation Fee	$10,000	If incurred	Upon our approval, if you request our consent to relocate your Restaurant to a new site
Insurance	Will vary under the circumstances	If incurred	To include lease requirements. If you do not obtain the required insurance coverages, we may (but are not required to) obtain the coverage on your behalf. You must reimburse all costs we incur
Inspection and Testing	Cost of inspection or testing	When billed	Payable if you request that we evaluate a product or supplier that we have not previously approved and that you want to use in your Restaurant (see Item 8).
Delayed Opening Fee (Franchise Agreement)	$5,000 every 60 days of delayed opening	If incurred	Payable to us if extension granted.

Column 1 Type of Fees (1)	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Development Period Extension Fee (Multi-Unit Development Agreement)	$10,000 per extension	When extension is granted	These extension purchases may not apply if you have located a site that we have approved and lease is signed.
Liquidated Damages	See footnote 5		
Costs and Attorneys' Fees	Will vary under circumstances	On demand	If you default under your agreement, you must reimburse us for the expenses we incur (such as attorneys' fees) in enforcing or terminating the agreement.
Indemnification	Will vary under circumstances	On demand	You must reimburse us for the costs we incur if we are sued or held liable for claims that arise from your operation of the Franchised Business, or for costs associated with defending claims that you used the Marks in an unauthorized manner
Repair, Maintenance, and Remodeling/ Redecorating and new Signage	Will vary under circumstances	As incurred	Payable to approved suppliers. You must regularly clean and maintain your Restaurant and its equipment. We may require you to remodel or redecorate your Restaurant to meet our then-current image for all Paisano's Restaurants. We will not require you to remodel or redecorate your Restaurant more frequently than every five years.

Column 1 Type of Fees [1]	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Charges for "mystery shopper" quality control evaluation	Will vary under circumstances	Upon demand, if incurred	See Note 6. Payable to approved supplier. The mystery shopper program will be separate from our programs for customer surveys and customer satisfaction audits (which may require you to accept coupons from participating customers for discounted or complimentary items)
Gift Cards and Loyalty Program	See note 7		
Failure to allow inspection of Restaurant	$200	If incurred	If you fail to sign the inspection report or allow the inspector into your Restaurant. In addition to other remedies available to us.
Delivery Territory Violation Fee	$50 per order plus the profit margin on the order(s), up to 15% of the retail value and/or promotional value of the order(s).	If incurred for each violation after the 2nd.	If you deliver outside your Territory, this is a default under the Franchise Agreement. You will receive written notification of each violation and the fee will be imposed at our discretion
Late Deliveries	$11 Fee ($10 gift card mailed to the guest plus a $1 Administrative fee)	If incurred	If you have the following Late Deliveries: Sunday- Thursday, all Late Deliveries above 5 Friday –Saturday, all Late Deliveries above 10 You may incur an $11 fee for each late above the limit. A Late Delivery is more than 20 minutes after the driver is dispatched out the door. Grace Period: each location is allowed 5 "disasters" per year in terms of poorly run shifts resulting in Late Deliveries

Column 1 Type of Fees [1]	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Non-Compliance Fee	Up to $500 per failure to comply with any terms of the Franchise Agreement, our standards and specifications, or the Operations Manual.	If incurred	Payable to us within 15 days of billing. May be assessed per day or per incident, whichever is applicable.
System/Security and Surveillance	Then-current fee charge by our then-current Approved Supplier Currently, $200	Monthly	Payable to approved Suppliers. We may require you to change from your existing systems or add as new systems.

Notes:

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

2. For the purposes of determining the royalties to be paid under the Franchise Agreement, "Gross Sales" means the total selling price of all services and products and all income of every other kind and nature related to the Restaurant (including income related to catering and delivery activities (including if delivered by you or a third party service, without a setoff for any associated delivery fees)), and any sales or orders of food products or food preparation services provided from or related to the Restaurant), whether for cash or credit and regardless of collection in the case of credit. If a cash shortage occurs, the amount of Gross Sales will be determined based on the records of the point of sale system and any cash shortage will not be considered in the determination. Gross Sales expressly excludes the following:

(a) Receipts from the operation of any public telephone installed in the Restaurant or products from pre-approved vending machines located at the Restaurant, except for any amount representing your share of the revenues;

(b) Sums representing sales and meals taxes collected directly from customers, based on present or future laws of federal, state or local governments, collected by you in the operation of the Restaurant, and any other tax, excise or duty which is levied or assessed against you by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Restaurant, provided that the taxes are actually transmitted to the appropriate taxing authority; and

(c) Proceeds from isolated sales of trade fixtures not constituting any part of your products and services offered for resale at the Restaurant nor having any material effect on the ongoing operation of the Restaurant required under the Franchise Agreement.

(d) We may authorize certain other items to be excluded from Gross Sales. Any exclusion may be revoked or withdrawn at any time by us.

The Royalty Fee and Brand Fund Contribution and any other authorized Fees will be withdrawn from your designated bank account by electronic funds transfer ("EFT") weekly on Tuesday based on Gross Sales for the preceding week ending Sunday. If you do not report the Restaurant's Gross Sales, we may debit your account for 120% of the last Royalty Fee and Brand Fund Contribution that we debited. If the Royalty Fee and Brand Fund Contribution we debit are less than the Royalty Fee and Brand Fund Contribution you actually owe us, once we have been able to determine your true and correct Gross Sales, we will debit your account for the balance on a day we specify. If the Royalty Fee and Brand Fund Contribution we debit are greater than the Royalty Fee and Brand Fund Contribution you actually owe us, we will credit the excess against the amount we otherwise would debit from your account during the following week. If you close the bank account from which we debit your Royalty Fee and Brand Fund Contribution, we have the right to terminate the Franchise Agreement.

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

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

3. We have established and administer a national Brand Fund on behalf of the System (see Item 11) for the purpose of providing promotional programs, marketing programs, research, planning, agency website and other things that we decide at our sole discretion.

4. DMA Advertising cooperatives "cooperatives" will be comprised of all franchised Restaurants and Restaurants owned by us or our affiliates located in designated marketing areas. Each Restaurant has one vote in the cooperative. All decisions are subject to our consent. Bylaws will be provided once a cooperative is created. No Cooperatives have been established as of the date of this Disclosure Document.

5. If we terminate your Franchise Agreement for cause, you must pay us within 15 days after the effective date of termination liquidated damages equal to the average monthly Royalty Fees you paid or owed to us during the 12 months of operation preceding the effective date of termination multiplied by (a) 24 (being the number of months in two full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is higher.

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

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT – SINGLE RESTAURANT

Column 1 Type of Expenditure	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment is to be Made
Initial Franchise Fee (1)	$25,000	Lump Sum	On signing Franchise Agreement	Us
Site Development and Lease Evaluation Fee (2)	$5,000	Lump Sum	Upon execution of the Letter of Intent for your site no later than 180 days after signing franchise agreement	Us
Training Fee (3)	$10,000	Lump Sum	Upon our approval for you to attend the initial training program within 3 days prior to training start date	Us

Column 1 Type of Expenditure	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment is to be Made
Technology Fee (4)	$5,000	Lump Sum	Before opening within 3 days prior to training	Us
Leasehold Improvements (5)	$75,000 to $255,000	As Arranged	As Arranged	Independent Contractors
Lease Payments – 3 Months (6)	$12,000 to $24,000	As Arranged	As Arranged	Landlord
Security Deposits (7)	$4,000 to $12,000	As Arranged	As Arranged	Landlord, Utility Companies
Equipment, Furnishings and Fixtures (8)	$150,000 to $195,000	As Arranged	As Arranged	Approved Suppliers
Signage (9)	$10,000 to $15,000	As Arranged	As Arranged	Approved Suppliers
Initial Inventory (10)	$8,000 to $12,000	As Arranged	As Incurred	Approved Suppliers
Blue Prints and Plans (11)	$9,000 to $15,000	As Arranged	As Arranged	Architect; Engineer
Point of Sale System (12)	$17,000 to $27,500	As Arranged	As Arranged	Approved Suppliers
Travel, lodging and meals for initial training (13)	$1,000 to $3,000	As Arranged	As Incurred	Airlines, Hotels and Restaurants
Licenses and Permits (14)	$1,000 to $5,000	As Arranged	As Incurred	Government Agencies
Insurance – 3 Months (15)	$1,500 to $4,000	As Arranged	As Arranged	Insurance Companies
Restaurant Launch Package (16)	$15,000	As Arranged	As Arranged	Designated Supplier
Restaurant IT- pre-wire and infrastructure	$1,000 to $2,000	As Arranged	As Arranged	Designated Supplier
Professional Fees (17)	$2,500 to $5,000	As Arranged	As Arranged	Accountant; Attorney

Column 1 Type of Expenditure	Column 2 Amount	Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment is to be Made
Territory Map	300 to 400	As arranged	As arranged	Approved supplier
Additional Funds (3 months) [18]	$10,000 to $20,000			
TOTAL	**$366,000 to $648,500**			

In general, none of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable. We do not finance any portion of your initial investment.

<u>Explanatory Notes to Chart 7(A) Above</u>

1. ***Initial Franchise Fee; Site Evaluations***. The initial fees due under a Franchise Agreement and Multi-Unit Development Agreement are discussed in Item 5, as is the cost for site evaluations.

2. ***Site Development and Lease Evaluations***. The cost to provide an on-site evaluation and lease review for a potential location for the Restaurant

3. ***Training Fee.*** The cost for up to three (3) people to attend our initial training program, including classroom training and training in an operating Restaurant at such location(s) as may be designated by us.

4. ***Technology Fee.*** The cost for the coordination of all systems set up to include payroll, scheduling, borrowed scheduling, human resources, point of sale, enterprise reporting, data analytics, online ordering system, GPS tracking, access to cloud, customer interface, sales dashboard, Google analytics.

5. ***Leasehold Improvements***. The cost of leasehold improvements will vary depending on numerous factors, including: (i) the size and configuration of the premises; (ii) pre-construction costs (e.g., demolition of existing walls and removal of existing improvements and fixtures); and (iii) cost or materials and labor, which may vary based on geography and location. These amounts are based on the cost of adapting our prototypical architectural and design plans to remodel and finish-out of the Restaurant and the cost of leasehold improvements. These figures are our principals' best estimate based on remodeling/finish-out rates in Virginia. These amounts may vary substantially based on local conditions, including the availability and prices of labor (including whether you must use union labor) and materials. These costs may also vary depending on whether certain of these costs will be incurred by the landlord or if your landlord grants any tenant improvement allowances.

6. ***Lease Payments***. The figures are for the initial phase of the business for rent and assume that the premises of the Restaurant will be in a shopping center or urban location and will be approximately 1,200 to 2,000 square feet in size. Landlords may vary the base rental rate and charge rent based on a percentage of gross sales. In addition to base rent, the lease may require you to pay common area maintenance charges ("CAM Charges") your pro rata share of the real estate taxes and insurance, and your pro rata share of other charges. The actual amount you pay under the lease will vary depending on the size of the Restaurant, the types of charges that are allocated to tenants under the lease, your ability to negotiate with landlords and the prevailing rental rates in the geographic region.

7. ***Security Deposits***. You will probably need to provide security deposits to your landlord and your local utilities, such as gas, electric and water.

8. ***Equipment, Furnishings and Fixtures***. You must purchase equipment meeting our specifications to be used in the Restaurant, including Reach-in freezer, Refrigerated Counter (x2), Counter Griddle, Food Slicer, Refrigerated Work Top Counter, Refrigerated Pizza Prep Table, Gas Range, Fryers (x3), 9 ft hood (x2), Center Pizza hood, Fire Suppression System, Gas Fired Air Unit, Exhaust Fan, Walk-ins, and Pizza Oven. We have established relationships with equipment vendors for certain equipment used in the Restaurant that meet our specifications. The estimate in the chart above does not include an amount for the purchase or lease of a delivery vehicle, because we expect that your employees will use their personal vehicles to provide delivery service. Your delivery drivers must have perfect driving records, have a mechanically sound vehicle, and must have automobile insurance.

9. ***Signage***. These amounts represent your cost for interior and exterior sign package, and car toppers. Your landlord or your local ordinances may have different restrictions it places on interior and exterior signage which may affect your costs.

10. ***Initial Inventory***. These amounts represent your initial inventory of food supplies and paper goods for use in the initial phase of operating the Franchised Business.

11. ***Blue Prints and Plans***. These are the estimate of your costs in obtaining any architectural and design services necessary for the construction of the Restaurant. You must adapt our prototypical plans and specifications to suit your Restaurant premises.

12. ***Point of Sale System***. You must obtain the point of sale system that we specify. The point of sale system is described in Item 11. Our estimate includes the initial set-up fee for on-line ordering.

13. ***Travel, Lodging and Meals for Initial Training***. We provide initial training to up to three people at no additional charge. These estimates include only your out-of-pocket costs associated with attending our initial training program, including travel, lodging, meals and applicable wages. These amounts do not include any fees or expenses for training any other

personnel. Your costs may vary depending on your selection of lodging and dining facilities and mode and distance of transportation.

14. ***Licenses and Permits***. These are estimates of the costs for obtaining local business licenses which typically remain in effect for one year. The cost of these permits and licenses will vary substantially depending on the location of the Restaurant. You should consult the appropriate governmental authority concerning the availability of required licenses and the associated expenses for your Restaurant before you sign a Franchise Agreement.

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

16. ***Restaurant Launch Package***. You are required to purchase a Restaurant Launch Package totaling up to $15,000 for an approved opening marketing program during the one week prior to and three weeks following the opening of your Restaurant. Our approved supplier for the Restaurant Launch Package is currently MPP Marketing, who will conducting the grand opening advertising campaign for your Restaurant on your behalf. Alternatively, we may, at our option, collect these funds and conduct the grand opening marketing campaign on your behalf.

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

18. ***Additional Funds***. You will need capital to support ongoing expenses, such as payroll, utilities, royalty fees and local advertising if these costs are not covered by sales revenue for your first three months of operation. We estimate that the amount given will be sufficient to cover ongoing expenses for the start-up phase of the business, which we calculate to be three months. This is only an estimate and there is no guarantee that additional working capital will not be necessary during this start-up phase or after.

We relied upon our affiliates' experience in operating System Restaurants since 1998 when preparing these figures. These amounts do not include any estimates for debt service. These are only estimates and your costs may vary based on actual rental prices in your area, and other site-specific requirements or regulations.

YOUR ESTIMATED INITIAL INVESTMENT – MULTI-UNIT DEVELOPMENT

If you become a Multi-Unit Developer, you will pay a development fee as described in Item 5. For each business you develop under the Multi-Unit Development Agreement, you can expect to have an initial investment as estimated above for a start-up franchise, subject to potential increases over time or other changes in circumstances. If you sign a Multi-Unit Development Agreement, your professional fees such as legal and financial may be higher.

For example, if you sign a Multi-Unit Development Agreement to open 2 Paisano's Pizza Kitchen Restaurants under separate Franchise Agreements, the following chart shows your estimated initial investment, based on the first table of this Item 7.

Column 1 **Type of Expenditure**	**Column 2** **Amount**	**Column 3** **Method of Payment**	**Column 4** **When Due**	**Column 5** **To Whom Payment is to be Made**
Development Fee ($25,000 for 1st Restaurant and $12,500 for the next Restaurant)	$45,000	Lump Sum	When Multi-Unit Operator Agreement is Signed	Us
Initial Investment in Connection with First Franchised Business	$341,000 to $623,500	As Disclosed in First Table	As Disclosed in First Table	As Disclosed in First Table
Total	**$385,000 to $668,000**			

**The other costs to develop System Restaurants may be affected by factors including inflation, local labor costs, materials cost and other factors not within our control. If you sign a Multi-Unit Development Agreement, your professional fees such as legal and financial may be higher.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must purchase or lease and install all fixtures, furnishings, equipment (including point of sales, computer hardware and software), décor items, signs and related items we require, all of which must conform to the standards and specifications in our Manual (as defined in Item 11) or otherwise in writing, unless you have first obtained our written consent to do otherwise. You may not install or permit to be installed on the Restaurant premises any fixtures, furnishings, equipment, décor items, signs, games, vending machines or other items without our written consent or that do not comply with our specifications.

To make sure that the highest degree of quality and service is maintained, you must operate the Restaurant in strict conformity with the methods, standards and specifications that we prescribe in the Manual or otherwise in writing. You must maintain in sufficient supply and use and sell at all times only those food and beverage items, ingredients, products, materials, supplies and paper goods that meet our standards and specifications. All menu items must be prepared according to the recipes and procedures specified in the Manual or other written materials. You must not deviate from these standards and specifications by the use or offer of non-conforming items, or differing amounts of any items, without obtaining our written consent first. You must sell and offer for sale only those menu items, products and services that we have expressly approved for sale in writing. You must offer for sale all products and services required by us in the manner and style we require, including dine-in, carry-out, delivery and catering services. You must not deviate from our standards and specifications without obtaining our written consent first. You must discontinue offering for sale any items, products and services we may disapprove in writing at any time. We can, and expect to, modify our standards and specifications as we deem necessary. We will provide you notice in writing (such as e-mail, bulletins or changes to the Manual) of any changes in the standards and specifications.

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

Except for proprietary products and promotional materials provided by us or our designated suppliers (or delivery vehicles that you may use in the operation of the Restaurant), you must obtain all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including point of sale, computer hardware and software), and other products used or offered for sale at the Restaurant solely from suppliers who demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards or in keeping with our standards and specifications. We do not make our supplier evaluation criteria available to you or any supplier. We grant and revoke approval of suppliers through notice to our suppliers and franchisees.

There are no approved suppliers in which any of our officers has an ownership interest.

Our approved suppliers are listed in the Confidential Operations Manual. You must use our designated suppliers for pasta sauce, pizza sauce, food and paper products, POS system, menus and mailers, branding and marketing.

We have the right to periodically change our approved suppliers, and we have the right to negotiate price and other terms with our approved suppliers for the benefit of the System.

If you wish to purchase, lease or use any products or other items from an unapproved supplier, you must submit a written request for approval, or must request the supplier to do so. We must approve any product or supplier in writing before you make any purchases of that product or from that supplier. We can require that our representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered, either to us or to an independent laboratory, for testing. You must pay the cost of the inspection, and the actual cost of the test must be paid by you or the supplier (see Item 6). We reserve the right to re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier fails to continue to meet any of our then-current standards. Our approval procedure does not obligate us to approve any particular product or supplier. We will notify you within 30 days of our approval or disapproval of any proposed product or supplier. We do not need to make our criteria for product or supplier approval available to you or to any supplier.

For your delivery and catering services, any vehicle that you use to deliver Restaurant products and services to customers must meet our standards for appearance and reliability. You must place the signs and décor items on the vehicle we require and must at all times keep the vehicle clean and in good working order. You must have each person providing those services to comply with all laws, regulations and rules of the road and to use due care and caution operating and maintaining the motor vehicles. Except as noted above, we do not have any standards or exercise control over any motor vehicle that you use.

We have and may continue to develop for use in the System certain products which are prepared from confidential proprietary recipes and other proprietary products which bear our Marks. Because of the importance of quality and uniformity of production and the significance of those products in the System, it is to your and our benefit that we closely control the production and distribution of those products. Therefore, you will use only our proprietary recipes and other proprietary products and will purchase those items solely from us or from a source designated by us all of your requirements for those products. You must purchase from us or our designated supplier for resale to your customers certain merchandise identifying the System that we require, such as memorabilia and promotional products, in amounts sufficient to satisfy your customer demand.

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of the System. As of the date of this Disclosure Document, there are no purchasing or distribution cooperatives for any of the items described above in which you must participate.

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

We and/or our affiliates may receive rebates or other payments from suppliers based on a percentage of sales to us, you, or other Restaurants in the System. Currently our affiliate receives rebates ranging from between approximately 1.2% to 7.2% of franchisee required purchases from designated vendors of pasta sauce, pizza sauce, food and paper products. For the fiscal year ended

December 31, 2021, we did not receive any revenue from franchisee required purchases. For the fiscal year ended December 31, 2021, our affiliate received $748,925.75 from required purchases.

We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services and other items at a price that will benefit us and our franchisees. Any rebate revenue received by us may be kept at our discretion or used as we deem appropriate.

We estimate that your purchases from us or approved suppliers, or that must conform to our specifications, will represent approximately 95% of your total purchases in establishing the Restaurant, and approximately 95% to 100% of your total purchases in the continuing operation of the Restaurant.

When determining whether to grant new or additional franchises, we consider many factors, including compliance with the above-mentioned requirements.

All advertising and promotional materials, signs, decorations, paper goods (including menus and all forms and stationery used in the Restaurant) and other items we designate must bear the Marks (see Item 13) in the form, color, location and manner we prescribe. In addition, all your advertising and promotion in any medium must be conducted in a dignified manner and must conform to the standards and requirements in the Manual or otherwise. You must obtain our approval before you use any advertising and promotional materials and plans if we have not prepared or approved them during the 12 months before their proposed use. Any advertising and promotional materials you submit to us for our review will become our property.

You must obtain our approval of the site for the Restaurant before you acquire the site. You must also obtain our approval of any contract of sale or lease for the Restaurant before you sign the contract or lease. We will not approve any lease unless a rider to the lease, prepared by us, is signed by you, by us and by the landlord. The rider will contain the following provisions:

1. During the term of the Franchise Agreement, the premises will be used only for the operation of the Restaurant.

2. The landlord consents to your use of the Marks and signs, décor items, color schemes and related components of the System.

3. The landlord agrees to give us copies of any and all letters and notices sent to you related to the lease and the premises, at the same time that these letters and notices are sent to you.

4. We may enter the premises to make any modification necessary to protect the System and Marks or to cure any default under the Franchise Agreement or under the lease, without being guilty of trespass or any other crime or tort. The landlord will not be responsible for any expenses or damages owing from our conduct of those activities.

5. If we exercise our option to obtain your lease, you must assign the lease to us or our affiliates when the Franchise Agreement expires or terminates, and the landlord will consent to this assignment and will not charge any assignment fee or accelerate rent under the lease.

6. If the lease is assigned, we or any affiliate designated by us will agree to assume from the date of assignment all of your obligations remaining under the lease, and we or our affiliate will assume your occupancy rights, and the right to sublease the premises, for the remainder of the term of the lease.

7. You will not assign the lease to others or renew or extend the lease's term without obtaining our written consent first.

8. The landlord and you will not amend or otherwise modify the lease in any manner that could materially affect any of the above requirements without obtaining our written consent first.

9. The terms of the lease rider will supersede any conflicting terms of the lease.

You must obtain, before beginning any operations under the Franchise Agreement, and must maintain in full force and effect at all times during the term of the Franchise Agreement, at your own expense, an insurance policy or policies protecting you, us, and our respective officers, directors, partners, and employees. The policies must provide protection against any demand or claim relating to personal and bodily injury, death, or property damage, or any liability arising from your operation of the Restaurant, including liquor liability and employment practices coverage. All policies must be written by an "A" rated carrier or carriers whom we determine to be acceptable, must name us as an additional insured, and must provide at least the types and minimum amounts of coverage specified in the Franchise Agreement or otherwise in the Manual. Additionally, we may designate one or more insurance companies as the insurance carrier(s) for Paisano's Pizza Kitchen Restaurants. Our required insurance coverages are included in the Manual and are subject to change during the term of your Franchise Agreement. You must comply with any changes to our insurance requirements.

At a minimum, you must maintain (1) commercial/general liability in an amount not less than $1,000,000 per occurrence and $2,000,000 aggregate; (2) insurance on the contents and leasehold for the Paisano's Pizza Kitchen Restaurant at full replacement value; (3) liquor liability, if applicable, in an amount not less than $1,000,000 per occurrence and $2,000,000 aggregate; (4) umbrella coverage over general liability, including automobile and employer's liability, with at least $2,000,000 per occurrence; (5) automobile liability coverage, including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than $1,000,000 combined single limit. The automobile liability insurance policy that you must maintain is in addition to any insurance your delivery drivers must have; (6) business interruption insurance equivalent to six months of revenue; and (7) $1,000,000 Cyber Liability Insurance. You must also maintain any insurance required by your lease as well as workers compensation and employer's liability insurance, as required by statute. We may require you to obtain and maintain other types and amounts of insurance. Your automobile, general liability and employer's liability policies must include a waiver of subrogation in our favor.

Except as described above, we will not derive revenue as a result of your purchases or leases in keeping with our specifications or standards or from approved suppliers. We provide no material benefits to franchisees based on their use of approved suppliers.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

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

Obligation	Section in Agreement	Item in Disclosure Document
a. Site selection and acquisition/ lease	FA – Section II MUDA – Section III	Items 8 and 11
b. Pre-opening purchases/leases	FA – Sections VI, VII and VIII	Items 7, 8 and 11
c. Site development and other pre-opening requirements	FA – Section II	Items 8 and 11
d. Initial and ongoing training	FA – Section VI	Items 6 and 11
e. Opening	FA – Section VI	Items 6 and 11
f. Fees	FA – Sections IV and VIII MUDA – Sections II and III	Items 5 and 6
g. Compliance with standards and policies/operating manual	FA – Sections II, III, VI, VIII, IX, X, XI and XII	Items 11 and 14
h. Trademarks and proprietary information	FA – Sections IX and X and Attachment 5 MUDA – Section VII	Items 11, 13 and 14
i. Restrictions on products/services offered	FA – Section VII MUDA – Section VII	Item 16
j. Warranty and customer service requirements	FA – Section VII	Item 8
k. Territorial development and sales quotas	MUDA – Section III	Item 12

Obligation	Section in Agreement	Item in Disclosure Document
l. Ongoing product/service purchases	FA – Section VII	Item 8
m. Maintenance, appearance and remodeling requirements	FA – Sections II, VII and XIV	Items 6 and 11
n. Insurance	FA – Section XII	Items 7 and 8
o. Advertising	FA – Section VIII	Items 6, 8 and 11
p. Indemnification	FA – Section XV MUDA – Section XIV	Item 6
q. Owner's participation/ management/staffing	FA – Sections VI, XIV, XV and XIX MUDA – Section VII	Item 15
r. Records and reports	FA – Sections IV, VII and XI	Item 6
s. Inspections and audits	FA – Sections II, VII and XI MUDA – Section XII	Items 6, 8 and 11
t. Transfer	FA – Section XIV MUDA – Section XI	Items 6 and 17
u. Renewal	FA – Section III MUDA – Section V	Items 6 and 17
v. Post-termination obligations	FA – Section XVIII MUDA – Section X	Items 6 and 17
w. Non-competition covenants	FA – Section X and Attachment 5 MUDA – Section XII	Item 17
x. Dispute resolution	FA – Section XIX MUDA – Section XIX	Item 17
y. Liquidated damages	FA –Section XVIII	Item 6
z. Guaranty	FA – Section VII	Item 6

ITEM 10
FINANCING

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

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

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

Pre-Opening Obligations

Multi-Unit Development Agreement: Under the Multi-Unit Development Agreement, we will provide you with the following assistance:

1. We will grant to you protected rights to a Development Area within which you will establish and operate an agreed-upon number of Restaurants under separate Franchise Agreements (Multi-Unit Development Agreement – Section 1.1).

2. We will review site survey information on sites you select for conformity to our standards and criteria for potential sites and, if the site meets our criteria, approve the site for a Restaurant (Multi-Unit Development Agreement – Section 8.1).

3. We will provide you with standard specifications and layouts for building and furnishing the Restaurant (Multi-Unit Development Agreement – Section 8.2).

4. We will review your site plan and final build-out plans and specifications for conformity to our standards and specifications (Multi-Unit Development Agreement – Section 8.3).

5. We may conduct on-site evaluations, as we deem advisable, as part of our evaluation of the site for a Restaurant (Multi-Unit Development Agreement – Section 8.4).

6. We will provide other resources and assistance as may be developed and offered to our Multi-Unit Operators (Multi-Unit Development Agreement – Section 8.5).

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

1. Our written site selection guidelines and the site selection assistance we deem advisable. (Franchise Agreement, Section 5.1.) We will also determine the boundaries of your Designated Territory.

2. We will provide an on-site evaluation of your potential location. (Franchise Agreement, Section 5.2.)

3. We will review and approve or disapprove your lease. Prior to signing a lease or purchase agreement for any location, you must submit a written request for approval to us describing the proposed location and providing other information about the lease that we

reasonably request. We will not own and/or lease a site to you. You are responsible for negotiating a purchase or lease with the owner of a site we approve. (Franchise Agreement, Section 5.3)

4. On loan, one set of prototypical architectural and design plans and specifications for a Restaurant. You must adapt our prototypical plans for your specific Restaurant site, at your expense. We must approve of the adapted plans before you may begin constructing your Restaurant. We must also approve of any change to the plans during construction. (Franchise Agreement, Section 5.3.)

5. On loan, our Confidential Operations Manual, which we may revise during the term of your Franchise Agreement. (Franchise Agreement, Sections 5.4 and 10.1.)

6. A list of our approved suppliers will be provided in the Confidential Operations Manual. (Franchise Agreement, Sections 5.9 and 7.4.)

7. For your first Paisano's Pizza Kitchen Restaurant, an initial training program at our headquarters, in store and some instances we may provide training online for up to three people at no additional charge. If you wish to have additional personnel trained you must pay our then-current fee (see Item 6). (Franchise Agreement, Sections 5.10 and 6.4.)

8. Up to two of our representatives to provide opening assistance at the Restaurant for up to five days around the Restaurant's opening. You must reimburse the expenses our representatives incur while providing the opening assistance, including travel, lodging and meals. If you are opening your second (or later) Restaurant, we reserve the right to not provide opening assistance. (Franchise Agreement, Sections 5.11 and 6.4.)

Post-Opening Obligations

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

1. As we reasonably determine necessary, visits to and evaluations of the Restaurant and the products and services provided to make sure that the high standards of quality, appearance and service of the System are maintained. (Franchise Agreement, Sections 5.5 and 7.5.6.)

2. Advice and written materials (including updates to the Manual) concerning techniques of managing and operating the Restaurant, including new developments and improvements in equipment, food products, packaging and preparation. (Franchise Agreement, Section 5.7.)

3. Training programs and seminars and other related activities regarding the operation of the Restaurant as we may conduct for you, or Restaurant personnel generally, which your General Manager and other Restaurant personnel may be required to attend. (Franchise Agreement, Section 6.4.2.) We do not currently offer these training programs or seminars, but we may choose to do so in the future.

4. At your request or if we determine that it is necessary, additional on-site training at your Restaurant. You must pay our per diem fee for each trainer providing the training as well as reimburse our trainers' expenses (see Item 6). (Franchise Agreement, Section 6.4.4.)

5. Administration of the Brand Fund, for which we may charge an administration fee of up to 20% of the brand fund revenue. (Franchise Agreement, Section 8.3.)

6. An on-line ordering system that will allow your customers to place orders on-line. This on-line ordering system is available through our approved supplier.

7. Determination of the maximum prices that you may charge for menu and beverage items, where permitted by applicable law. (Franchise Agreement, Section 8.6.)

8. Own up to four telephone lines for your Restaurant and pay all telephone bills. When we receive a telephone bill, we will forward a copy of the bill to you and tell you on what day we will debit your operating account for the total amount of the phone bill. If your Franchise Agreement expires or is terminated, the phone numbers will remain ours. We will not own the fax line for your Restaurant.

The above services will be provided to each Multi-Unit Development for each Franchise Agreement that the Multi-Unit Development signs under the Multi-Unit Development Agreement.

Site Selection, Lease, Construction and Opening

1. Site Selection

You will operate the Restaurant at the premises agreed upon by you and us. We will provide you with our current written site selection guidelines and any other site selection counseling and assistance we think are advisable. Our guidelines for site selection may require that you conduct, at your expense, an evaluation of the demographics of the market area for the location (including the population and income level of residents in the market area), aerial photography, size and other physical attributes of the location, shopping mall, tenant mix, proximity to residential neighborhoods and proximity to schools, shopping centers, entertainment facilities and other businesses that attract consumers and generate traffic.

It is your responsibility to obtain a mutually acceptable site. We consider factors such as size, location, nearby commercial and residential development, traffic patterns, demographics, visibility from roadways, and parking space in approving any given site. Your leased/purchased space should be approximately 1,200 to 1,800 square feet, located in a strip center, shopping center, mall, commercial development or other appropriate locations. You must submit a site selection package to us for each proposed site, in the form we specify. Within 30 days of receipt of such form, we will approve or disapprove, in our sole discretion, the site as a location for the Restaurant. No proposed site is deemed approved unless we have expressly approved it in writing. We may outsource certain aspects of site selection assistance to a local 3rd party broker at no additional cost to you. We may also recommend real estate brokers to assist you with site selection; however you are under no obligation use any broker we recommend. You must obtain a location acceptable to us within 180 days of signing the Franchise Agreement. Failure to do so may result in termination of your Franchise Agreement.

You must assume all costs, liabilities, expenses and responsibility for locating, obtaining and developing a site for the Restaurant and for constructing and equipping the Restaurant at the accepted site. You will select the site for the Restaurant subject to our approval, and the Restaurant may not be relocated without first obtaining our written consent and paying our relocation fee. Before you lease or purchase the site for the Restaurant, you must locate a site that satisfies our site selection guidelines.

You must pay us a Site Development and Lease Evaluation Fee to provide an on-site evaluation and lease review for your proposed location. Before we provide the on-site evaluation, you must submit to us in the form we specify a description of the site, including evidence that the site satisfies our site selection guidelines, together with other information and materials that we may reasonably require, and a letter of intent, in a form provided or approved by us, that confirms your favorable prospects for obtaining the site. You must provide all of the information and materials we require within 180 days after you sign the Franchise Agreement.

We will have 30 days after we receive this information and materials from you to approve or disapprove the proposed site as the location for the Restaurant. The criteria we use in evaluating a potential site includes residential population, daytime worker population, average household income, ease of access to roadways, availability of parking, the general location and neighborhood, traffic patterns, and lease terms. Our approval only means that the site meets our requirements for a Restaurant. We may provide a real estate broker for additional support. The broker's fee is typically paid by your landlord.

Under the Multi Unit Development Agreement, we will determine or approve the location of future units and any territories for those units according to our then-current standards. You will be required to sign the then-current form of the Franchise Agreement.

2. Lease

Prior to signing a lease for your Restaurant, you must first provide to us a draft Letter of Intent which will include the basic terms of the lease. The final version of your Letter of Intent must be approved by us, in writing, prior to it being submitted to your landlord and prior to your execution of same. Subsequent to your executing a Lease for your Restaurant, you must first provide to us the first draft of the Lease. We must approve the final version of your Lease, prior to you executing same. Our approval, or disapproval of your proposed lease is at our sole discretion. We will condition our approval of your lease upon, among other conditions, you and your landlord's signing of a collateral assignment of lease and Franchise Rider, through which your landlord grants us the rights to assume your rights and obligations under the lease in the event that you breach your lease agreement and/or your Franchise Agreement is terminated or expires.

3. Construction

We will provide you with basic plans and specifications from an existing restaurant for the layout and décor, so that you can adapt your Restaurant to conform to our standards for the appearance of a Paisano's Pizza Kitchen Restaurant. You may not commence the construction or build-out of your Restaurant without our written approval. We must approve your architect or, should we have retained a national architect to provide you with floor plan layouts, reflected ceiling plans, interior elevations, and millwork, you shall be required to use same at your cost. You may, but are not required to, use our designated architect for Restaurant design and layout services to complete the final construction documents. At any rate, you are solely responsible for the preparation of architectural and working drawings necessary to complete construction and/or build-out at any approved leased location. We must approve all plans before you begin construction/build-out. We must approve all subsequent, material changes to the plans and drawings before such changes may be implemented. You must purchase architecture and contracting services for the construction of the Restaurant which meet our minimum specifications. You are responsible for hiring of local architects and engineers, as necessary, to develop construction plans that meet with applicable ordinances, building codes, permit requirements, and the Americans with Disabilities Act. Any contractor, architect, or engineer that you hire must be approved by us, in advance, and in writing, which approval will not be unreasonably withheld.

After you have (a) made all payments due under the Franchise Agreement, (b) signed your Lease as approved by us, (c) the landlord, you and we have signed the Collateral Assignment of Lease agreement and Franchise Rider, and (d) signed all Exhibits to the Franchise Agreement, we will provide you with a written Authorization to Proceed for the construction and build-out of the Franchisee Location.

4. Opening

We estimate that it will take approximately six to twelve months from signing the Franchise Agreement for you to open your Restaurant. The actual length of this period will depend upon factors such as your ability to obtain a mutually acceptable site and the lease for that site, acceptable financing arrangements, training schedules, delivery schedules for inventory and equipment and other factors including the time necessary to obtain zoning permits, licenses, and variances. Under the Franchise Agreement, you are required to open your Restaurant no later than 12 months after we sign the Franchise Agreement. If you have obtained a lease for the Restaurant and the Restaurant is under construction, we may grant one 45-day extension within which to complete the build-out and open. At any time prior to the 12-month anniversary of the Franchise Agreement, you may request, and we may, in our sole discretion grant, a one-time six (6) month extension within which to open your Restaurant for an extension fee of $5,000. If the Restaurant has not been opened within 12 months (and we have not granted you an extension), then we may elect to terminate your Franchise Agreement upon written notice.

Franchisor is able to provide guidance and specifications for equipment, signs, fixtures, opening inventory, and supplies. Franchisor does not provide financing for the above items.

If you are a Multi-Unit Developer, you must sign your first Franchise Agreement at the same time you sign the Multi-Unit Development Agreement. The typical length of time between the signing of the Franchise Agreement and the opening of your Restaurant is the same as for an individual franchisee.

Computer and Point of Sale Systems: As described below, you must purchase and use certain point of sale systems, computer hardware and software that meet our specifications and that are capable of electronically interfacing with our computer system. We will have independent access to the information generated and stored in these systems.

We currently require our franchisees to purchase or lease their computer system from our approved supplier, Food Tec. If you operate another restaurant concept at the time you sign the Franchise Agreement, we (but are not required to) permit you to use a POS system other the Food Tec if another POS system is required for use in the operation of such other restaurant concept. In such a case, you will be required to provide us with the reports that we require related to your use of an alternative POS system. The specifications for the approved point of sale supplier are found in our Operations Manual. Most locations will need four terminals with polling capabilities, as well as a Kitchen Display, printers, finger print readers, Payment Card Industry compliant wireless router and 24 port GB switch.

In order to provide ancillary products under that are currently sold under the mark REV CHICKEN, you must have a separate phone line, POS system terminal, and online ordering platform dedicated to Rev Chicken (the "Ancillary Computer System"). We have an approved for the inventory associated with providing these ancillary products. In order to provide such ancillary products, you must acquire/license and utilize additional POS software and/or system components. You are responsible for all additional fees charged by suppliers related to the Rev Chicken Computer System.

The computer system functions include: restaurant operations, financial and operating metrics reporting, customer addresses and order history, credit card authorizations, driver dispatch, payroll and labor management (time, attendance and scheduling), inventory management, purchasing controls and systems, and a Delivery App. You must install and maintain all features, components and functions of the POS system and the computer system that we require. You must have a high-speed internet connection with a static IP address at all times. You must also use our approved supplier for on-line ordering that will allow your customers to place orders at your Restaurant via the Internet.

The computer system is designed to enable us to have immediate access to the information monitored by the system, and there is no contractual limitation on our access or use of the information we obtain. You must install and maintain equipment and a high-speed telecommunication line with a static IP address (such as T-1, DSL or cable modem) according to our specifications to permit us to access the computer system at the Restaurant premises as described above. This will permit us to inspect and monitor electronically information concerning your Restaurant's Gross Sales and any other information that may be contained or stored in the equipment and software. You must make sure that we have access at the times and in the manner we specify, at your cost. The high-speed internet connection will also allow you to receive upgrades to the computer system automatically from FoodTec.

We also require our franchisees to participate, under the terms that we specify from time to time, in our gift card program, which allows a gift card purchased at any Restaurant to be redeemed at any other Restaurant, as well as our loyalty program. You must use our approved supplier for software related to our loyalty program or gift card management, which currently requires a $30 setup fee, a monthly fee of $25, and a 5% service fee for each transaction (which may be passed on to your customers). We reserve the right to collect all or a portion of the fees associated with the loyalty program or gift card management system, and remit them to the then-current vendor on your behalf.

We expect that the computer system will cost approximately $17,000 to $30,000. You must also purchase a maintenance contract for your computer system, which we anticipate will cost $335 per unit, per month. The maintenance contract includes software upgrades. Our POS system, which includes online ordering features for System Restaurants, ranges from $300 to $450 per month. We reserve the right to designate an alternate POS system, loyalty program/gift card management system and online ordering system, which may have higher fees.

We may require you to update and/or upgrade all or a portion of your computer system during the term of your Franchise Agreement, at your expense. The Franchise Agreement does not limit our ability to require you to update and/or upgrade your computer system or the cost of any update and/or upgrade. Neither we nor any affiliate of ours will provide you with any updates, upgrades or maintenance for your computer system.

It will be a material default under the Franchise Agreement if you fail to maintain the equipment, lines and communication methods in operation and accessible to us at all times throughout the term of the Franchise Agreement. We must have access at all times and in the manner that we specify.

Restaurant Launch Package: You are required to purchase a Restaurant Launch Package totaling up to $15,000 for an approved opening marketing program during the one week prior to and three weeks following the opening of your Restaurant. We may, at our option, collect these funds and conduct the grand opening marketing campaign on your behalf.

Local Advertising: You must conduct Local Advertising in your Designated Territory up to 4% of Gross Sales (currently 2% of Gross Sales). We may require you to give the all or a portion of the required Local Advertising expenditure directly to us in lieu of being spent locally for regional marketing campaigns. If your landlord requires you to participate in any marketing or promotion fund, the amounts you pay may be applied towards satisfying your Local Advertising obligations, if first approved in writing by us. We may require you to direct a portion of your Local Advertising required expenditure to certain of our approved advertising vendors for marketing campaigns that we direct. Currently, these programs include SMS marketing campaigns through our then-current Approved Supplier. Prior to initiating any Local Advertising on behalf of your Restaurant, you must undergo territory profiling, at your expense, through our approved supplier. The current cost of territory profiling is approximately $750.

You must follow our standard marketing and mailing practices. You must purchase your advertising and marketing materials from our approved supplier. If you wish to develop advertising materials it must be approved by us. You must not advertise or use our Marks in any fashion on the Internet, World Wide Web or via other means of advertising through telecommunication without our express written consent. You are strictly prohibited from using the Marks or promoting your Restaurant in any manner through social or networking Websites, such as Facebook, LinkedIn, or Twitter without our prior written approval.

You must provide us with an advertising expenditure report within 30 days of our request to show that you have complied with the Local Advertising requirements. Costs and expenditures you incur with any of the following are not to be included in your expenditures on Local Advertising unless we approve in advance in writing:

1. Incentive programs for your employees or agents, including the cost of honoring any coupons distributed in connection with the programs and including employee meals or meal discounts;

2. Marketing research expenditures;

3. Food costs incurred in any promotion;

4. Salaries and expenses of your employees, including salaries or expenses for attendance at advertising meetings or activities;

5. Charitable, political or other contributions or donations;

6. In-store materials consisting of fixtures or equipment; and

7. Seminar and educational costs and expenses of your employees.

Brand Fund: We will administer a Brand Fund (the "Brand Fund") to manage the overall marketing and branding programs and systems relative to System Restaurants on a regional or national basis. You must contribute to the Brand Fund one percent (1%) of the Gross Sales of the Restaurant each week, subject to increases, upon sixty (60) days prior notice to you, not to exceed two percent (2%) of the Gross Sales of the Restaurant each week, to be paid in the same manner as the royalty payments. For the fiscal year ending December 31, 2021, the Brand Fund had expenditures as follows: 27% for production, 23% administration, and 50% for media placement.

The Brand Fund is maintained and administered by us or our designee as follows:

1. We direct all branding and marketing programs excluding local marketing spend by our Franchise Operators and have sole discretion to approve the creative concepts, materials and media used in the programs and their placement and allocation. The Brand Fund is intended to enhance Paisano's Pizza Kitchen brand visibility to the general public,

and improve the sales generated by Paisano's Pizza Kitchen Restaurants operating under the System. Any Restaurants operated by us or our affiliates will contribute to the Brand Fund on the same basis as you. In administering the Brand Fund, we and our designees do not need to make expenditures for you that are equivalent or proportionate to your contribution or to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising.

2. The Brand Fund may be used to satisfy the costs of maintaining, administering, directing and preparing advertising, including the cost of preparing and conducting digital, television, radio, magazine and newspaper advertising campaigns; direct mail and outdoor billboard advertising; development and maintenance of our Website and social media platforms, public relations activities; creative content, indoor and outdoor signage, media purchases; employing advertising agencies; marketing specialty services, IT projects and services, photography and videography, egift card program management and development, development and management of training programs, development and launch of new concepts, website developers, research and development(including menu research and development), cost for developing and maintaining any loyalty and rewards program, cost of obtaining and maintaining any intellectual property and trademarks, spokespersons and sponsorships and costs of our personnel and other departmental costs and any other program or activity that will enhance the recognition and value of the brand. All sums you pay to the Brand Fund will be maintained in a separate bank account and we may use them to defray our reasonable administrative costs and overhead, up to 20% of Brand Fund Revenue. that we may incur in the administration or direction of the Brand Fund and advertising programs for you and the System. The Brand Fund and its earnings will not otherwise benefit us. Any sums paid to the Brand Fund that are not spent in the year they are collected will be carried over to the following year.

3. We will prepare an annual statement of the operations of the Brand Fund that will be made available to you if you request it. We do not need to have the Brand Fund statements audited.

4. Although the Brand Fund is intended to be perpetual, we may terminate the Brand Fund at any time. The Brand Fund will not be terminated, however, until all monies in the Brand Fund have been spent or returned to contributors on a pro rata basis. If we terminate the Brand Fund, we may reinstate it at any time, and any reinstated Brand Fund will be administered as described above.

We currently advertise the Restaurants and our menu items primarily using point of purchase advertising materials, direct mail, electronic and internet marketing, public relations and promotions, and print media. We also utilize other forms of media, including television, radio, internet, magazine and newspaper advertising campaigns; and direct mail and outdoor billboard advertising. The majority of our advertising is developed by members of our staff or third-party consultants. We contemplate recruiting new Franchise prospects advertising on a national, regional and local basis through the use of the Brand Fund.

Cooperative Advertising: We may designate any geographic area in which two or more Restaurants are located as a region for purposes of establishing a market advertising Cooperative, or we may approve of the formation of an advertising Cooperative by our franchisees. The members of the Cooperative for any area will consist of all Restaurants, whether operated by us, our affiliates or our franchisees. Each Restaurant will have one vote in the Cooperative, however we maintain the right of final approval or to modify in our sole discretion. We have the right to dissolve, merge or change the structure of the Cooperatives. Each Cooperative will be organized for the exclusive purposes of administering advertising programs and developing, subject to our approval, promotional materials for use by the members in Local Advertising. If a Cooperative has been established for a geographic area where your Restaurant is located when the Franchise Agreement is signed, or if any Cooperative is established during the term of the Franchise Agreement, you must become a member of the Cooperative. If the Cooperative will operate according to written documents, we must approve of these documents, and a copy of the Cooperative documents applicable to the geographic area in which your Restaurant will be located will be provided to you if you request it. Before any cooperative is formed, the bylaws of that cooperative shall be submitted to us for approval.

The members of each Cooperative will determine the amount and frequency of each member's contribution to the Cooperative. The payments made to a Cooperative may be applied by you toward satisfaction of your Local Advertising requirement; however, if your contributions to a Cooperative are less than the amount you must spend on Local Advertising, you must still spend the difference locally. All contributions to the Cooperative will be maintained and administered according to the documents governing the Cooperative. The Cooperative will be operated solely as a conduit for the collection and expenditure of the Cooperative fees for the purposes outlined above. No advertising or promotional plans or materials may be used by the Cooperative or furnished to its members without first obtaining our approval. Currently there are no Cooperatives in the System. Each Cooperative must prepare a monthly and annual financial statement reporting its expenditures for the previous year to its members.

While each restaurant will have one vote in the cooperative, all decisions are subject to our consent. We may modify any advertising or promotional plan and the cooperative must implement the plan as modified by us.

Except as described above, we are not obligated to spend any amount on advertising in your Designated Territory.

Website / Intranet / On-line Ordering System: The on-line ordering system for Paisano's Pizza Kitchen products and services may be included as a point-of-sale functionality. The company may develop or acquire new technology which will be required by the franchisee. Websites (as defined below) are considered as "advertising" under the Franchise Agreement, and are subject (among other things) to our review and prior written approval before they may be used (as described above). As used in the Franchise Agreement, the term "Website" means an interactive electronic document contained in a network of computers linked by communications software,that you operate or authorize others to operate and that refers to the Restaurant, Proprietary Marks, us, or the System. The term Website includes Internet and World Wide Web home pages. We may develop and require and online ordering application.

In connection with any Website and or online ordering application, the Franchise Agreement provides that you may not establish a Website, nor may you offer, promote, or sell any products or services, or make any use of the Proprietary Mark, through the Internet without our prior written approval. As a condition to granting any consent, we will have the right to establish any requirement that we deem appropriate, including a requirement that your only presence on the Internet will be through one or more web pages that we establish on our Website or through participation in our on-line ordering system.

We will have the right to establish a website or other electronic system providing private and secure communications (such as an intranet) between us, our franchisees, and other persons and entities that we decide are appropriate. If we require, you must establish and maintain access to the intranet in the manner we designate. Additionally, we may periodically prepare agreements and policies concerning the use of the intranet that you must acknowledge and/or sign.

You are strictly prohibited from using the Marks and promoting your Restaurant in any manner on social and/or networking Websites, such as Facebook, LinkedIn, Instagram, and Twitter, and similar platforms without our prior written consent. We will control all social media initiatives.

Advisory Council: We have established a Franchise Advisory Council ("FAC") which is composed of franchisee representatives and our representatives. Currently franchisee representatives are selected by us. We appoint our representatives. The FAC has no decision-making power and serves in an advisory capacity only. We have the power to dissolve the FAC in our sole discretion.

Training: Within 30 to 60 days before the date the Restaurant begins operation, you (or one of your owners, if you are a corporate entity), your General Manager and an assistant manager (for a maximum of three people) must attend and complete, to our satisfaction, our initial training program. If you sign a Franchise Agreement for a second or subsequent Restaurant, you will not be required to attend our initial training program unless we deem it necessary. If you are entering into a Franchise Agreement through a transfer, you (or one of your owners, if you are a corporate entity) must complete our initial training program, but if the Restaurant's General Manager remains from the prior franchisee, such General Manager will not be required to attend our training program. We will conduct this training at our corporate headquarters and at one of our affiliate-owned Restaurants in, Virginia, or at another location we designate. We reserve the right conduct any course component remotely. Initial training programs will be offered at various times during the year depending on the number of new franchisees entering the System, replacement general managers and other personnel needing training, the number of new Restaurants being opened and the timing of the scheduled openings of Restaurants.

The fee for our instructors and training materials for the initial training of you, your General Manager and one assistant manager is $10,000. You may also have additional personnel trained by us for the Restaurant, at your expense (see Item 6). We will determine whether you and your General Manager have satisfactorily completed initial training. If you or the General Manager do not satisfactorily complete the initial training program or if we determine that these persons cannot satisfactorily complete the training program, you must designate a replacement to satisfactorily complete the training before you will be permitted to open your Restaurant. Any General Manager subsequently designated by you must also receive and complete the initial training to our satisfaction, even if this requires sending that manager to the headquarters training program. We reserve the right to charge a reasonable fee for the initial training we provide to a replacement or successor employee if we have not approved you to provide the training (see Item 6). You must also pay for all expenses you, your General Manager and any other trainees incur for any training program, including costs of travel, lodging, meals and wages.

The General Manager and other personnel must attend any additional training programs and seminars we offer, and we may designate any of these programs or seminars as mandatory. We reserve the right to charge a reasonable fee for these additional training programs and seminars. You must also pay for all expenses you or your General Manager and other personnel incur in participating in any additional training, including costs of travel, lodging, meals, and wages.

For the opening of the Restaurant, we will provide you with up to two trained representatives to assist with the opening for up to five days. If you are opening your second (or later) Restaurant, we reserve the right to not provide opening assistance. You must reimburse the expenses our representatives incur while providing opening assistance, including travel, lodging and meals.

If, during the term of your Franchise Agreement, you request that we provide additional training on-site at your Restaurant, you must pay our then-current per diem fee being charged to franchisees generally for trained representative assistance, and you must reimburse us for any expenses our trained representative incurs, such as costs of travel, lodging, and meals. Our current fee for on-site training is $500 per diem.

We reserve the right to conduct an annual meeting of our franchisees to discuss improvements to the System, provide additional training and other similar items. We may designate that attendance at an annual meeting by you and/or your General Manager is mandatory. We may, at our sole discretion, charge a fee for presenting the annual meeting. You must pay for your attendees' expenses while attending the annual meeting, including travel, lodging, meals and wages. We will hold this meeting when we believe it is prudent to do so.

Our training program is conducted and overseen by Jenifer Dillion, Luis Gonzalez, Gary Wise, Keith Miller and Rick Taweel and other company employees and invited guests. The minimum experience of, Mr. Taweel, Mr. Gonzalez, Mr. Wise, Mr. Miller and Ms. Dillion and the instructors in the field that is relevant to the subject taught and our operations is from 10 to 30 years. We may also draw on the substantial experience of our other Restaurant personnel in conducting Restaurant operations training. The instructional materials used in the initial training consist of our Operations Manual, marketing and promotion materials, programs related to the operation of the point of purchase system, and any other materials that we believe will be beneficial to our franchisees in the training process. We may require new Franchise Operators to spend up to sixty days working in one of our Restaurants, prior to attending Initial Training Class.

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

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Franchise Partner Orientation	3	0	Chantilly, VA
Reading Reports	2	0	Chantilly, VA
Hospitality & Guest Recovery	2	0	Chantilly, VA
Purchasing Training	4	0	Chantilly, VA
POS Training	8	0	Chantilly, VA
Payroll Training	4	0	Chantilly, VA
Delivery Training	0	8	Chantilly, VA
PR & Media Training	4	0	Chantilly, VA
Catering Sales & Marketing	32	6	Chantilly, VA
Kitchen Operations – detailed schedule provided for each Franchise Partner once dates are selected	0	80 minimum	Northern VA
FOH Management Operations – detailed schedule provided for each Franchise Partner once dates are selected	0	80 minimum	Northern VA
New Store Opening Training – Corporate Team is onsite *additional fees apply	0	55 - 85	New Store Location
Total	**59**	**215 - 245**	

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

Operations Manual: The Table of Contents for our Operations Manual is attached to this Disclosure Document as Exhibit F. Our Operations Manual contains approximately 150 pages.

ITEM 12
TERRITORY

Franchise Agreement: Your Franchise Agreement will specify the site that will be the Approved Location for your Restaurant. Your Franchise Agreement may also specify a Designated Territory. The size and scope of the Designated Territory will be contained in the Franchise Agreement and will be determined according to whether the Approved Location is an urban area or a suburban area. The Designated Territory is not the same area as, and will be smaller than, the trade area in which you will be looking for a site. We will provide you with information regarding our classification of each portion of your trade area as urban or suburban. The Designated Territory will be based on a number of factors including population and demographics, and may be described in terms of mileage radius, contiguous zip codes, or street boundaries. We may draw your Designated Territory on a map to be attached to your Franchise Agreement. The Designated Territory will be clearly defined by streets and intersections. If there is ever a discrepancy regarding the Designated Territory's boundaries, the map shall be the final determining factor. We expect that the average suburban territory will be approximately a 2-3½ mile radius around the Restaurant.

Under the Multi Unit Development Agreement, we will determine or approve the location of future units and any territories for those units according to our then-current standards. You will be required to sign the then-current form of the Franchise Agreement.

If any non-traditional site (such as mall food courts, airports, hospitals, cafeterias, commissaries, schools, hotels, office buildings and stadiums, arenas, ballparks, festivals, fairs, military bases, other mass gathering locations or events, host kitchens and ghost kitchens) is located within the physical boundaries of your Designated Territory, then the premises of this non-traditional site will not be included in your Designated Territory and you will have no rights to this non-traditional site.

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

During the term of the Franchise Agreement, we will not establish or operate, nor license any other person to establish or operate, a Restaurant in the Designated Territory, except as may be permitted under the Franchise Agreement and those exceptions are described below. There are no circumstances under which the Designated Territory may be altered before expiration or termination of the Franchise Agreement. Your territorial protection is not dependent upon achievement of a certain sales volume, market penetration, or other factors, other than compliance with the Franchise Agreement.

You must conduct delivery and catering services from your Restaurant according to our policies. If you are granted a Designated Territory, you may not provide delivery or catering services to customers outside of the Designated Territory. If your Restaurant is located at a Non-Traditional Site, you will not offer delivery or catering services. At our discretion you may be required to take additional training for catering. You may not offer delivery or catering services without our prior written approval.

If, during the term of the Franchise Agreement, you wish to relocate your Restaurant, or if the Restaurant is damaged or destroyed and cannot be repaired within 60 days, you must submit to us in writing the materials we need to consider your request, including information concerning the proposed new location for the Restaurant and our relocation fee (see Item 6). You must also meet certain other requirements, including being in compliance with the Franchise Agreement, the location meets our then-current requirements for a Paisano's Pizza Kitchen Restaurant and is located within your Designated Territory, and you must sign our then-current form of Franchise Agreement. If we permit you to relocate, you will not pay a new initial franchise fee when you sign the new Franchise Agreement. The term of the new Franchise Agreement you sign will be equal to the remaining term on your original Franchise Agreement.

Except as expressly limited by the Franchise Agreement, we and our affiliates retain all rights with respect to Restaurants, the Marks, and any products and services anywhere in the world including the right: (a) to produce, offer and sell and to grant others the right to produce, offer and sell the products offered at Restaurants and any other goods through similar or dissimilar channels of distribution (including alternative distribution channels, as described below), both within and outside the Designated Territory, under trade and service marks other than the Marks and under any terms and conditions we deem appropriate. For example, our affiliate, Qreitem, Inc., owns and operates a competitive Italian restaurant in Centreville, Virginia under the "Bella Pizza" trademark that sells products and services similar to those you will sell at your Franchised Business, and may solicit or accept orders in a Territory within geographic proximity. The principal business address of Qreitem, Inc. is 5740 Pickwick Road, Centreville, Virginia. Qreitem, Inc., our affiliates, and we do not offer franchises under the "Bella Pizza" trademark, and we will not grant future franchises in the Bella Pizza service area; (b) to produce, offer and sell, and grant others the right to produce, offer and sell the products offered at Restaurants through grocery, convenience and/or club stores, or other similar means, both within and outside the Designated Territory under the Marks and under any terms and conditions we deem appropriate; (c) to operate and to grant others the right to operate Restaurants located outside the Designated Territory under any terms and conditions we deem appropriate and regardless of proximity to your Restaurant; (d) to operate and to grant others the right to operate Restaurants at Non-Traditional Sites within and outside the Designated Territory under any terms and conditions we deem appropriate; and (e) the right to acquire and operate a business operating one or more restaurants or food service businesses located or operating in your Designated Territory.

You may sell our proprietary products and related products to retail customers and prospective retail customers who live in your Designated Territory or others who live outside your Designated Territory but choose to dine at your Restaurant. You may not, without our prior written approval, engage in any promotional activities or sell the proprietary products or similar products or services, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system (collectively, the "Electronic Media"); through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere. You may place advertisements in printed media and on television and radio that are only targeted to customers and prospective customers located within your Designated Territory, and you may not make any sales or deliver any products to customers located outside of your Designated Territory. You have no options, rights of first refusal, or similar rights to acquire additional franchises. You may not sell the proprietary products to any business or other customer for resale.

We and our affiliates may sell products under the Marks within and outside your Designated Territory through any method of distribution other than a Paisano's Pizza Kitchen Restaurant, including sales through channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing sales (together, "alternative distribution channels"). You may not use alternative distribution channels to make sales outside or inside your Designated Territory except as described in the following paragraph and you will not receive any compensation for our sales through alternative distribution channels except as described in the following paragraph.

If we engage in electronic commerce through any Internet, World Wide Web or other computer network site or sell through any other alternative distribution channel, and we receive orders for any proprietary products or other products offered by a Restaurant calling for delivery or performance in your Designated Territory, then we will offer the order to you at the price we establish. If you choose not to fulfill the order or are unable to do so, then we, one of our affiliates or a third party we designate (including another franchisee) may fulfill the order, and you will not be entitled to any compensation in connection with this.

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

Multi-Unit Development Agreement: Under the Multi-Unit Development Agreement we grant you the right to develop and operate the number of System Restaurants in the Development Area that is specified in the Development Schedule, which is an exhibit to the Multi-Unit Development Agreement. The Development Area is typically described in terms of municipal or county boundaries but may be defined as a specified trade area in a municipality. The actual size of the Development Area will vary depending upon the availability of contiguous markets, our long range development plans, your financial and operational resources, population and market conditions. Our designation of a particular Development Area is not an assurance or warranty that there are a sufficient number of suitable sites for Restaurants in the Development Area for you to meet your Development Schedule. The responsibility to locate and prepare a sufficient number of suitable sites is solely yours and we have no obligation to approve sites which do not meet our criteria in order for you to meet the Development Schedule.

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

Except as described below, during the term of the Multi-Unit Development Agreement, we and our affiliates will not operate or grant a franchise for the operation of Restaurants to be located within the Development Area. However, we have the right to terminate this protection if you are not in full compliance with all of the terms and conditions of the Multi-Unit Development Agreement and all of the Franchise Agreements signed under it.

Except as expressly limited by the Multi-Unit Development Agreement, we and our affiliates retain all rights with respect to Restaurants, the Marks, and any products and services anywhere in the world including the right: (a) to produce, offer and sell and to grant other the right to produce, offer and sell the products offered at Restaurants and any other goods through similar or dissimilar channels of distribution (including alternative distribution channels, as described above), both within and outside the Development Area, under trade and service marks other than the Marks and under any terms and conditions we deem appropriate; (b) to produce, offer and sell, and grant others the right to produce, offer and sell the products offered at Restaurants through grocery, convenience and/or club stores, or other similar means, both within and outside the Development Area under the Marks and under any terms and conditions we deem appropriate; (c) to operate and to grant others the right to operate Restaurants located outside the Development Area under any terms and conditions we deem appropriate and regardless of proximity to your Restaurants; (d) to operate and to grant others the right to operate Restaurants at Non-Traditional Sites within and outside the Development Area under any terms and conditions we deem appropriate; and (e) the right to acquire and operate a business operating one or more restaurants or food service businesses located or operating in your Development Area.

After you have completed the Development Schedule, which is when the last Restaurant to be developed under the Multi-Unit Development Agreement has opened for business, if we believe that it is desirable to establish additional Restaurants within the Development Area, and if you are in compliance with your Multi-Unit Development Agreement, we will offer you the right to develop these additional Restaurants. You must exercise this option, in full, within 60 days after our notice to you. If you do not exercise or you decline this right of first refusal, we shall have the right to sell these development rights to another multi-unit developer or to develop the Restaurants ourselves.

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

In addition, upon completion of the Development Schedule, your protected rights under the Multi-Unit Development Agreement with respect to the Development Area will terminate and we and our affiliates will have the right to operate and to grant to others development rights and franchises to develop and operate Restaurants within the Development Area. This right will be subject only to the territorial rights under the franchise agreements entered into by you for Restaurants in the Development Area and the right of first refusal described above. The Development Area may not be altered unless we and you mutually agree to do so. It will not be affected by your sales volume.

ITEM 13
TRADEMARKS

The Franchise Agreement grants you the right to use certain trademarks, trade names, service marks, symbols, emblems, logos and indicia of origin designated by us, including the Marks described in Item 1. These Marks may be used only in the manner we authorize and only for the operation of your Franchised Business. The Multi-Unit Development Agreement does not grant you the right to use the Marks.

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

Our affiliate, Capital Restaurant Group, Inc., owns the following Marks registered with the U.S. Patent and Trademark Office ("USPTO") on the Principal Register:

Mark	Registration Date	Registration Number	Register
Paisano's and design	2/19/2013	4,291,071	Principal
Paisanos Pasta	12/30/2008	3,553,382	Principal
PAISANO'S NOT JUST PIZZA BUT SOMETHING FOR EVERYONE Delivered	8/8/2017	5,259,264	Principal
Paisano's	3/26/2019	5,709,434	Principal
PAISANO'S	9/29/2020	6,163,095	Principal
Paisano's Pizza	12/15/2020	6,220,958	Principal
Paisano's Pasta	12/15/2020	6,220,959	Principal

Our affiliate, Capital Restaurant Group, Inc., has filed all required affidavits. No registrations have been required to be renewed as of the date of this disclosure document; however, our affiliate has filed with the USPTO all required maintenance for the above Marks.

Our affiliate, Capital Restaurant Group, Inc., has also filed an application for registration of the following Mark with the USPTO:

Mark	Application Date	Serial Number	Register
PAISANO'S PIZZA KITCHEN	7/1/2021	90806569	Principal

With regard the above Marks only, we do not have a federal registration for our principal trademark. Therefore, our trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use this trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

Our affiliate, Rev Chicken, Inc., owns the following Rev Chicken Marks registered with the USPTO on the Principal Register:

Mark	Registration Date	Registration Number	Register
REV CHICKEN	2/19/2013	6,457,805	Principal

Our affiliate, Rev Chicken, Inc., has filed all required affidavits. No registrations have been required to be renewed as of the date of this disclosure document; however, our affiliate has filed with the USPTO all required maintenance for the above Marks.

In addition, our affiliate Rev Chicken, Inc., has filed an application for registration of the following Marks with the USPTO:

Mark	Application Date	Serial Number	Register
	6/1/2021	90747014	Principal
	6/1/2021	90747063	Principal

With regard the above Rev Chicken Marks only, we do not have a federal registration for our principal trademark. Therefore, our trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use this trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are no currently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, no pending infringement, opposition or cancellation proceedings and no pending litigation involving any of the Marks that may significantly affect the ownership or use of any Mark listed above.

There are no agreements currently in effect which limit our right to use or to license others to use the Marks, except for (i) a perpetual, non-cancelable Trademark License Agreement between us and Capital Restaurant Group, Inc., and (ii) a perpetual, non-cancelable Trademark License Agreement between us and Rev Chicken, Inc. Other than these licenses, we know of no agreements currently in effect which significantly limit our rights to use or license the use of the Mark in any manner material to the franchise.

A comprehensive trademark search for the mark “Paisano’s Pizza” has revealed that there are a number of potential infringing uses of the Mark throughout the United States. Since we anticipate selling franchises both regionally and nationally, we have included the results of potential infringing uses below, in Virginia, Maryland, Washington DC, South Carolina, New Jersey and in Orlando, Florida. If you are looking to establish a Paisano’s Pizza Restaurant in a state other than those listed below, please contact us for a list of potential infringing uses. There is the risk that you will locate in an area where there is a potential infringer and you may be required to change the name from our Mark, to a totally different mark. This is a risk that you must be aware of.

1. Paisano’s, located at Walmart Shopping Center, 483 W. Reservoir Road, Woodstock, Virginia 22664. This company has been using this name since 1998.
2. El Paisano, located at 9112 Rothbury Drive, Gaithersburg, Maryland.
3. Paisano’s Pizza and Pasta, located at 1272 W. Holden Avenue, Orlando, Florida 32839. This company has been using this name since 1976 and they may potentially bring an action to stop us from operating in the Orlando market.
4. Paisano’s Pizza Grill, has two locations, one in Charleston, South Carolina and the other in West Ashley, South Carolina.
5. Paisano’s Restaurant, located at 132 Park Avenue, Rutherford, New Jersey 07070. Established in 1989.

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

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

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

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

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

1. To grant other licenses for the use of the Marks in addition to those licenses already granted or to be granted to franchisees;

2. To develop and establish other systems using the Marks or other names or marks, and to grant licenses or franchises in those systems without providing any rights to you; and

3. To engage, directly or indirectly, at wholesale, retail or otherwise, in (a) the production, distribution, license and sale of products and services and (b) the use of the Marks and any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics we may develop for that purpose.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights: We have no patents or registered copyrights that are material to the franchise.

Confidential Manuals: You must operate the Restaurant according to the standards and procedures specified in the Confidential Operations Manual ("Manual"). We claim common law copyright protection of our Manual and related materials, although these materials have not been registered with the United State Registrar of Copyrights.

One copy of the Manual will be loaned to you by us for the term of the Franchise Agreement. We may provide the Manual to you in electronic format, such as by CD ROM or via a password protected Website.

You must treat the Manual and any other manuals we create or approve for use in your operation of the Restaurant, and the information contained in them, as confidential. You must also use all reasonable efforts to maintain this information as secret and confidential and you must not duplicate, copy, record or otherwise reproduce these materials, in whole or in part, or make them available to any unauthorized person. The Manual remains our sole property and must be kept in a secure place on the Restaurant premises.

We may revise the contents of the Manual and you must comply with each new or changed standard. You must also insure that the Manual is kept current at all times. If there is a dispute as to the contents of the Manual, the terms of the master copy maintained by us at our home office will be controlling. You must return to us all pages that are replaced in the Manual, if you are provided with a paper copy of the Manual.

Confidential Information: We claim proprietary rights in certain of our recipes which are included in the Manual and which are our trade secrets. You and each of your Principals are prohibited, during and after the term of the Franchise Agreement, from communicating, or using for the benefit of any other person or entity, and, after the term of the Franchise Agreement or Multi-Unit Development Agreement, from using for your or their own benefit, any confidential information, knowledge or know-how concerning the methods of operation of the Restaurant that may be communicated to you or any of your Principals or that you may learn about, including these trade secrets. You and each of your Principals may divulge this confidential information only to your employees who must have access to it to operate the Restaurant. Neither you nor your Principals are permitted at any time, without first obtaining our written consent, to copy, record or otherwise reproduce the materials or information nor make them available to any unauthorized person. Any and all information, knowledge, know-how and techniques related to the System that we communicate to you, including the Manual, plans and specifications, marketing information and strategies and site evaluation, selection guidelines and techniques, are considered confidential.

If we ask, you must have your General Manager, assistant managers and any of your personnel who have received or will have access to confidential information sign similar covenants. (See Item 17.) Your Principals also must sign these covenants.

If you or your Principals develop any new concept, process or improvement in the operation or promotion of the Restaurant, you must promptly notify us and give us all necessary information, free of charge. You and your Principals must acknowledge that any of these concepts, processes or improvements will become our property and we may give the information to other franchisees.

ITEM 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

When you sign your agreement, you must designate and retain at all times an individual to serve as the "General Manager". If you are an individual, we recommend that you be the General Manager. You must also retain other personnel as are needed to operate and manage the Restaurant. The General Manager must satisfy our educational and business criteria as provided to you in the Manual or other written instructions, including having prior restaurant experience, and must be individually acceptable to us. In addition, the General Manager must be responsible for the supervision and management of the Restaurant, and must devote full time and best efforts to this activity. The General Manager also must satisfy the applicable training requirements in the Franchise Agreement. If the General Manager cannot serve in the position or does not meet the requirements, he or she must be replaced within 60 days after the General Manager stops serving or no longer meets the requirements.

You must also obtain covenants not to compete, including covenants applicable on the termination of the person's relationship with you, from your General Manager, assistant managers and any of your other personnel who have received or will have access to our training before employment. You must have all of your management personnel sign covenants that they will maintain the confidentiality of information they receive or have access to based on their relationship with you (see Item 14). We reserve the right, in our discretion, to decrease the period of time or geographic scope of the non-competition covenants contained in the attachments or eliminate the non-competition covenants altogether for any party that is must sign an agreement as described in this paragraph. (See Item 17.) We will be a third-party beneficiary of all agreements with the independent right to enforce their terms. If your Franchised Business is owned by an entity, all owners of the entity must personally sign the Franchise Agreement as a Principal. If you are a married individual, your spouse must sign our Spousal Guaranty, which is attached to our Franchise Agreement as Attachment 7.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

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

You must maintain in sufficient supply and use and sell only the food and beverage items, ingredients, products, materials, supplies, and paper goods that conform to our standards and specifications. You must prepare all menu items with our recipes and procedures for preparation contained in the Manual or other written instructions, including the measurements of ingredients.

You must not deviate from our standards and specifications by the use or offer of nonconforming items or differing amounts of any items, without first obtaining our written consent.

You must keep the Restaurant very clean and maintain it in good repair and condition. You must make any additions, alterations, repairs and replacements, including repainting or replacement of obsolete signs, furnishings, equipment, and décor as we may reasonably direct. You must not make any changes to the premises without obtaining our written consent before you make the changes. You must obtain and pay for any new or additional equipment, including point of sales, computer hardware and software, fixtures, supplies and other products and materials that we require you to have to offer and sell new menu items from the Restaurant or to provide the Restaurant's services by alternative means, such as through carry-out, catering or delivery arrangements.

We may determine the minimum and/or maximum selling price for the goods, products and services offered from your Restaurant, as permitted by applicable law, and you must comply with any minimum and/or maximum price we set.

We do not impose any other restrictions in the Franchise Agreement or otherwise as to the goods or services that you may offer or sell or as to the customers to whom you may offer or sell, except as described in Item 12.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 3.1	Term continues for 10 years from the date of the Franchise Agreement unless terminated earlier
b. Renewal or extension of the term	Section 3.2	Agreement may be renewed at your option for up to four (4) additional five-year terms

Provision	Section in Franchise Agreement	Summary
c. Requirements for franchisee to renew or extend	Section 3.2.1 – 3.2.8	You must give at least six months' notice, repair and update equipment and Restaurant premises, not be in breach of any agreement with us, have satisfied all monetary obligations owed to us or our affiliates, have the right to remain in possession of Restaurant premises, sign current agreement and general release, pay renewal fee, and comply with current qualification and training requirements You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of your territory will remain the same, and the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees
d. Termination by franchisee	Not applicable	You may seek termination of the Franchise Agreement on any grounds available by law.
e. Termination by franchisor without cause	Not applicable	Termination of the Franchise Agreement permits Franchisor to also terminate a Multi-Unit Development Agreement.
f. Termination by franchisor with "cause"	Section 17.1.1	Each of your obligations under the Franchise Agreement is a material and essential obligation, the breach of which may result in termination. Termination of the Franchise Agreement permits Franchisor to also terminate a Multi-Unit Development Agreement.

Provision	Section in Franchise Agreement	Summary
g. “Cause” defined – curable defaults	Sections 17.1.3 and 17.2	We may terminate you for cause if you fail to cure certain defaults, including: if you or any of your affiliates fail to pay any monies owed to us, or our affiliates or vendors, and do not cure within five days after notice (or longer period required), fail to obtain signed confidentiality and non-competition covenants contained in the Franchise Agreement within five days after a request, fail to procure and maintain required insurance within seven days after notice, use the Marks in an unauthorized manner and fail to cure within 24 hours after notice, fail to cure any other default that is susceptible of cure within 30 days after notice. Termination of the Franchise Agreement permits Franchisor to also terminate a Multi-Unit Development Agreement.

Provision	Section in Franchise Agreement	Summary
h. “Cause” defined – non-curable defaults	Sections 17.1.2 and 17.1.3	We may terminate you for cause if you fail to cure certain defaults, including: if you become insolvent, make a general assignment for benefit of creditors, file a petition or have a petition initiated against you under federal bankruptcy laws, have outstanding judgments against you for over 30 days, sell unauthorized products or services, fail to acquire an accepted location within time required, fail to remodel when required, fail to open Restaurant when required, fail to comply with any term and condition of any sublease or related agreement and have not cured the default within the given cure period, abandon or lose right to the Restaurant premises, are convicted of a felony or other crime that may have an adverse effect on the System or Marks, transfer any interest without our consent or maintain false books or records. In addition, a default under one agreement with us may result in a termination of all of your other agreements with us. This is known as a cross-default provision. Termination of the Franchise Agreement permits Franchisor to also terminate a Multi-Unit Development Agreement.
i. Franchisee’s obligations on termination/non-renewal	Section XVIII	Obligations include: You must stop operating the Restaurant and using the Marks and System and completely de-identify the business, pay all amounts due to us or our affiliates, return the Manual and all other proprietary materials, comply with confidentiality requirements, pay liquidated damages, and at our option, sell or assign to us your rights in the Restaurant premises and the equipment and fixtures used in the business

Provision	Section in Franchise Agreement	Summary
j. Assignment of contract by Franchisor	Section 14.1	We have the right to transfer or assign the Franchise Agreement to any person or entity without restriction. However, no assignment will be granted except to an assignee who, in our good faith judgment, is willing and able to assume our obligations
k. "Transfer" by franchisee – defined	Section 14.2.1	Includes sale, assignment, conveyance, pledge, mortgage or other encumbrance of any interest in the Franchise Agreement, the Restaurant or you (if you are not a natural person)
l. Franchisor approval of transfer by franchisee	Section 14.2.2	You must obtain our consent before transferring any interest. We will not unreasonably withhold our consent
m. Conditions for franchisor approval of transfer	Section 14.2.2	Conditions include: You must pay all amounts due us or our affiliates, not otherwise be in default, sign a general release, and pay a transfer fee. Transferee must meet our criteria, attend training and sign then-current Franchise Agreement
n. Franchisor's right of first refusal to acquire franchisee's business	Section 14.4	Within 30 days after notice, we have the option to purchase the transferred interest on the same terms and conditions
o. Franchisor's option to purchase franchisee's business	Sections 18.12	We have the right to purchase assets on termination or expiration of your Franchise Agreement
p. Death or disability of franchisee	Section 14.5	Upon your death or permanent disability (if you are a natural person) or upon the death or permanent disability of any Principal, distributee must be approved by us, or franchise must be transferred to someone approved by us within 12 months after death or within six months after notice of permanent disability
q. Non-competition covenants during the term of the franchise	Section 10.3.1	You are prohibited from operating or having an interest in a similar business

Provision	Section in Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Section 10.3.2	You and your Principals are prohibited for three years from expiration or termination of the franchise from operating or having an interest in a similar business within 25 miles of any Restaurant in the System
s. Modification of the agreement	Sections 10.1.5 and 19.2	Franchise Agreement may not be modified unless mutually agreed to in writing. You must comply with Manual as amended
t. Integration/merger clause	Section 19.2	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Sections 19.7	At our option, claims that are not resolved internally may be submitted to non-binding mediation at our headquarters, and then to binding arbitration at our headquarters, excluding actions brought by us for monies owed, injunctive or extraordinary relief, or actions involving real estate.
v. Choice of forum	Section 19.8	The venue for all proceedings related to or arising out of the Franchise Agreement is Virginia, unless otherwise brought by us (see Disclosure Document Addendum and State Amendments to Agreements)
w. Choice of Law	Section 19.8	The Franchise Agreement is to be interpreted, governed and construed under Virginia law (see Disclosure Document Addendum and State Amendments to Agreement)

THE MULTI-UNIT DEVELOPER RELATIONSHIP

Provision	Section in Multi-Unit Development Agreement	Summary
a. Length of the franchise term	VI	Length of the Development Schedule, which can be as short as 3 years or as long as 10 years
b. Renewal or extension of the term	V	After all Restaurants have been developed, should we determine the territory can support more Restaurants we will negotiate in good faith another Multi-Unit Development Agreement
c. Requirements for multi-unit developer to renew or extend	V	Not applicable
d. Termination by multi-unit developer	Not applicable	The Agreement does not provide for this. But you may seek to terminate on any grounds available to you at law
e. Termination by franchisor without cause	Not applicable	Termination of the MUDA permits Franchisor to also terminate a unit operator's single unit Franchise Agreement.
f. Termination by franchisor with cause	IX	We can terminate if you commit any one of several listed violations. Termination of the MUDA permits Franchisor to also terminate a unit operator's single unit Franchise Agreement.
g. "Cause" defined – curable defaults	IX	If you use the Marks or System without our consent; participating in a competing business; failure to pay money to us when due; you begin developing a Restaurant before all of your pre-development obligations are met; failure to obtain our consent when required; you open any Restaurant before a Franchise Agreement for that Restaurant has been signed. Termination of the MUDA permits Franchisor to also terminate a unit operator's single unit Franchise Agreement.

Provision	Section in Multi-Unit Development Agreement	Summary
h. “Cause” defined – non-curable defaults	IX	Failure to meet your development schedule; failure to comply with applicable laws; if all of your Restaurants stop operating; unauthorized transfer; you make a material misrepresentation to us; conviction by you or your owners of an indictable offense; bankruptcy or insolvency; if a Franchise Agreement with us is terminated according to its terms (this is a cross-default provision). Termination of the MUDA permits Franchisor to also terminate a unit operator’s single unit Franchise Agreement.
i. Multi-unit developer’s obligations on termination/non-renewal	X	Stop selecting sites, can’t open Restaurants
j. Assignment of contract by franchisor	XI	No restriction on our right to assign. However, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Multi-Unit Development Agreement
k. “Transfer” by multi-unit developer – defined	XI	Includes transfer of any interest in the Multi-Unit Development Agreement
l. Franchisor approval of transfer by multi-unit developer	XI	We have the right to approve all transfers, our consent not to be unreasonably withheld
m. Conditions for franchisor approval of transfer	XI	Conditions for transfer include not being in default, at least 25% of all Restaurants required to be developed are open or under construction, all debts are paid, the buyer meets our current criteria for new Multi-Unit Developers, execution of a general release (where legal), payment of transfer fee, buyer personally guarantees all obligations
n. Franchisor’s right of first refusal to acquire multi-unit developer’s business	XI	We have the right to match the offer
o. Franchisor’s option to purchase multi-unit developer’s business	Not applicable	Not applicable

Provision	Section in Multi-Unit Development Agreement	Summary
p. Death or disability of multi-unit developer	XI	Interest must be transferred to an approved party within 12 months
q. Non-competition covenants during the term of the franchise	XII	Can't divert business or operate a competing business anywhere
r. Non-competition covenants after the franchise is terminated or expires	XII	No competing business for three years and within 50 miles of any Restaurant or signed lease in the System
s. Modification of the agreement	XVIII	No modifications except by mutual agreement of the parties. Revisions to the Multi-Unit Development Agreement will not unreasonably affect your obligations, including economic requirements under the Multi-Unit Development Agreement
t. Integration/merger clause	XVIII	Only the terms of the Multi-Unit Development Agreement are binding (subject to federal law) Any representations or promises outside of the Disclosure Document and Multi-Unit Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	XIX	At our option, claims that are not resolved internally may be submitted to non-binding mediation at our headquarters, and then to binding arbitration at our headquarters, excluding actions brought by us for monies owed, injunctive or extraordinary relief, or actions involving real estate.
v. Choice of forum	XIX	Arbitration in Virginia (subject to state law)
w. Choice of law	XVIII	Virginia applies (subject to state law)

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

Part I of this Item discloses certain, historical financial performance information reported to us by the 20 franchised Restaurants that (i) were actively open and operating throughout the 2021 calendar year without material interruption in connection with in-Restaurant dining operations, and (ii) provided us with reports detailing the Gross Sales generated, as well as the COGS, Labor, Rent and certain other operating costs incurred, in connection with their respective 2021 calendar year operations (each, a "Part I Franchised Restaurant").

In Part II of this Item, we disclose the Gross Sales of the one (1) additional franchised Restaurant that was open and operating throughout the 2021 calendar year (the "Part II Franchised Restaurant").

The Part II Franchised Restaurant is excluded from Part I because it did not timely provide us with the appropriate reports to determine the COGS, Labor, Rent and other operating expenses that were reported by the Part I Franchised Restaurants and disclosed in the Part I Chart. Both Parts of this Item exclude one (1) franchised Restaurant that operated in the Washington, D.C. area in 2021 because it was not able to fully operate throughout the 2021 calendar year due to landlord/leasing issues with its Premises.

Each Franchised Restaurant is required to have take-out service, delivery service and catering services. With prior approval, a restaurant may also provide dine-in services. A ramp-up period typically requires a large amount of preparation which means each service is gradually increased as the process to provide the service is established. The average ramp-up period for a new Restaurant is 3 years.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Some Restaurants have sold this amount. Your individual results may differ. There is no assurance that you will sell as much.

PART I: GROSS SALES GENERATED, AS WELL AS COGS, RENT, LABOR AND ESTIMATED FEES INCURRED, AMONGST THE PART I FRANCHISED RESTAURANTS

Gross Sales[1] and EBITDA[2], as well as COGS, Labor and Rent, Reported By and Amongst Disclosed Part I Franchised Restaurants Over 2021 Calendar Year						
Amount	**Total**	**Average**	**Median**	**Low**	**High**	**Number that Met or Exceeded Average**
Gross Sales[1]	$26,180,524	$1,309,026	$1,281,113	$913,636	$1,903,835	10 (or 50%)
Square Feet	32,224	1,611	1,560	1,004	2,400	10 (or 50%)
Gross Sales per SF	N/A	$845.98	$796.35	$535.14	$1,403.88	9 (or 45%)
COGS (as % of Gross Sales)	N/A	29.98%	29.44%	24.99%	37.26%	9 (or 45%)
LABOR (as % of Gross Sales)	N/A	29.03%	30.07%	14.85%	38.68%	13 (or 65%)
RENT/CAM (as % of Gross Sales)	N/A	5.94%	5.72%	2.52%	12.26%	10 (or 50%)
EBITDA Reported[2]	N/A	$169,955	$160,876	($734)	$386,224	9 (or 45%)

Explanatory Notes to Part I Chart Above

1. *Gross Sales.* For each Part I Franchised Restaurant, the term "Gross Sales" means the total selling price of all services and products and all income of every other kind and nature related to the Restaurant (including income related to catering and delivery activities, and any sales or orders of food products or food preparation services provided from or related to the Restaurant), whether for cash or credit and regardless of collection in the case of credit.

2. *EBITDA.* For each Part I Franchised Restaurant, the term "EBITDA" is calculated by taking that Restaurant's Gross Sales generated over the 2021 calendar year, and subtracting (a) reported Cost of Goods (or "COGs"), (b) reported Labor costs, (c) reported occupancy costs (including Rent/CAM), (d) reported local marketing/advertising expenditures, and (e) other reported operating costs and expenses, including Royalty Fees and Fund Contributions paid, over the 2021 calendar year.

PART II: GROSS SALES GENERATED BY THE PART II FRANCHISED RESTAURANT OVER THE 2021 CALENDAR YEAR

For the period January 1, 2021 to December 31, 2021	
Gross Sales[1] of Applicable Restaurant	$861,494

Explanatory Note to Part II Chart Above

Gross Sales means the total selling price of all services and products and all income of every other kind and nature related to the Restaurant (including income related to catering and delivery activities, and any sales or orders of food products or food preparation services provided from or related to the Restaurant), whether for cash or credit and regardless of collection in the case of credit.

General Notes to Item 19

1. The financial performance representation does not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross sales figure to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Restaurant. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information.

2. The Restaurants report gross receipts information to us based upon a uniform reporting system.

3. We strongly urge you to consult with your financial advisor or personal accountant concerning the financial analysis that you should make in determining whether or not to purchase a franchise.

Other than the preceding financial performance representation, Paisano's Franchise System, Inc. does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Ed Kelley at 4465 Brookfield Corporate Drive, Suite 202, Chantilly, Virginia 20151 and (703) 378-1500, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years 2019, 2020, 2021

Col. 1 Outlet Type	Col. 2 Year	Col. 3 Outlets at the Start of the Year	Col. 4 Outlets at the End of the Year	Col. 5 Net Change
Franchised	2019	25	24	-1
	2020	24	22	-2
	2021	22	23	+1
Company-Owned*	2019	13	13	0
	2020	13	14	+1
	2021	14	13	-1
Total Outlets	**2019**	**38**	**37**	**-1**
	2020	**37**	**36**	**-1**
	2021	**36**	**36**	**0**

**The Company-Owned Outlets in the above chart are owned and operated by our affiliates, as described in Item 1.*

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2019, 2020, 2021

Col. 1 State	Col. 2 Year	Col. 3 Number of Transfers
Virginia	2019	0
	2020	1
	2021	2
Maryland	2019	1
	2020	0
	2021	0
Total	2019	1
	2020	1
	2021	2

Table No. 3
Status of Franchised Outlets
For years 2019, 2020, 2021

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termina-tions	Col. 6 Non-Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations – Other Reasons	Col. 9 Outlets at End of the Year
Florida	2019	0	1	0	0	0	0	1
	2020	1	0	1	0	0	0	0
	2021	0	0	0	0	0	0	0
Maryland	2019	7	0	1	0	0	0	6
	2020	6	0	0	0	1	0	5
	2021	5	1	0	0	0	0	6
Virginia	2019	15	0	0	0	1	0	15
	2020	15	0	0	0	0	0	15
	2021	15	0	0	0	0	0	15
Washington, DC	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2*	0	0	0	0	0	2
Total	**2019**	**25**	**0**	**1**	**0**	**0**	**0**	**24**
	2020	**24**	**0**	**1**	**0**	**1**	**0**	**22**
	2021	**22**	**1**	**0**	**0**	**0**	**0**	**23**

Table No. 4
Status of Company-Owned Outlets
For years 2019, 2020, 2021

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired from Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
Virginia	2019	13	0	0	0	0	13
	2020	13	0	1	0	0	14
	2021	14	0	0	0	1	13
Total	**2019**	**13**	**0**	**0**	**0**	**0**	**13**
	2020	**13**	**0**	**1**	**0**	**0**	**14**

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired from Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
	2021	**14**	**0**	**0**	**0**	**1**	**13**

The Restaurants in the above chart are owned and operated by our affiliates, as described in Item 1.

Table No. 5
Projected Openings as of December 31, 2021

Col. 1 State	Col. 2 Franchise Agreements Signed but Outlet Not Opened	Col. 3 Projected New Franchised Outlets in the Next Fiscal Year	Col. 4 Projected New Company-Owned Outlets in the Next Fiscal Year
Virginia	0	0	1
Total	0	0	1

A list of the names of all franchisees and multi-unit developers and the addresses and telephones numbers of their businesses is provided in Exhibit D to this disclosure document.

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

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

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

ITEM 21
<u>FINANCIAL STATEMENTS</u>

Attached to this Disclosure Document as Exhibit A are our audited financial statements for the fiscal years ended December 31, 2019, December 31, 2020 and December 31, 2021, as we all as our unaudited balance sheet as of March 31, 2022 and profit and loss statement for the interim period commencing January 1, 2022 and ending March 31, 2022.

Our fiscal year end is December 31.

ITEM 22
CONTRACTS

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

1.	Multi-Unit Development Agreement	Exhibit B
2.	Franchise Agreement	Exhibit C
3.	Form of General Release	Exhibit I

ITEM 23
RECEIPTS

Two (2) copies of an acknowledgment of your receipt of this Disclosure Document appear at the end of the Disclosure Document. Please return one signed copy to us and retain the other for your records.

EXHIBIT A
FINANCIAL STATEMENTS

PAISANO'S FRANCHISE SYSTEM, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2021

PAISANO'S FRANCHISE SYSTEM, INC.
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AKIVA MANNE
CERTIFIED PUBLIC ACCOUNTANT
905 HARRISON ST ALLENTOWN, PA 18103

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Paisano's Franchise System, Inc.

Opinion

We have audited the financial statements of Paisano's Franchise System, Inc., which comprises the balance sheets as of December 31, 2021, and 2020, and the related statements of operations, and changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Paisano's Franchise System, Inc. as of December 31, 2021, and 2020. and the results of its operations and its cash flows for the for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Paisano's Franchise System, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Paisano's Franchise System, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Akiva Manne CPA
Allentown PA
March 28, 2022

PAISANO'S FRANCHISE SYSTEM, INC.
BALANCE SHEETS

ASSETS

	DECEMBER 31	
	2021	**2020**
Current Assets		
Cash	$ 2,094,930	$ 1,677,540
Accounts receivable	71,088	69,203
Prepaid expenses	45,582	11,812
Due from related party	734,209	230,785
Total current assets	2,945,809	1,989,340
Fixed assets, net of accumulated depreciation	—	127,823
Total Assets	$ 2,945,809	$ 2,117,163

LIABILITIES AND SHAREHOLDERS' EQUITY

	2021	2020
Current Liabilities		
Accounts payable and accrued expenses	$ 177,643	$ 18,612
Gift card liability	76,256	14,763
Notes payable	—	25,739
Related party payable	18,539	—
Deferred revenue	31,500	33,000
Total Current Liabilities	303,938	92,114
Non-Current Liabilities		
Note payable, net of current	—	45,289
Deferred revenue, net of current	339,646	392,770
Total Non-Current Liabilities	339,646	438,059
Shareholders' Equity	2,302,225	1,586,990
Total Liabilities and Shareholders' Equity	$ 2,945,809	$ 2,117,163

See notes to financial statements

PAISANO'S FRANCHISE SYSTEM, INC.
STATEMENTS OF OPERATIONS AND SHAREHOLDERS' EQUITY

	YEARS ENDED DECEMBER 31	
	2021	2020
Revenues		
Royalties	$ 1,554,888	$ 1,603,200
Franchise fees	54,625	242,851
Marketing fees	736,609	958,255
Other	224	3,133
	2,346,346	2,807,439
Selling, general and administrative expenses	1,434,099	1,892,539
Operating Income	912,247	914,900
Gain on Sale of Equipment	24,588	9,519
Net Income	936,835	924,419
Shareholders' Equity - Beginning	1,586,990	995,171
Shareholders' (Distribution)	(221,600)	(332,600)
Shareholders' Equity - Ending	$ 2,302,225	$ 1,586,990

See notes to financial statements

PAISANO'S FRANCHISE SYSTEM, INC.
STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31	
	2021	**2020**
Cash Flows from Operating Activities:		
Net Income	**$ 936,835**	**$ 924,419**
Depreciation	**23,410**	**51,614**
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in assets and liabilities		
Accounts receivable	**(1,885)**	**(51,648)**
Prepaid expenses	**(33,770)**	**62,160**
Due from related party	**(503,424)**	**19,215**
Deferred commissions	**—**	**72,358**
Accounts payable and accrued expenses	**159,031**	**(24,857)**
Gift card liability	**61,493**	**—**
Related party payable	**18,539**	**—**
Deferred revenue	**(54,624)**	**(237,851)**
	605,605	**815,410**
Cash Flows from Financing Activities		
Financing principal payments	**(71,028)**	**(24,614)**
Fixed asset sales	**104,413**	**51,480**
	33,385	**26,866**
Cash Flow from Investing Activities		
Shareholders' distributions	**(221,600)**	**(332,600)**
Net Increase in Cash	**417,390**	**509,676**
Cash - Beginning of Year	**1,677,540**	**1,167,864**
Cash - End of Year	**$ 2,094,930**	**$ 1,677,540**
Interest Expense	**1,753**	**3,492**

See notes to financial statements

1. THE COMPANY

Paisano's Franchise System, Inc. is a Virginia corporation formed in June 2009 to offer franchisees the opportunity own and operate a of gourmet pizza delivery restaurants utilizing the system created by Paisano's Franchise System Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Concentration of Credit Risk-Financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents. The balances in the Company's cash accounts exceeded the Federal Deposit Insurance Company's (FDIC) insurance limit of $250,000 by $1,059,909 as of December 31, 2021. The Company maintains its cash and cash equivalents with accredited financial institutions. The Company establishes its allowances based upon factors including the credit risk of specific franchisees, historical trends, and other information.

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

Advertising Costs-Advertising costs are expense as incurred. Total advertising expense for the years ended December 31, 2021, and 2020, were $648,206 and $614,129 respectively.

Property and Equipment-These assets are recorded at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over their estimate useful lives.

Taxes on Income-The Company has elected to be taxed as a Sub-S corporation for federal and state income tax purposes. Income and expenses for the Company pass through directly to the shareholders and is reported on their individual income tax returns. Therefore, no provision or liability for federal income tax has been included in the financial statements.

3. REVENUE RECOGNITION

The Company records revenue in accordance Accounting Standards Board ("FASB") and Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The transaction price attributable to performance obligations are recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation are amortized over the life of the related franchise agreements. Commission paid for franchises are amortized over the life of the franchise agreement. The Company adopted ASC-606 and ASU 2021-02 using the modified retrospective method starting with January 1, 2019.

4. DEFERRED FRANCHISE FEES

In compliance with the Financial Accounting Standards Board ("FASB") new accounting standards for revenue recognition ("Topic 606"), the Company records its non-refundable franchise fees, net of amounts earned based on allowable direct services, as deferred revenues, to be recognized over the life of the franchise agreement. The non-refundable franchise fees received but not yet earned as of December 31, 2021, and 2020, were $371,146 and $425,770, respectively.

5. LOANS PAYABLE

The Company had financed the purchase of vehicles it acquired with long term auto loans. The automobile were sold and the loans repaid during year ending December 31, 2021. The loan outstanding at December 31, 2020, was $71,028.

6. RELATED PARTY TRANSACTIONS

The Company operates from facilities leased by an affiliated company which is owned by the Company's shareholders. Rent paid for each of the two years ending December 31, 2021, and 2020 was $118,706.

From time to time, the Company makes advances to affiliated Companies with common ownership. These advances bear no interest and are due upon demand. At December 31, 2021 and 2020, the balances due the Company were $734,209 and $230,785, respectively.

The Company periodically receives advance funds from its shareholders' or related companies. These advances are due upon demand and do not bear interest. At December 31, 2021, and 2020 the balance due to a related party was $18,539 and $0, respectively.

7. SHARED MARKETING FUND

The Company's franchise agreement allows for collection of marketing fees of up to 1% of sales, whose proceeds are restricted to brand name and franchise advertising. Any unused funds, carryforward to subsequent periods. Marketing funds collected including funds received from corporate locations, and vendor rebates, for the years ending December 31, 2021, and 2020 were $736,609 and $958,255, respectively. Advertising expenditures for the years ending December 31, 2021 and 2020 were $804,018 and $769,580, respectively.

8. SUBSEQUENT EVENTS

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events were evaluated though March 28 2022, the at which the financial statements were available to be issued.

PAISANO'S FRANCHISE SYSTEM, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2020

PAISANO'S FRANCHISE SYSTEM, INC.
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AKIVA MANNE
CERTIFIED PUBLIC ACCOUNTANT
905 HARRISON ST ALLENTOWN, PA 18103

INDEPENDENT AUDITOR'S REPORT

To the Board of Director's
Paisano's Franchise System, Inc.

We have audited the balance sheet of Paisano's Franchise System, Inc. ("the Company") as of December 31, 2020 and the related statements of operations and shareholder's equity, and cash flows for the year ended December 31, 2020 and the related notes to financial statements. The financial statements for the year ending December 31, 2019 were audited by other auditors whose report dated March 25, 2020 included an unqualified opinion of those statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Paisano's Franchise System, Inc. as of December 31, 2020 and the results of its operations and cash flow for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Akiva Manne, CPA
July 22, 2021

PAISANO'S FRANCHISE SYSTEM, INC.
BALANCE SHEETS

ASSETS

	DECEMBER 31	
	2020	**2019**
Current Assets		
Cash	$ 1,677,540	$ 1,167,864
Accounts receivable	69,203	17,555
Deferred commissions	—	1,998
Prepaid expenses	11,812	73,972
Due from related party	230,785	250,000
Total current assets	1,989,340	1,511,389
Fixed assets, net of accumulated depreciation	127,823	230,917
Deferred commissions, net of current	—	70,360
Total assets	$ 2,117,163	$ 1,812,666

LIABILITIES AND SHAREHOLDER'S EQUITY

	2020	2019
Current Liabilities		
Accounts payable and accrued expenses	$ 33,375	$ 58,232
Notes payable	25,739	24,739
Deferred revenue	33,000	34,500
Total current liabilities	92,114	117,471
Non-current Liabilities		
Loans payable, net of current portion	45,289	70,903
Deferred revenue, net of current portion	392,770	629,121
Total non-current liabilities	438,059	700,024
Shareholder's Equity		
Common stock	150,000	150,000
Retained earnings	1,436,990	845,171
	1,586,990	995,171
Total Liabilities and Shareholder's Equity	$ 2,117,163	$ 1,812,666

See notes to financial statements

PAISANO'S FRANCHISE SYSTEM, INC.
STATEMENTS OF OPERATIONS AND SHAREHOLDER'S EQUITY

	YEARS ENDED DECEMBER 31	
	2020	**2019**
Revenues		
Royalties	$ 1,603,200	$ 1,805,260
Franchise fees	242,851	317,000
Fund development fees	490,096	655,657
Rebate income	468,159	—
Other	3,133	20,717
	2,807,439	2,798,634
Selling, general and administrative expenses	1,892,539	2,043,261
Operating income	914,900	755,373
Gain on Sale of Equipment	9,519	—
Net Income	924,419	755,373
Shareholder's Equity - Beginning	995,171	353,198
Shareholder's Distribution	(332,600)	(113,400)
Shareholder's Equity - Ending	$ 1,586,990	$ 995,171

See notes to financial statements

PAISANO'S FRANCHISE SYSTEM, INC
STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31	
	2020	2019
Cash flows from operating activities:		
Net income	$ 924,419	$ 755,373
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	51,614	78,202
Changes in assets and liabilities		
Accounts receivable	(51,648)	19,586
Deferred commissions	72,358	51,558
Prepaid expenses	62,160	2,279
Accrued royalties	—	6,549
Due from related party	19,215	(42,309)
Accounts payable	(24,857)	5,709
Deferred revenue	(237,851)	(169,501)
	815,410	707,446
Cash provided (used) by investing activities		
Fixed assets purchased	—	(79,902)
Equipment sales	51,480	118,898
	51,480	38,996
Cash provided (used) by financing activities		
Financing principal (repayments)	(24,614)	(149,612)
Shareholder's distributions	(332,600)	(113,400)
	(357,214)	(263,012)
Net Increase in Cash	509,676	483,430
Cash - Beginning	1,167,864	684,434
Cash - Ending	$ 1,677,540	$ 1,167,864

See notes to financial statements

1. THE COMPANY

Paisano's Franchise System, Inc. ("the Company") is a Virginia corporation that was formed to offer franchises for the operation of gourmet pizza delivery restaurants. The Company commenced operations on June 1, 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Concentration of Credit Risk-Financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents. The balances in the Company's cash accounts exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of $250,000. The Company maintains its cash and cash equivalents with accredited financial institutions. The Company reviews the credit history of its franchisees before extending credit. The Company establishes its allowances based upon factors including the credit risk of specific franchisees, historical trends, and other information.

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

Advertising Costs-Advertising costs are expense as incurred. Total advertising expense for the periods ended December 31, 2020 and 2019, were $614,129 and $934,655, respectively.

Property and Equipment-These assets are recorded at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over their estimate useful lives.

Taxes on Income-The Company has elected to be taxed as a Sub-S corporation for federal and state income tax purposes. Income and expenses for the Company pass through directly to the shareholders and is reported on their individual income tax returns. Therefore, no provision or liability for federal income tax has been included in the financial statements.

3. REVENUE RECOGNITION

In May 2014, the FASB issued a new accounting standard ASU No. 2014-09, *"Revenue from Contracts with Customers (Topic 606)*", that attempts to establish a uniform basis for recording revenue to virtually all industries' financial statements. The revenue standard's core principle is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. Additionally, the new guidance requires enhanced disclosure to help financial statement users better understand the nature, amount, timing, and uncertainty of the revenue recorded. The Company adopted the standard commencing as of January 1, 2019 using the retrospective transition method.

The new standard changed how the Company records initial franchise fees. Under Legacy GAAP, franchise fees, which are non-refundable, were recognized as income when substantially all services to be performed by the Company and conditions relating to the sale of the franchise were performed or satisfied, which generally occurred when the franchisee commenced operations.

The new standard requires that the franchise fee received from customers be allocated to each separate and distinct performance obligation. The following services ("distinct performance obligations") are typically provided by the Company prior to the opening of a franchise location.

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiations
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes or about regulations affecting the franchisee's business; and
- Inspection, testing, and other quality control programs.

The transaction price attributable to each separate and distinct performance obligation would then be recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation is amortized over the life of the related franchise agreement.

Brokerage and employee commissions paid for the sale of a franchise are also affected by the changes in revenue recognition for franchise fees. Commissions paid are recognized as an expense in the same ratio as franchise fees are recognized as a percentage of the total fee paid. Any unrecognized fees paid are classified as deferred franchise fee expense on the balance sheet.

4. DEFERRED FRANCHISE FEES

In compliance with the Financial Accounting Standards Board ("FASB") new accounting standards for revenue recognition ("Topic 606"), the Company records its non-refundable franchise fees, net of amounts earned based on allowable direct services, as deferred revenues, to be recognized over the life of the franchise agreement. The non-refundable franchise fees received but not yet earned as of December 31, 2020 and 2019, were $425,770 and $663,621, respectively.

5. LOANS PAYABLE

The Company finances the purchase of vehicles it acquires with long term auto loans. The loan outstanding at December 31, 2020 and 2019, were $71,028 and $95,642, respectively.

The loans are secured by the vehicles financed and due as follows:

Due in 2021	$ 25,739
Due in 2022	26,785
Due in 2023	18,504
Total Loan Payable	$ 71,028

6. RELATED PARTY TRANSACTIONS

The Company operates from facilities leased by an affiliated company which is owned by the Company's shareholders. Rent paid for each of the two years ending December 31, 2020 and 2019 was $118,706.

From time to time, the company makes advances to affiliated Companies with common ownership. These advances bear no interest and are due upon demand. At December 31, 2020 and 2019, the balances due the Company were $230,785 and $250,000, respectively.

7. COVID-19

The global outbreak of COVID-19 was declared a pandemic by the World Health Organization and a national emergency by the U.S. government in March 2020 and has negatively affected the U.S. economy. The continuing impact on the Company's business has contributed to and may continue to have a material adverse effect on the Company's business, results of operations, financial condition, and cash flows. At this time, the full impact cannot bedetermined.

8. SUBSEQUENT EVENTS

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events were evaluated though July 22, 2021, the at which the financial statements were available to be issued.

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

Paisano's Franchise System, Inc. Balance Sheet (Unaudited)

		3/31/2022
Cureent Assets		
Cash	$	2,610,345.14
Accounts Receivable	$	60,545.01
Prepaid Expenses	$	27,043.20
Other	$	422,127.24
Total Current Assets	$	3,120,060.59
Fixed assets, net of Acc Dep	$	-
Total Assets	$	3,120,060.59
Liabilities and Shareholders Equity		
Current Liabilities		
Accounts Payable	$	93,453.46
Deferred Revenue	$	31,500.00
Other	$	76,938.57
Total Current Liabilities	$	201,892.03
Noncurrent Liabilities		
Deferred Revenue	$	339,645.21
Loans Payable	$	-
Total Noncurrent Liabilities	$	339,645.21
Total Shareholders Equity		
Common Stock	$	150,000.00
Retained Earnings	$	2,152,225.35
Distributions	$	(46,200.00)
Net Income	$	322,498.00
Total Shareholders Equity	$	2,578,523.35
Total Liabilities and Shareholders Equity	$	3,120,060.59

EXHIBIT B
MULTI-UNIT DEVELOPMENT AGREEMENT

PAISANO’S FRANCHISE SYSTEM, INC.

MULTI-UNIT DEVELOPMENT AGREEMENT

____

MULTI-UNIT DEVELOPER

____

DATE OF AGREEMENT

MULTI-UNIT DEVELOPMENT AGREEMENT

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ATTACHMENTS:

PAISANO'S FRANCHISE SYSTEM, INC.

MULTI-UNIT DEVELOPMENT AGREEMENT

THIS MULTI-UNIT DEVELOPMENT AGREEMENT ("Agreement") is made and entered into this day of ___________________________, between Paisano's Franchise System, Inc., a Virginia corporation whose principal address is 4465 Brookfield Corporate Drive, Suite 202, Chantilly, Virginia 20151 (hereinafter "we", "us" or "our"), and ________________________, an individual residing at ____ _________________________________ (hereinafter "you" or "your").

W I T N E S S E T H:

WHEREAS, as the result of the expenditure of time, skill, effort and money, we and our affiliates have developed and own a unique and distinctive system (hereinafter "System") relating to the establishment and operation of fast casual restaurants offering a menu specializing in pizzas, calzones, strombolis, salads, sandwiches, hot and cold subs, Italian entrees, chicken wings, desserts, beverages (including beer), as well as high-quality chicken-based products on a delivery, take-out, pick up, dine-in and catering basis;

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

WHEREAS, we identify the System by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the mark "Paisano's Pizza Kitchen," "Rev Chicken", and such other trade names, service marks, and trademarks as are now designated (and may hereafter be designated by us in writing) for use in connection with the System (hereinafter referred to as "Marks");

WHEREAS, we are the licensee of the owner of the Marks and have the authority to sub-license the Marks to franchisees in the System;

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

WHEREAS, you wish to obtain certain development rights to open and operate Restaurants operating under the Marks under the System pursuant to individual Franchise Agreements within the Development Area described in this Multi-Unit Development Agreement.

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

SECTION I: GRANT

1.1 We hereby grant to you, pursuant to the terms and conditions of this Multi-Unit Development Agreement, certain development rights ("Development Rights") to establish and operate _________ (_____) franchised Restaurants, and to use the System solely in connection therewith at specific locations to be designated in separate Franchise Agreements executed as provided in Section 3.1 hereof, and pursuant to the schedule established in Attachment 2 of this Agreement (hereinafter "Minimum Performance Schedule"). Each Restaurant developed hereunder shall be located in the area described in Attachment 3 of this Agreement (hereinafter "Development Area").

1.2 Each Restaurant for which a Development Right is granted hereunder shall be established and operated pursuant to a Franchise Agreement to be entered into between you and us in accordance with Section 3.1 hereof.

1.3 Except as otherwise provided in this Agreement, we shall not establish, nor franchise anyone other than you to establish, a Restaurant in the Development Area during the term of this Agreement, provided you are not in default hereunder.

1.4 This Agreement is not a Franchise Agreement and does not grant to you any right to use the Marks or System.

1.5 You shall have no right under this Agreement to franchise others under the Marks or System.

SECTION II: <u>DEVELOPMENT FEE</u>

2.1 In consideration of the development rights granted herein, you shall pay to us a Development Fee of ____________________________ Thousand Dollars ($____________), of which _______________________ Thousand Dollars ($_______________) is due upon execution of this Agreement ("Development Fee").

2.2 The Development Fee shall be fully earned by us upon execution of this Agreement, is not refundable under any circumstances, and shall be for administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the Development Rights granted you herein.

2.3 The balance of the Development Fee that is not paid upon execution of this Agreement shall be due and payable to us in accordance with the payment schedule outlined in the Development Schedule set forth in "Attachment 2" to this Agreement.

2.4 Regardless of when these amounts become due, the parties agree and acknowledge that the full Development Fee is deemed fully earned and non-refundable upon execution of this Agreement.

SECTION III: <u>SCHEDULE AND MANNER FOR EXERCISING DEVELOPMENT RIGHTS</u>

3.1 In the event you find a location for a Restaurant without our assistance, then in such event, you shall submit to us for our evaluation and approval, in the form specified by us, a description of the site, the terms of the lease or purchase, a market feasibility study for the site and such other information and materials as we may reasonably require, together with a letter of intent or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. We shall have thirty (30) days after receipt of such information and materials from you to approve or disapprove the site in our sole discretion. If the site is approved, you will then be presented with the then-current Franchise Agreement for execution.

3.2 Recognizing that time is of the essence, you agree to exercise each of the Development Rights granted hereunder in the manner specified herein, and to satisfy the Minimum Performance Schedule in a timely manner. Your failure to adhere to the Minimum Performance Schedule shall constitute a default under this Agreement as provided in Section 9.1 hereof. Notwithstanding our right to terminate this

Agreement for your failure to adhere to the Minimum Performance Schedule, if you are unable to meet a required opening date for a Restaurant you may request from us an extension of time in which to open the Restaurant. Such extensions may be granted in our sole discretion, and no extension will be granted if a site has already been approved by us and you have signed a lease for such site. If we grant you an extension as described herein, you shall pay to us an extension fee of Ten Thousand Dollars ($10,000). No more than one (1) extension may be purchased for any Restaurant to be developed hereunder.

3.3 You shall exercise each Development Right granted herein only by executing a Franchise Agreement for each Restaurant at a site approved by us in the Development Area as hereinafter provided within ten (10) days after receipt of said Franchise Agreement from us for the approved site and return same to us for our execution. The Franchise Agreement for the first Development Right exercised hereunder has been executed contemporaneously with this Agreement. The Franchise Agreement for each additional Development Right exercised hereunder shall be the then-current Franchise Agreement, except that the Royalty and Advertising Fees shall not increase and shall be the same as stated in the first Franchise Agreement executed, subject to any non-material changes therein which are required to be made by changes in any applicable law, regulation or ordinance in effect from time to time. In the event we do not receive the properly executed Franchise Agreement with the appropriate number of copies within said ten (10) days from delivery thereof to you, our approval of the site shall be void and you shall have no rights with respect to said site.

3.4 You acknowledge that the approval of a particular site for a Restaurant by us shall not be deemed to be an assurance or guaranty that the Restaurant will operate successfully or at a profit from such site.

3.5 You may enter into the initial Franchise Agreement or any subsequent Franchise Agreement as required under this Agreement using a newly formed entity, such as a limited liability company, corporation or partnership, for the sole purpose of entering into a Franchise Agreement and operating the Paisano's Pizza Kitchen Restaurant pursuant thereto, provided that you shall also personally sign such Franchise Agreement as a Principal.

SECTION IV: DEVELOPMENT RIGHTS AND OBLIGATIONS

4.1 Subject to the provisions of this Agreement, we grant to you the Development Rights. Notwithstanding any other provision of this Agreement, Development Rights under this Agreement may, in our sole discretion, include the right to develop Restaurants at any "Non-Traditional Sites". Non-Traditional Sites include without limitation military bases, hotels, high school and college campuses, airports, train stations, travel plazas, toll roads, prisons, hospitals, convenience stores, casinos, sports or entertainment venues or stadiums, and retail restaurant locations being sublet under a lease to a master concessionaire, whether currently existing or constructed or established subsequent to the date hereof, whether located within or outside the Development Area.

4.2 Provided you are in full compliance with all the terms and conditions of this Agreement, including without limitation your development obligations described in Section 3.2, and you are in full compliance with all of your obligations under all franchise agreements executed pursuant to this Agreement, then during the term of this Agreement neither we nor any of our affiliates will develop or operate or grant franchises for the development or operation of Restaurants within the Development Area, except the franchises that are granted to you pursuant to this Agreement and except as otherwise expressly provided in this Agreement.

4.3 Upon the termination or expiration of this Agreement, subject to the right of first refusal described in Section VI below, we and our affiliates shall have the right to develop and operate, and to grant to others development rights and franchises to develop and operate, Restaurants within the Development Area subject only to the territorial rights granted to you with respect to Restaurants operated by you pursuant to the Franchise Agreements.

4.4 Except as expressly limited by Section 3.2 above, we and our affiliates retain all rights with respect to Restaurants, the Marks and the sale of any goods and services, anywhere in the world, including, without limitation, the right:

4.4.1 to produce, offer and sell and to grant others the right to produce, offer and sell the products and any other goods and services through similar or dissimilar channels of distribution (including the Internet, catalog sales, telemarketing or other direct marketing sales (together, "alternative distribution channels")) both within and outside the Development Area under trade and service marks other than the Marks and under any terms and conditions we deem appropriate;

4.4.2 to produce, offer and sell and grant others the right to produce, offer and sell the Products through grocery, convenience and/or club stores, or other similar means, both within and outside the Development Area, under the Marks and under any terms and conditions we deem appropriate;

4.4.3 to operate and to grant others the right to operate Restaurants located outside the Development Area under any terms and conditions we deem appropriate and regardless of proximity to a Restaurant;

4.4.4 to operate and to grant others the right to operate Restaurants at Non-Traditional Sites within and outside the Development Area under any terms and conditions we deem appropriate; and

4.4.5 to acquire and operate a business operating one or more restaurants or food service businesses located or operating in the Development Area.

SECTION V: RENEWAL

This Agreement shall not be subject to renewal; however, if you wish to purchase a new Development Area and continue to develop Restaurants and we determine the Development Area can support more Restaurants, we will, in good faith, negotiate a new Multi-Unit Development Agreement with you.

SECTION VI: TERM AND RIGHT OF FIRST REFUSAL

6.1 Unless sooner terminated in accordance with the terms of this Agreement, the term of this Agreement and all Development Rights granted hereunder shall expire on the date the last Restaurant is opened pursuant to the Minimum Performance Schedule established in Attachment 2.

6.2 If, at any time or from time to time following the opening for business of all the Restaurants in accordance with the Minimum Performance Schedule, we determine that it is desirable to operate one or more additional Restaurants in the Development Area, and provided you have timely complied with the Minimum Performance Schedule and are then in compliance with all terms and conditions of all Franchise Agreements, you shall have a right of first refusal to obtain the Development Rights to such additional Restaurant(s) upon such reasonable terms and conditions as are then determined by us including, but not limited to, the imposition of a new Development Fee and the payment of the then-current Initial Franchise Fee upon execution of the then-current Franchise Agreement. In such case, we shall advise you in writing of the terms and conditions for the acquisition of the Development Rights for such additional Restaurant(s). You must notify us in writing within sixty (60) days of the receipt of such notice whether you wish to acquire the Development Rights to the one or all of such additional Restaurant(s). If you do not exercise this right of first refusal, in whole, we may, following the expiration of the sixty (60) day period, grant the Development Rights to such additional Restaurant(s) to any other person or persons on the same terms and conditions or we may elect to develop and construct any of such additional Restaurant(s).

SECTION VII: YOUR OBLIGATIONS

7.1 You acknowledge and agree that:

7.1.1 Except as otherwise provided herein, this Agreement includes only the right to select sites for the establishment of Restaurants and to submit the same to us for our approval in accordance with the terms of this Agreement. This Agreement does not include the grant of a license by us to you of any rights to use the Marks, the System, or to open or operate any Restaurants within the Development Area. You shall obtain the license to use such additional rights at each Restaurant upon the execution of each Franchise Agreement by both you and us and only in accordance with the terms of each Franchise Agreement.

7.1.2 The Development Rights granted hereunder are personal to you and cannot be sold, assigned, transferred or encumbered, in whole or in part, except as stated in Section XI hereof.

7.1.3 Except as provided in Sections 6.1 and 6.2 hereof, the Development Rights granted hereunder are non-exclusive, and we retain the right, in our sole discretion:

(a) To continue to construct and operate other Restaurants and to use the System and the Marks at any location outside the Development Area, and to license others to do so.

(b) To develop, use and franchise the rights to any trade names, trademarks, service marks, trade symbols, emblems, signs, slogans, insignia, or copyrights not designated by us as Marks for use with different franchise systems for the sale of the different products or services not in connection with the System at any location, on such terms and conditions as we may deem advisable and without granting you any rights therein.

(c) To develop, merchandise, sell and license others to sell any of our products, proprietary or otherwise, presently existing or to be developed in the future, to the public through supermarkets, groceries, club stores and other non-restaurant outlets outside or inside of the Development Area and to use the Marks in connection therewith.

7.1.4 You have sole responsibility for the performance of all obligations arising out of the operation of your business pursuant to this Agreement, including, but not limited to, the payment when due of any and all taxes levied or assessed by reason of such operation.

7.1.5 In all public records, in your relationship with other persons, and in any documents, you shall indicate clearly the independent ownership of your business and that the operations of said business are separate and distinct from the operation of a Paisano’s Pizza Kitchen Restaurant.

7.1.6 You shall at all times preserve in confidence any and all materials and information furnished or disclosed to you by us and you shall disclose such information or materials only to such of your employees or agents who must have access to it in connection with their employment. You shall not at any time, without our prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

7.1.7 You shall comply with all requirements of federal, state and local laws, rules and regulations.

7.1.8 You shall at no time have the right to sub-franchise any of your Development Rights hereunder.

SECTION VIII: OUR SERVICES

We shall, at our expense, provide the following services:

8.1 Review your site selection for conformity to our standards and criteria for selection and acquisition of sites upon our receipt of your written request for approval thereof.

8.2 Provide you with standard specifications and layouts for the layout, interior and exterior design, improvements, equipment, furnishings, décor and signs identified with the Restaurants as we makes available to all multi-unit developers and franchisees from time to time.

8.3 Review of your site plan and final build-out plans and specifications for conformity to the construction standards and specifications of the System, upon our receipt of your written request for approval thereof.

8.4 Conduct such on-site evaluation as we may, in our sole discretion, deem advisable. For your first Restaurant to be developed, we shall conduct one (1) on-site evaluation, provided that we shall not be required to provide such on-site evaluation for any proposed site prior to our receipt of a description of such proposed site and a letter of intent (subject to our approval) or other evidence satisfactory to us, which confirms your favorable prospects for obtaining the proposed site. For each additional Restaurant to be developed by you hereunder, or if you request that we conduct additional site evaluations, you shall pay our then-current per diem rate and reimburse us for reasonable travel expenses, including food, lodging and other reasonable out of pocket expenses for each of our representatives associated with all site inspections.

8.5 Provide such other resources and assistance as may hereafter be developed and offered by us to our other multi-unit developers.

SECTION IX: DEFAULT AND TERMINATION

9.1 The occurrence of any of the following events of default shall constitute good cause for us, at our option and without prejudice to any other rights or remedies provided for hereunder or by law or equity, to terminate this Agreement upon notice to you without opportunity to cure the default, except where prohibited by any applicable state or federal law, whereupon this Agreement shall be terminated in accordance with the provisions of any such law:

9.1.1 If you shall, in any respect, fail to meet the Minimum Performance Schedule.

9.1.2 If you shall purport to effect any assignment other than in accordance with Section XI hereof.

9.1.3 Except as provided in Section XI hereof, if you attempt to sell, assign, transfer or encumber this Agreement prior to the time that at least twenty-five percent (25%) of the Restaurants to be constructed and opened for business in accordance with the Minimum Performance Schedule are, in fact, open or under construction.

9.1.4 If you make, or have made, any material misrepresentation to us in connection with obtaining this Multi-Unit Development Agreement, any site approval hereunder, or any Franchise Agreement.

9.1.5 If you default in the performance of any obligation under any Franchise Agreement with us, provided such default results in the termination of the Franchise Agreement.

9.1.6 If you suffer a violation of any law, ordinance, rule or regulation of a governmental agency in connection with the operation of the Restaurant, and permit the same to go uncorrected after notification thereof, unless there is a bona fide dispute as to the violation or legality of such law, ordinance, rule or regulation, and you promptly resort to courts or forums of appropriate jurisdiction to contest such violation or legality.

9.1.7 If any of you is convicted in a court of competent jurisdiction of an indictable offense punishable by a term of imprisonment in excess of one (1) year.

9.1.8 If any of you shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; if you are adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian for you or your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a *supersedeas* bond is filed); if execution is levied against your business or property; if suit to foreclose any lien or mortgage against the Premises or equipment is instituted against you and not dismissed within thirty (30) days; or if the real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable.

9.1.9 If you or any of your affiliates cease to operate all of the Restaurants opened pursuant to the terms of this Agreement.

9.2 Upon occurrence of any of the events stated in this Section 9.2, we may, without prejudice to any other rights or remedies contained in this Agreement or provided by law or equity, terminate this Agreement. Such termination shall be effective thirty (30) days after written notice (or such other notice as may be required by applicable state law) is given by us to you of any of such events, if such defaults are not cured within such period:

9.2.1 If you shall use the System or Marks, or any other names, marks, systems, insignia, symbols or rights which are our property except pursuant to, and in accordance with, a valid and effective Franchise Agreement.

9.2.2 If you shall have any interest, direct or indirect, in the ownership or operation of any food service business engaged in the sale of products similar to those permitted to be sold by you within the Development Area or in any food service business which looks like, copies or imitates the Restaurant or operates in a manner tending to have such effect other than pursuant to a valid and effective Franchise Agreement.

9.2.3 If you shall fail to remit to us any payments pursuant to Section II when same are due.

9.2.4 If you shall begin work upon any Restaurant at any site unless all the conditions stated in Section III hereof have been met.

9.2.5 If you fail to obtain our prior written approval or consent, including but not limited to site approval or site plan approval, as expressly required by this Agreement.

9.2.6 If you default in the performance of any other obligation under this Agreement.

9.2.7 If you open any Restaurant for business before a Franchise Agreement for such Restaurant has been fully executed and the initial franchise fee due to us has been paid.

SECTION X: OBLIGATIONS FOLLOWING TERMINATION

10.1 Upon termination of this Agreement becoming effective for any reason, or upon expiration of the term hereof, you agree as follows:

10.1.1 To cease immediately any attempts to select sites on which to establish Restaurants.

10.1.2 To cease immediately to hold yourself out in any way as a multi-unit developer of ours or to do anything which would indicate a relationship between you and us.

10.2 No right or remedy herein conferred upon or reserved to us is exclusive of any other right or remedy provided or permitted by law or in equity.

SECTION XI: TRANSFER OF INTEREST

11.1 This Agreement is personal to you and you shall neither sell, assign, transfer nor encumber this Agreement, the Development Rights, or any other interest hereunder, nor suffer or permit any such assignment, transfer or encumbrance to occur directly, indirectly or contingently by agreement or by operation of law without our prior written consent. You understand that this Agreement may not be pledged, mortgaged, hypothecated, given as security for an obligation or in any manner encumbered. The assignment or transfer of any interest, except in accordance with this Section shall constitute a material breach of this Agreement.

11.2 In the event of your death, disability or permanent incapacity, you (or your legal representative) may transfer all of your interest to your spouse, heirs, or relatives, by blood or marriage, or if this Agreement was originally executed by more than one party, then to the remaining party(ies) who originally executed this Agreement, whether such transfer is made by your Last Will and Testament or by operation of law, provided that the requirements of Section XI hereof have been met. In the event that your heirs do not obtain our consent as prescribed herein, your personal representative shall have a reasonable time to dispose of your interest hereunder, which disposition shall be subject to all the terms and conditions for transfers under this Agreement.

11.3 You have represented to us that you are entering into this Agreement with the intention of complying with its terms and conditions and not for the purpose of resale of the Development Rights hereunder. Therefore, you agree that any attempt to assign this Agreement, prior to the time that at least twenty-five percent (25%) of the Restaurant(s) to be constructed hereunder are opened or under construction shall be deemed to be an event of default.

11.4 If you receive from an unaffiliated third party and desire to accept a bona fide written offer to purchase your business, Development Rights and interests, we shall have the option, exercisable within thirty (30) days after receipt of written notice setting forth the name and address of the prospective purchaser, the price and terms of such offer, and a copy of such offer and the other information stated in this Section 11.4, to purchase such business, Development Rights and interests, including your right to develop sites within the Development Area, on the same terms and conditions as offered by said third party. In order that we may have information sufficient to enable us to determine whether to exercise our option, we may require you to deliver to us certified financial statements as of the end of your most recent fiscal year and such other information about your business and operations as we may request. If we decline or do not accept the offer in writing within thirty (30) days, you may, within thirty (30) days from the expiration of the option period, sell, assign and transfer your business, Development Rights and interest to said third party, provided we have consented to such transfer as required by this Section XI. Any material change in the terms of the offer prior to closing of the sale to such third party shall constitute a new offer, subject to the same rights of first refusal by us or our nominee, as in the case of an initial offer. Our failure to exercise the option afforded by this Section 11.4 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section with respect to the proposed transfer.

11.5 You acknowledge and agree that the restrictions on transfer imposed herein are reasonable and are necessary to protect the Development Rights, the System and the Marks, as well as our reputation and image, and are for the protection of us, you and other multi-unit developers. Any assignment or transfer permitted by this Section XI shall not be effective until we receive a completely executed copy of all transfer documents, and we consent in writing thereto.

11.6 Except as provided in this Section 11, we agree not to unreasonably withhold our consent to a sale, assignment or transfer by you hereunder. Consent to such transfer otherwise permitted or permissible as reasonable may be refused unless:

11.6.1 All of your obligations created by this Agreement, all other franchise documents, including all Franchise Agreements, and the relationship created hereunder are assumed by the transferee.

11.6.2 All ascertained or liquidated debts of you to us or our affiliated or subsidiary corporations are paid.

11.6.3 You are not in default hereunder.

11.6.4 We are reasonably satisfied that the transferee meets all of our requirements for new multi-unit developers, including but not limited to, good reputation and character, business acumen, operational ability, management skills, financial strength and other business considerations.

11.6.5 Transferee executes or, in appropriate circumstances, causes all necessary parties to execute, our standard form of Multi-Unit Development Agreement, Franchise Agreements for all Restaurants open or under construction hereunder, and such other then-current ancillary agreements being required by us of new multi-unit developers on the date of transfer.

11.6.6 You execute a general release, in a form satisfactory to us, of any and all claims against us, our officers, directors, employees and principal stockholders of any and all claims and causes of action that you may have against us or any subsidiary or affiliated corporations in any way relating to this Agreement or the performance or non-performance thereof by us.

11.6.7 You or transferee pay to us a transfer fee in an amount equal to Ten Thousand Dollars ($10,000) to cover our reasonable costs in effecting the transfer and in providing training and other initial assistance to transferee.

11.7 Upon the death or mental incapacity of any person with an interest of more than fifty percent (50%) in this Agreement, the executor, administrator or personal representative of such person shall transfer his interest to a third party approved by us within twelve (12) months. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any *inter vivos* transfer. However, in the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions stated in Section 11.1 hereof, the personal representative of the deceased shall have a reasonable time, not to exceed twelve (12) months from the date said personal representative is appointed, to dispose of the deceased's interest or in the Development Rights, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement. It is understood and agreed, however, that notwithstanding the foregoing, the Minimum Performance Schedule shall be complied with as though no such death or mental incapacity had occurred. In the event the interest described above is not disposed of within such time, we shall have the right to terminate this Agreement, provided such termination had not previously occurred for failure to perform pursuant to the Minimum Performance Schedule, upon ninety (90) days' notice to your representative, or we shall have the right to re-purchase same.

11.8 Our consent to a transfer by you or of any of the Development Rights pursuant to this Section shall not constitute a waiver of any claims we may have against the transferring party, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferee.

11.9 We shall have the right to assign this Agreement and all of our attendant rights and privileges to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of our functions: (i) the assignee shall, at the time of such assignment, be financially responsible and economically capable of performing our obligations; and (ii) the assignee shall expressly assume and agree to perform such obligations.

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

11.13 This Agreement shall inure to the benefit of us, our successors and assigns, and we shall have the right to transfer or assign all or any part of our interest herein to any person or legal entity, provided such transferee agrees to perform all of our obligations hereunder.

SECTION XII: <u>COVENANTS</u>

12.1 You specifically acknowledge that, pursuant to this Agreement, you will receive valuable training and confidential information, including, without limitation, secret recipes, information regarding the marketing methods and techniques of us and the System. You covenant that during the term of this

Agreement, except as otherwise approved in writing by us, you shall not, either directly or indirectly, for himself, or through, on behalf of or in conjunction with any person, persons or legal entity:

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

12.1.2 Employ or seek to employ any person who is at the time employed by us or by any other franchisee or multi-unit developer of ours, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat.

12.1.3 Own, maintain, advise, help, invest in, make loans to, be employed by, engage in or have any interest in any restaurant or food service business other than the Franchised Business (including any business operated by you prior to entry into this Agreement), which business is of a character and concept similar to the Restaurant, including a restaurant which offers and sells the same or similar food products (a "Competitive Business").

12.2 You covenant that, except as otherwise approved in writing by us, you shall not, for a continuous and uninterrupted period commencing upon the expiration or termination of this Agreement, and continuing for three (3) years thereafter (and, in case of any violation of this covenant, for three (3) years after the violation ceases), either directly or indirectly, for yourself, or through, on behalf of or in conjunction with any person, persons, partnership or corporation, own, maintain, advise, help, invest in, make loans to, be employed by, engage in or have any interest in any Competitive Business which is located within fifty (50) miles of any Paisano's Pizza Kitchen Restaurant in the System.

12.3 Subsections 12.1.3 and 12.2 of this Section shall not apply to ownership by you of less than a five percent (5%) beneficial interest in the outstanding equity securities of any corporation which is registered under the Securities Exchange Act of 1934.

12.4 The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section XII is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section XII.

12.5 You understand and acknowledge that we shall have the right, in our sole discretion, to reduce the scope of any covenant stated in Sections 12.1 and 12.2 or any portion thereof, without your consent, effective immediately upon receipt by you of written notice thereof, and you agree that you shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section XVI hereof.

12.6 You expressly agree that the existence of any claim you may have against us, whether or not arising from this Agreement, shall not constitute a defense to our enforcement of the covenants in this Section XII.

12.7 You acknowledge that any failure to comply with the requirements of this Section XII would cause us irreparable injury for which no adequate remedy at law may be available, and you hereby accordingly consent to our seeking injunctive relief prohibiting any conduct by you in violation of the terms of this Section XII. We may further avail ourselves of any other legal or equitable rights and remedies which we may have under this Agreement or otherwise.

12.8 During the term of this Agreement, an officer or agent of ours shall have the right to inspect any Restaurant in which you have an interest at reasonable times and during normal business hours to the extent reasonably necessary to determine whether the conditions of this Section XII are being satisfied. If, by reason of such inspections or otherwise, we have reason to believe that you are not in full compliance with the terms of this Section, we shall give notice of such default to you, specifying the nature of such default. If you deny that you are in default hereunder, as specified by us, you shall have the burden of establishing that such default does not exist and shall give notice to us of your position within ten (10) days of receipt of the notice from us. Unless you so deny such default, you shall immediately take all steps to cure said default in a manner satisfactory to us.

SECTION XIII: NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by certified or registered mail, return receipt requested, to the respective parties at the addresses set forth in the introductory paragraph of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by certified or registered mail shall be deemed to have been given at the date and time of mailing.

SECTION XIV: INDEPENDENT CONTRACTOR AND INDEMNIFICATION

14.1 It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. Each party to this Agreement is an independent contractor, and neither shall be responsible for the debts or liabilities incurred by the other.

14.2 You shall hold yourself out to the public to be an independent contractor operating pursuant to this Agreement. You agree to take such actions as shall be necessary to that end.

14.3 You understand and agree that nothing in this Agreement authorizes you to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other obligation in our name, and that we assume no liability for, nor shall be deemed liable by reason of, any act or omission of yours or any claim or judgment arising therefrom. You shall indemnify and hold us and our officers, directors, and employees harmless against any and all such claims arising directly or indirectly from, as a result of, or in connection with your activities hereunder, as well as the cost, including reasonable attorneys' fees, of defending against them, except that the foregoing shall not apply to actions caused by the negligent acts of us or our agents.

SECTION XV: APPROVALS

15.1 Whenever this Agreement requires our prior approval or consent, you shall make a timely written request to us therefor, and, except as otherwise provided herein, any approval or consent granted shall be in writing.

15.2 We make no warranties or guarantees upon which you may rely, and assume no liability or obligation to you or any third party to which we would not otherwise be subject, by providing any waiver, approval, advise, consent or services to you in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

SECTION XVI: NON-WAIVER

No failure of ours to exercise any power reserved to us under this Agreement or to insist upon compliance by you with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of our rights to demand exact compliance with the terms of this Agreement. Our waiver of any particular default shall not affect or impair our right with respect to any subsequent default of the same or of a different nature; nor shall any delay, forbearance or omission of ours to exercise any power or right arising out of any breach or default by you of any of the terms, provisions or covenants of this Agreement affect or impair our rights, nor shall such constitute a waiver by us of any rights hereunder or rights to declare any subsequent breach or default.

SECTION XVII: SEVERABILITY AND CONSTRUCTION

17.1 Each covenant and provision of this Agreement shall be construed as independent of any other covenant or provision of this Agreement. The provisions of this Agreement shall be deemed severable.

17.2 If all or any portion of a covenant or provision of this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a decision to which we are a party, you expressly agree to be bound by any lesser covenant or provision imposing the maximum duty permitted by law which is subsumed within the terms of such covenant or provision, as if that lesser covenant or provision were separately stated in and made a part of this Agreement.

17.3 Nothing in this Agreement shall confer upon any person or legal entity other than us or you, and such of our respective successors and assigns as may be contemplated by Section XI hereof, any rights or remedies under or by reason of this Agreement.

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

17.5 All references herein to gender and number shall be construed to include such other gender and number as the context may require, and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by you shall be deemed jointly and severally undertaken by all those executing this Agreement on your behalf.

17.6 This Agreement may be executed in triplicate, or such other number as is required, and each copy of the executed Agreement shall be deemed an original.

SECTION XVIII: ENTIRE AGREEMENT - APPLICABLE LAW

This Agreement, the documents referred to herein and the Exhibits attached hereto constitute the entire, full and complete agreement between us and you concerning the subject matter hereof and supersede any and all prior agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by us in the Disclosure Document that was furnished to you by us. No amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. This Agreement shall be interpreted and construed under the laws of the Commonwealth of Virginia, and the parties hereto consent to irrevocably submit to the jurisdiction of all courts located within the Commonwealth of Virginia, County of Fairfax.

SECTION XIX: MEDIATION & ARBITRATION

19.1 At our option, any claim, controversy or dispute that is not resolved internally shall be submitted to non-binding mediation. You shall provide us with written notice of your intent to pursue any unresolved claim, controversy or dispute, specifying in sufficient detail the nature thereof, prior to commencing any legal action. We shall have thirty (30) days following receipt of your notice to exercise our option to submit such claim, controversy or dispute to mediation. Mediation shall be conducted through a mediator or mediators in accordance with the American Arbitration Association Commercial Mediation Rules. Such mediation shall take place in our then-current corporate headquarters. The costs and expenses of mediation, including compensation and expenses of the mediator(s) (and except for the attorneys' fees incurred by either party), shall be borne by the parties equally. We may specifically enforce our rights to mediation, as set forth herein.

19.2 Except to the extent we elect to enforce the provisions of this Agreement by judicial process and injunction in our sole discretion, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter) which have not been settled through negotiation or mediation will be settled by binding arbitration in Virginia under the authority of Virginia Statutes. The arbitrator(s) will have a minimum of five (5) years experience in franchising or distribution law and will have the right to award specific performance of this Agreement. If the parties cannot agree upon a mutually agreeable arbitrator, then the arbitration shall be conducted as per the selection method set forth in the Virginia Statutes. The proceedings will be conducted under the commercial arbitration rules of the American Arbitration Association, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the Virginia Statutes. The decision of the arbitrator(s) will be final and binding on all parties. This Section will survive termination or non-renewal of this Agreement under any circumstances. Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction thereof. During the pendency of any arbitration proceeding, you and we shall fully perform our respective obligations under this Agreement.

19.3 Notwithstanding the above, the following shall not be subject to arbitration:

(i) disputes and controversies arising from the Sherman Act, the Clayton Act or any other federal or state antitrust law;

(ii) disputes and controversies based upon or arising under the Lanham Act, as now or hereafter amended, relating to the ownership or validity of the trademarks;

(iii) disputes and controversies relating to actions to obtain possession of the premises of the Restaurant under lease or sublease.

19.4 If we shall desire to seek specific performance or other extraordinary relief including, but not limited to, injunctive relief under this Agreement, and any amendments thereto, or to collect monies due, then any such action shall not be subject to arbitration and we shall have the right to bring such action as described in Section 19.6.

19.5 In proceeding with arbitration and in making determinations hereunder, the arbitrators shall not extend, modify or suspend any terms of this Agreement or the reasonable standards of business performance and operation established by us in good faith. Notice of or request to or demand for arbitration shall not stay, postpone or rescind the effectiveness of any termination of this Agreement. The arbitrators shall apply Virginia law and the terms of this Agreement in reaching their decision.

19.6 With respect to any claims, controversies or disputes which are not finally resolved through arbitration, or as otherwise provided above, you hereby irrevocably submit yourself to the jurisdiction of the state courts of Fairfax County, Virginia and the Federal District Court closest to our headquarters. You hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision. You hereby agree that service of process may be made upon any of them in any proceeding relating to or arising out of this Agreement or the relationship created by this Agreement by any means allowed by Virginia or federal law. You further agree that venue for any proceeding relating to or arising out of this Agreement shall be Fairfax County, Virginia; provided, however, with respect to any action (1) for monies owed, (2) for injunctive or other extraordinary relief or (3) involving possession or disposition of, or other relief relating to, real property, we may bring such action in any state or Federal District Court which has jurisdiction. With respect to all claims, controversies, disputes or actions, related to this Agreement or the relationship created thereby, this Agreement and any such related claims, controversies, disputes or actions shall be governed, enforced and interpreted under Virginia law.

19.7 You and we acknowledge that the parties' agreement regarding applicable state law and forum set forth in Section 19.6 above provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising out of this Agreement or the parties' relationship created by this Agreement. You and we further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of forum have been negotiated in good faith and are part of the benefit of the bargain reflected by this Agreement.

19.8 You and we acknowledge that the execution of this Agreement and acceptance of the terms by the parties occurred in Fairfax County, Virginia, and further acknowledge that the performance of certain obligations of yours arising under this Agreement, including, but not limited to, the payment of monies due hereunder and the satisfaction of certain training requirements of ours, shall occur in Fairfax County, Virginia.

19.9 You and we hereby waive, to the fullest extent permitted by law, any right to or claim or any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against either party, their officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, either party shall be limited to the recovery of any actual damages sustained by it. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of waiver by agreement of punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) shall continue in full force and effect.

19.10 If we are required to enforce this Agreement in a judicial or arbitration proceeding, you shall reimburse us for our costs and expenses, including, without limitation, reasonable accountants', attorneys', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by you to comply with this Agreement, you shall reimburse us for any of the above-listed costs and expenses incurred by us.

SECTION XX: TIMELY PERFORMANCE

You hereby acknowledge that your timely development of the Restaurants in the Development Area in accordance with the Minimum Performance Schedule is of material importance to us and you. You agree, as a condition of the continuance of the rights granted hereunder, to develop and open Restaurants within the Development Area in accordance with the Minimum Performance Schedule, to operate such Restaurants pursuant to the terms of the Franchise Agreements and to maintain all such Restaurants in operation continuously. We agree to diligently act upon any request of or approval from you and any material delay in your ability to meet the Minimum Performance Schedule which is directly caused by our failure to act diligently upon a request for approval shall not constitute a default hereunder. Further, a failure or delay in performance by any party to this Agreement shall not be a default hereunder if such failure or delay arises out of or results from a Force Majeure, which for purposes of this Agreement shall be defined as fire, flood, earthquake or other natural disasters, or acts of a public enemy, war, rebellion or sabotage.

SECTION XXI: ACKNOWLEDGMENTS

21.1 YOU ACKNOWLEDGE THAT THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES SUBSTANTIAL BUSINESS RISKS AND WILL BE TOTALLY AND COMPLETELY DEPENDENT UPON YOUR ABILITY AS AN INDEPENDENT BUSINESS PERSON. WE EXPRESSLY DISCLAIM THE MAKING OF, AND YOU ACKNOWLEDGE NOT HAVING RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT.

21.2 YOU ACKNOWLEDGE HAVING RECEIVED, READ AND UNDERSTOOD THIS AGREEMENT, THE EXHIBITS ATTACHED HERETO AND AGREEMENTS RELATING HERETO, IF ANY, AND THE DISCLOSURE DOCUMENT DELIVERED SIMULTANEOUSLY HEREWITH; AND WE HAVE ACCORDED YOU AMPLE TIME AND OPPORTUNITY TO CONSULT WITH ADVISORS OF YOUR OWN CHOOSING ABOUT THE POTENTIAL RISKS OF ENTERING INTO THIS AGREEMENT.

21.3 YOU ACKNOWLEDGE THAT YOU RECEIVED THE DISCLOSURE DOCUMENT REQUIRED BY THE TRADE REGULATION RULE OF THE FEDERAL TRADE COMMISSION AT LEAST FOURTEEN (14) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED OR ANY MONEY WAS PAID TO US OR OUR AFFILIATES.

21.4 YOU EXPRESSLY ACKNOWLEDGE THAT YOU HAVE NOT RELIED UPON ANY EARNINGS CLAIMS, SUCH AS ORAL OR WRITTEN STATEMENTS OR SUGGESTIONS, MADE BY ANY REPRESENTATIVE OF OR ANY OTHER PERSON PURPORTING TO BE ACTING ON OUR BEHALF REGARDING THE POTENTIAL FUTURE SALES, REVENUES OR PROFITS WHICH MAY BE DERIVED FROM OPERATION OF RESTAURANTS OR DEVELOPMENT OF THE DEVELOPMENT AREA.

SECTION XXII: EFFECTIVE DATE

This Agreement shall be effective as of the date it is executed by us.

[Remainder of page intentionally left blank]

The parties hereto have duly executed, sealed and delivered this Agreement in triplicate on the day and year first above written.

PAISANO'S FRANCHISE SYSTEM, INC.

By:_______________________________
Name:____________________________
Title:______________________________

MULTI-UNIT DEVELOPER:

By:_______________________________
Name:____________________________
Title:______________________________

ATTACHMENT 1
CERTIFICATION BY MULTI-UNIT DEVELOPER

The undersigned, personally and as an officer or partner of Multi-Unit Developer, as applicable, does hereby certify that he/she has conducted an independent investigation of the business contemplated by this Multi-Unit Development Agreement and the Paisano's Franchise System, Inc. Franchise Agreement, and that the decision to execute the Multi-Unit Development Agreement was based entirely upon the independent investigation by the undersigned; and the undersigned further certifies that he/she has not relied upon, in any way, any claims regarding potential sales, income, or earnings to be derived from the business contemplated by the Franchise Agreement and Multi-Unit Development Agreement, and has not relied upon any claims regarding past or current sales, income or earnings of Franchisor-operated "Paisano's Pizza Kitchen" Restaurants. The undersigned further certifies that he/she understands the risks involved in this investment and Paisano's Franchise System, Inc. makes no representation or guaranty, explicit or implied, that the Multi-Unit Development will be successful or will recoup his/her investment.

The undersigned has signed, sealed and delivered this Certificate this day of __________________ ______________.

____

Name:___________________________

____

Name:___________________________

____

Name:___________________________

ATTACHMENT 2

Minimum Performance Schedule

The Agreement authorizes and obliges Multi-Unit Developer to establish and operate _______________ (____) franchised Restaurants pursuant to a Franchise Agreement for each Restaurant. The following is Multi-Unit Developer's Minimum Performance Schedule:

Restaurant Number	Open & Operating On or Before	Payments Made	Balance Due For Store(s)	Due Date
Fees & Deposits for Units ___		**$**	**See Below**	Upon simultaneous Execution of Franchise Agreement and Multi-Unit Development Agreement
1		$25,000	$ -0-	Paid in full upon execution of the Franchise Agreement
2		$XX,XXX	$XX,XXX	On the earlier of (i) the date a lease or purchase agreement for the Restaurant is executed or (ii) ninety (90) days prior to the scheduled opening date for said Restaurant
__		$XX,XXX	$XX,XXX	On the earlier of (i) the date a lease or purchase agreement for the Restaurant is executed or (ii) ninety (90) days prior to the scheduled opening date for said Restaurant
__		$XX,XXX	$XX,XXX	On the earlier of (i) the date a lease or purchase agreement for the Restaurant is executed or (ii) ninety (90) days prior to the scheduled opening date for said Restaurant

APPROVED:

MULTI-UNIT DEVELOPER	PAISANO'S FRANCHISE SYSTEM, INC.
By:_______________________________	By:_______________________________
Name:_____________________________	Name:_____________________________
Title:______________________________	Title:______________________________

ATTACHMENT 3

Development Area

The following describes the Development Area within which Multi-Unit Developer may locate "Paisano's Pizza Kitchen" Restaurants under this Agreement:

____

____

____

APPROVED:

MULTI-UNIT DEVELOPER	PAISANO'S FRANCHISE SYSTEM, INC.
By:______________________________	By:______________________________
Name:____________________________	Name:____________________________
Title:_____________________________	Title:_____________________________

ATTACHMENT 4

EXISTING RESTAURANTS IN DEVELOPMENT AREA

APPROVED:

MULTI-UNIT DEVELOPER	PAISANO'S FRANCHISE SYSTEM, INC.
By:______________________________	By:______________________________
Name:____________________________	Name:____________________________
Title:_____________________________	Title:_____________________________

EXHIBIT C
FRANCHISE AGREEMENT

EXHIBIT D
LIST OF FRANCHISEES AND MULTI-UNIT DEVELOPERS
(as of December 31, 2021)

FRANCHISEES OPEN AND OPERATING:

Franchisee Name, Address, Phone	Franchisee Name, Address, Phone
FLORIDA	
MARYLAND	
JT Pizza, Inc. Rita Thompson 891 Rockville Pike, Suite G Rockville, Maryland 301-309-1400 Opened in January 2012	Wali Ventures LLC Neil Shah and Rizwan Bhopal 824 Muddy Branch Road Gaithersburg, MD 20878 301-926-0100 Opened in May 2013
314ZON LLC 5868 Ballenger Creek Pike Frederick, MD 21703 301-695-8800 Opened in 2018	Wali, LLC Neil Shah and Rizwan Bhopal 18313 Leaman Farm Road Germantown, MD 20874 301-528-8000 Opened in March 2015
Temple Hills Pizza LLC 4815 St. Barnabas Road Marlow Heights, MD 20748 301-899-2900 Opened January 2017	Wali Park LLC 7201-B Baltimore Ave College Park, MD 20740 Acquired from Affiliate in 2021
VIRGINIA	
Van Dorn Pizza, Inc. 269 S. Van Dorn Street Alexandria, Virginia 22304 703-504-6100 Opened February 2012	PBF Foods, Inc. Nashwa Kawkab and Hatem Rizkalla 3650 South Glebe Road Arlington, Virginia 703-416-7000 Opened in July 2011
JNA Pizza, Inc. John Qreitem 44260 Ice Rink Plaza Ashburn, Virginia 20147 571-223-0000 Opened in October 2011	Burke Town Plaza Pizza Inc. 5765-E Burke Centre Parkway Burke, Virginia 703-250-1200 Opened in April 2012

Franchisee Name, Address, Phone	Franchisee Name, Address, Phone
Airline Plaza, LLC John Qreitem 4078 Airline Parkway Chantilly, Virginia 20152 703-378-3400 Opened in April 2010	NKR Associates Irmindra Rana 5874 Crossroads Center Falls Church, Virginia 22041 703-998-1100 Opened in March 2012
Elden Pierre Chahine 1141 Elden Street Herndon, Virginia 703-796-6800 Opened in April 2010	
Paisanos at Festival Woodbridge Inc. Paul Michael and JJ Chahine 14457 Potomac Mills Road Woodbridge, Virginia 22192 703-499-9300 Opened in March 2013	Pizza Fratelli LTD David Parnigoni and Rob Eckstein 6937A Telegraph Road Alexandria, Virginia 22310 703-922-0900 Opened August 2013
Fordson Place Inc. Nashwa Kawkab and Hatem Rizkalla 7711 Fordson Road Alexandria, VA 22306 703-360-5600 Opened in August 2014	Central Park Pizza LLC Anthony Nguonly 1500 Central Park Blvd Fredericksburg, VA 22401 703-815-4904 Opened October 2016
Wali Limited LLC Neil Shah and Rizwan Bhopal 25 Catoctin Cirle NE Leesburg, VA 20176 (703)443-0000 Opened August 2016	Paisano's Lake Ridge LLC Paul Michael and John Chahine 12439 Dillingham Square Lake Ridge, VA 22192 703-730-3333 Opened January 2017
Lorton Place Inc. 9429 Lorton Market Street Lorton, VA 22079 703-339-9700 Opened May 2017	Wali Visions LLC 6133A Backlick Road Springfield, VA 22150 703-644-4000
WASHINGTON, DC	
Paisanos Wisconsin Ave Inc.*† 1815 Wisconsin Ave, NW Washington, DC 20007 202-298-6800 Opened August 2016 Note: Multi-Unit Operator	Paisanos Acadia Inc.* 1111 19th St N. #1610 Arlington, VA 22209 202-832-5555 Opened in April 2018 *Relocating as of 12/31/2021

* Locations under common ownership. Prior to the issuance date of this Franchise Disclosure Document, the parties mutually agreed to terminate the Multi-Unit Operator Agreement, terminate the franchise agreement related to 1060 Brentwood Road NE, Washington, D.C. 20018, and permit the 1815 Wisconsin Avenue NW, Washington, D.C. 20007 location to relocate and re-establish its business as a host kitchen only.

† Indicates Multi-Unit Developer

FRANCHISEES SIGNED NOT YET OPENED:

Franchisee Name, Address, Phone	Franchisee Name, Address, Phone
MARYLAND	
Daniel Smith and Jeffrey Banks 1803 Castle Rock Court Frederick, MD 21701 To be located in Frederick MD #2	
VIRGINIA	
Pierre Chahine 1141 Elden Street Herndon, Virginia To be located in Sterling, VA	
WASHINGTON DC	
Elia Ahmadian and Kathleen McKay† 1111 19th St N. #1610 Arlington, VA 22209 Note: Multi-Unit Operator	

† Indicates Multi-Unit Developer

FRANCHISEES AND MULTI-UNIT DEVELOPERS WHO HAVE LEFT THE SYSTEM

(as of December 31, 2021)

FLORIDA
Food Logistics† 4270 Aloma Avenue Winter Park, FL 32792 321-44-6200 Note: Multi-Unit Developer
PA Faccia LLC Transferred to Paisano's Winchester, LLC 1533 S Pleasant Valley Rd #3G Winchester, VA 22601 (540) 542-1600

† Indicates Multi-Unit Developer

EXHIBIT E

OPERATIONS MANUAL

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EXHIBIT F
STATE SPECIFIC ADDENDUM

ADDENDUM TO THE DISCLOSURE DOCUMENT,
FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT AGREEMENT
REQUIRED BY THE STATE OF ILLINOIS

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement which designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

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

Your right upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

The parties hereto have duly executed, sealed and delivered this Addendum dated this day of _________________.

PAISANO'S FRANCHISE SYSTEM, INC.

By:______________________________
Name:____________________________
Title:_____________________________

FRANCHISEE:

____

ADDENDUM TO THE PAISANO'S FRANCHISE SYSTEM, INC.
<u>FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF MARYLAND</u>

This will serve as the State Addendum for Paisano's Franchise Systems, Inc. for the State of Maryland for Paisano's Pizza Kitchen Franchise Disclosure Document and for its Franchise and Multi-Unit Development Agreements. The amendments to the Franchise Agreement and Multi-Unit Development Agreement included in this addendum have been agreed to by the parties.

1. The provision contained in the termination sections of the Franchise Agreement and Multi-Unit Development Agreement may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 <u>et</u> <u>seq</u>.).

2. Item 11 of the Franchise Disclosure Document shall be amended to state that a franchisee may obtain an accounting of the advertising fund, by requesting same in a written request to Franchisor.

3. Item 17 of the Franchise Disclosure Document shall be amended at the sections dealing with the issuance of general releases to the effect that the general release required as a condition of renewal and/or assignment/transfer are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law. The appropriate sections of the Franchise Agreement and Multi-Unit Development Agreement are hereby deemed to be amended accordingly.

4. Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise. Any disclaimer regarding the occurrence and/or acknowledgment of the non-occurrence of acts that would constitute a violation of the Franchise Law in order to purchase the franchise are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law. The Franchisee Disclosure Acknowledgment Statement, Attachment 1 to the Franchise Agreement, is amended to comply with this provision.

5. Item 17 of the Franchise Disclosure Document and the appropriate sections of the Franchise Agreement and Multi-Unit Agreement are amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

6. Item 17 of the Franchise Disclosure Document is hereby amended to state that the Franchise Agreement and Multi-Unit Development Agreement require binding arbitration, the site of which is in the Commonwealth of Virginia, the costs of which are borne by the parties equally and any issues not decided by arbitration may be brought in a court of competent jurisdiction. The law of the Commonwealth of Virginia governs the arbitration. However, pursuant to Section 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law, a franchisee is permitted to enter into litigation with the Franchisor in the State of Maryland, regardless of the language in the Franchise Agreement and Multi-Unit Development Agreement.

7. Item 17 of the Franchise Disclosure Document, the Franchise Agreement and Multi-Unit Development Agreement are hereby amended to state that any representations which require a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this ______ day of _______________, 20___.

ATTEST

____
Witness

PAISANO'S FRANCHISE SYSTEM, INC.

By:___________________________________
Name:________________________________
Title:_________________________________

FRANCHISEE:

____
Witness

____

ADDENDUM TO THE PAISANO'S FRANCHISE SYSTEM, INC. FRANCHISE AGREEMENT REQUIRED BY THE STATE OF MARYLAND

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. § 14-201 et seq., and of the Rules and Regulations promulgated thereunder, the parties to the attached Paisano's Franchise System, Inc. Franchise Agreement (the "Franchise Agreement") agree as follows:

1. The Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a franchisee's assent to a release of liability under that Law as a condition for the sale, renewal, assignment or transfer of the franchise. To the extent of any inconsistencies with the Maryland Franchise Registration and Disclosure Law contained in Article 5 or Section 16.3 of the Franchise Agreement, such inconsistent provisions are hereby deleted.

2. To the extent of any inconsistencies, Section 17.1 of the Franchise Agreement is hereby amended to further state:

> "Our right to terminate you upon your bankruptcy, however, may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq*.)."

4. To the extent of any inconsistencies, Section 19.9 of the Franchise Agreement is hereby amended to further state:

> "Nothing herein shall waive your right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland."

5. To the extent of any inconsistencies, Section 19.24 of the Franchise Agreement is hereby amended to further state:

> "Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise."

6. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

7. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. § 14-201 et seq., are met independently without reference to this Amendment.

8. To the extent of inconsistencies, the Franchise Agreement and Attachment 1 Franchisee Acknowledgment Statement are hereby amended to state that all representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure law.

IN WITNESS WHEREOF, the parties hereto have duly executed this Maryland Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:

Paisano's Franchise System, Inc.

By:____

____
(Print Name, Title)

FRANCHISEE:

____

By:____

________________________, _________________
(Print Name, Title)

PRINCIPAL:

____

____
(Print Name)

PRINCIPAL:

____

____
(Print Name)

AMENDMENT TO THE PAISANO'S FRANCHISE SYSTEM, INC. MULTI-UNIT DEVELOPMENT AGREEMENT REQUIRED BY THE STATE OF MARYLAND

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. § 14-201 et seq., and of the Rules and Regulations promulgated thereunder, the parties to the attached Paisano's Franchise System, Inc. Multi-Unit Development Agreement (the "Multi-Unit Development Agreement") agree as follows:

1. The Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a franchisee's assent to a release of liability under that Law as a condition for the sale, renewal, assignment or transfer of the franchise. To the extent of any inconsistencies with the Maryland Franchise Registration and Disclosure Law contained in Article 6 of the Multi-Unit Development such inconsistent provisions are hereby deleted.

2. To the extent of any inconsistencies, Section 9.1 of the Multi-Unit Development Agreement is hereby amended to further state:

> "Our right to terminate you upon your bankruptcy, however, may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq*.)."

3. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

4. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. § 14-201 et seq., are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed this Maryland Amendment to the Multi-Unit Development Agreement on the same date as that on which the Multi-Unit Development Agreement was executed.

FRANCHISOR:

Paisano's Franchise System, Inc.

By:______________________________________

____

(Print Name, Title)

FRANCHISEE:

____

By:____

__________________________, ____________________

(Print Name, Title)

PRINCIPAL:

____

____

(Print Name)

PRINCIPAL:

____

____

(Print Name)

ADDENDUM
REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT H OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

The parties hereto have duly executed, sealed and delivered this Addendum dated this day of __________________.

PAISANO’S FRANCHISE SYSTEM, INC.

By:_______________________________________
Name:_____________________________________
Title:______________________________________

FRANCHISEE:

____

DISCLOSURES REQUIRED BY NORTH CAROLINA LAW

The State of North Carolina has not reviewed and does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

If the seller fails to deliver the product(s), equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled. (N.C.G.S. §66-95)

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this ______ day of _______________, 20___.

ATTEST	PAISANO'S FRANCHISE SYSTEM, INC.
_________________________	By:__________________________________
Witness	Name:________________________________
	Title:_________________________________
	FRANCHISEE:
_________________________	______________________________________
Witness	

DISCLOSURES REQUIRED BY SOUTH CAROLINA LAW

If the seller fails to deliver the product, equipment or supplies necessary to begin substantial operation of the business within forty-five days of the delivery date stated in your contract, you may notify the seller in writing and demand that the contract be cancelled.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this day of ________________.

PAISANO'S FRANCHISE SYSTEM, INC.

By:______________________________
Name:____________________________
Title:_____________________________

FRANCHISEE:

____

ADDENDUM TO THE PAISANO'S FRANCHISE SYSTEM, INC.
<u>FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY THE COMMONWEALTH OF VIRGINIA</u>

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Pasiano's Franchise System Inc. for use in the Commonwealth of Virginia shall be amended as follows:

   Additional Disclosure: The following statements are added to Item 17.h:

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

The parties hereto have duly executed, sealed and delivered this Addendum dated this day of __________________.

PAISANO'S FRANCHISE SYSTEM, INC.

By:___________________________________
Name:_________________________________
Title:_________________________________

FRANCHISEE:

____

EXHIBIT G

CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS

EXHIBIT H

AGENCIES/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

State	State Agency	Agent for Service of Process
CALIFORNIA	Commissioner of Business Oversight Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of Business Oversight
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce

State	State Agency	Agent for Service of Process
NEW YORK	Office of the New York State Attorney General Investor Protection Bureau, Franchise Section 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8211 Phone (212) 416-6042 Fax	Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 11231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, 5th Floor Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Director of the Department of Consumer and Business Services
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Director of Insurance-Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	Director of Washington Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

EXHIBIT I

FORM OF GENERAL RELEASE

PAISANO’S FRANCHISE SYSTEM, INC.

GENERAL RELEASE AGREEMENT

THIS AGREEMENT (“Agreement”) is made and entered into this ____ day of _______________, 20___ by and between Paisano’s Franchise System, Inc., a Virginia limited liability company having its principal place of business located at 4465 Brookfield Corporate Drive, Suite 202, Chantilly, Virginia 20151 (the “Franchisor”), and ___________________, an individual residing at _________________________ (hereinafter referred to as “Releasor”), wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties, and comments herein are set forth, do agree as follows:

1. **Release by Releasor**:

Releasor does for itself, its successors and assigns, hereby release and forever discharge generally the Franchisor and any affiliate, wholly owned or controlled corporation, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, or agent of any of them, from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Releasor may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and anti-trust statutes, rules or regulations, in any way arising out of or connected with the Agreement, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against the Franchisor, any affiliate, successor, assign, parent corporation, subsidiary, director, officer, shareholder, employee, agent, executor, administrator, estate, trustee or heir, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Agreement. In the event Releasor breaches any of the promises covenants, or undertakings made herein by any act or omission, Releasor shall pay, by way of indemnification, all costs and expenses of the Franchisor caused by the act or omission, including reasonable attorneys’ fees.

2. Releasor hereto represents and warrants that no portion of any claim, right, demand, obligation, debt, guarantee, or cause of action released hereby has been assigned or transferred by Releasor party to any other party, firm or entity in any manner including, but not limited to, assignment or transfer by subrogation or by operation of law. In the event that any claim, demand or suit shall be made or institute against any released party because of any such purported assignment, transfer or subrogation, the assigning or transferring party agrees to indemnify and hold such released party free and harmless from and against any such claim, demand or suit, including reasonable costs and attorneys’ fees incurred in connection therewith. It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph.

3. Each party acknowledges and warrants that his, her or its execution of this Agreement is free and voluntary.

4. Virginia law shall govern the validity and interpretation of this Agreement, as well as the performance due thereunder. This Agreement is binding upon and inures to the benefit of the respective assigns, successors, heirs and legal representatives of the parties hereto.

5. In the event that any action is filed to interpret any provision of this Agreement, or to enforce any of the terms thereof, the prevailing party shall be entitled to its reasonable attorneys' fees and costs incurred therein, and said action must be filed in the Commonwealth of Virginia.

6. This Agreement may be signed in counterparts, each of which shall be binding against the party executing it and considered as the original.

The parties hereto, intending to be legally bound hereby, have executed this agreement effective as of the date first above.

RELEASOR:

____
(Name)

PAISANO'S FRANCHISE SYSTEM, INC.:

By:__________________________
Name:________________________
Title:_________________________

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registrations in the following states having franchise disclosure laws, with the following effective dates:

STATE	EFFECTIVE DATE
Florida	Effective
Maryland	Prior Version of FDD Effective March 14, 2022
Virginia	Prior Version of FDD Effective January 27, 2022

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT J

RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT OF PAISANO'S FRANCHISE SYSTEM, INC.

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all exhibits carefully.

If Paisano's Franchise System, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Paisano's Franchise System, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to your state authority listed on Exhibit H.

The name and principal business address and telephone number of each franchise seller offering the franchise is:

Ed Kelley 4465 Brookfield Corporate Drive Suite 202 Chantilly, Virginia 20151 (703) 378-1500		

Issuance Date: May 5, 2022

I received a Disclosure Document dated May 5, 2022, that included the following Exhibits:

EXHIBIT A: Financial Statements of Paisano's Franchise System, Inc.
EXHIBIT B: Multi-Unit Development Agreement
EXHIBIT C: Franchise Agreement with Attachments
EXHIBIT D: Outlets as of the date of this Disclosure Document
EXHIBIT E: Operations Manual Table of Contents
EXHIBIT F: State Addenda
EXHIBIT G: Conditional Assignment of Telephone Numbers
EXHIBIT H: List of State Franchise Administrators and Agents for Service of Process
EXHIBIT I: General Release
EXHIBIT J: Receipt

DATED: ______________________________

Date Received: ____________________
(If other than date signed)

____
(Signature of recipient)

____
(Printed name of recipient)
____

____
Legal residence address

Please return signed receipt to Paisano's Franchise System, Inc.
4465 Brookfield Corporate Drive, Suite 202
Chantilly, Virginia 20151
office@pizzapaisanos.com

RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT OF PAISANO'S FRANCHISE SYSTEM, INC.

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DATED: ______________________________

Date Received: ______________________
(If other than date signed)

____
(Signature of recipient)

____
(Printed name of recipient)
____

____
Legal residence address

KEEP FOR YOUR RECORDS