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 marks.

The total estimated investment necessary to begin operation of a single franchised Restaurant is between $378,300 to $675,900. This includes $55,000 - $70,000 that must be paid to the franchisor and/or its affiliate, as appropriate.

The total investment necessary to begin the operation of a Paisano's multi-unit development business ranges from $413,300 to $710,900 for the required minimum of two (2) Paisanos outlets to be developed. This includes $85,000 - $100,000 that must be paid to the franchisor or an affiliate.

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

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 Fouad Qreitem 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: April 30, 2024

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 F.
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 D 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 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 franchisee?	Item 20 or Exhibit F 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 A.

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and 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. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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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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 A.

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 operated, through affiliates, Paisano's Pizza outlets similar to the franchise offered by this Disclosure Document since 1998. We may operate other Paisano's Pizza concepts, including additional Paisano's Pizza 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", 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 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 1,400 to 1,600 square feet in size. Each Restaurant will offer delivery, take out, pick up, dine-in and catering services.

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 B 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 C 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. Paisano's Pizza locations compete based on price, food quality and service standards.

Industry Regulations

At all times during the operation of your Paisano's Pizza, 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 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 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 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 & CEO – 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 13 affiliate-owned restaurants. In addition, Mr. Qreitem launched Paisano's Franchising company in 2011, and has grown to twenty-four (24) franchise operated Paisano's restaurants. Over the past 25 years, Mr. Qreitem has made Paisano's a household favorite throughout Maryland, Virginia, and the District of Columbia.

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 is currently Vice President Franchising.

Vice President of Operations – Colleen Sisk
Ms. Sisk is a business development executive with 25+ years of operational experience, specializing in organizational development and streamlining business operations that drive growth. Ms. Sisk has been the Vice President of Operations at Capital Restaurant Group from 2014 - 2021 and again since 2024. She was previously the Chief Operating Officer for a hospitality consulting firm in the DC area and the Director of Talent Development for Great American Restaurants for 15 years. Ms. Sisk has a proven track record of managing operations to reach and exceed performance goals critical to long-term success.

Director of Training – Won Jeong

Mr. Jeong joined Capital Restaurant Group as Director of Training in 2023. From August 2019 to December 2023 he was Director of Training and Recruitment for Domino's Team Washington. He was training and recruitment manager for Paul USA from 2017 to 2019 and Field Operations training for Noodles and Company from 2013 to 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.

Other than these actions, no litigation is required to be disclosed in this Item.

ITEM 4: BANKRUPTCY

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

ITEM 5: INITIAL FEES

Franchise Agreement

Initial Franchise Fee

We will charge you an initial franchise fee when you sign the Franchise Agreement. The initial franchise fee is $40,000. 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.

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 to existing franchisees in good standing who desire to open additional outlets whereby we will discount the initial franchise fee to $30,000 for a Franchised Business, and to $25,000 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 lease 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.

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 $40,000 for the first Restaurant to be developed, plus: (i) $35,000 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) $27,500 for each Additional Restaurant if you are awarded the right to develop between 6 and 9 total franchised Restaurants; and (iii) $25,000 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) $40,000 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

Type of Fees [1]	Amount	Due Date	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]	Currently 1% of Gross Sales Up to 2% of Gross Sales	Payable together with the Royalty Fee	The Brand Fund is described in Item 11
Local Advertising	Currently 2% of Gross Sales Up to 4% 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.

Type of Fees [(1)]	Amount	Due Date	Remarks
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
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

Type of Fees [(1)]	Amount	Due Date	Remarks
Technology Fee	Currently none. Franchisor reserves the right to implement a reasonable technology fee in the event Franchisor becomes the provider of technology to franchisee.	Monthly	Payable to us or our approved supplier. Franchisor does not currently collect a Technology Fee, but reserves the right to require a Technology Fee in the future. Current software and technology costs are paid directly to third-party provider.
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	$2,500 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.

Type of Fees [(1)]	Amount	Due Date	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
Successor Agreement Fee (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.
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.

Type of Fees [(1)]	Amount	Due Date	Remarks
Liquidated Damages	You must pay us the average weekly Royalty Fee and Brand Fund Contribution payable by you for the 12 months prior to your default multiplied by the lesser of (i) 36 months, or (ii) the number of months remaining in the term of your Franchise Agreement.	As incurred.	Payable to us in the event your Franchise Agreement is terminated due to your default. 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.

Type of Fees (1)	Amount	Due Date	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	$500	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

Type of Fees [(1)]	Amount	Due Date	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.
Unauthorized Closure Fee	$2,500 per unauthorized closure	If incurred	Payable to us within 15 days of billing. Will be assessed if your Franchised Business does not open for a day without the consent of the Franchisor.
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) 36 (being the number of months in three full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is less.

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).

7. You must participate in our Gift Card program, which allows a Gift Card that is purchased at any Restaurant to be redeemed at any other Restaurant, as a well participating in our Loyalty Program.

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT – SINGLE RESTAURANT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (1)	$40,000	Lump Sum	On signing Franchise Agreement	Us
Site Development and Lease Evaluation Fee (2)	$5,000	Lump Sum	Upon execution of the lease 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
Leasehold Improvements (4)	$75,000 to $208,000	As Arranged	As Arranged	Independent Contractors
Lease Payments – 3 Months (5)	$18,000 to $24,000	As Arranged	As Arranged	Landlord
Security Deposits (6)	$4,000 to $8,000	As Arranged	As Arranged	Landlord, Utility Companies
Equipment, Furnishings and Fixtures (7)	$150,000 to $230,000	As Arranged	As Arranged	Approved Suppliers
Signage (8)	$10,000 to $15,000	As Arranged	As Arranged	Approved Suppliers

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Inventory [(9)]	$8,000 to $12,000	As Arranged	As Incurred	Approved Suppliers
Blue Prints and Plans [(10)]	$9,000 to $15,000	As Arranged	As Arranged	Architect; Engineer
Point of Sale System [(11)]	$17,000 to $27,500	As Arranged	As Arranged	Approved Suppliers
Travel, lodging and meals for initial training [(12)]	$1,000 to $10,000	As Arranged	As Incurred	Airlines, Hotels and Restaurants
Licenses and Permits [(13)]	$1,000 to $5,000	As Arranged	As Incurred	Government Agencies
Insurance – 3 Months [(14)]	$1,500 to $4,000	As Arranged	As Arranged	Insurance Companies
Restaurant Launch Package [(15)]	$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 [(16)]	$2,500 to $5,000	As Arranged	As Arranged	Accountant; Attorney
Territory Map	$300 to $400	As arranged	As arranged	Approved supplier
Additional Funds (3 months) [(17)]	$10,000 to $40,000			
TOTAL	**$378,300 to $675,900**			

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.

Explanatory Notes to Chart 7(A) Above

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. 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 for our corporate owned outlets. 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.

5. ***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 1,400 to 1,600 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.

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

7. ***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.

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

9. ***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.

10. ***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.

11. ***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.

12. ***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.

13. ***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.

14. ***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.

15. ***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.

16. ***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 Restaurants under separate Franchise Agreements, the following chart shows your estimated initial investment, based on the first table of this Item 7.

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee ($40,000 for 1st Restaurant and $35,000 for the next Restaurant)	$75,000	Lump Sum	When Multi-Unit Operator Agreement is Signed	Us
Initial Investment in Connection with First Franchised Business	$338,300 to $635,900	As Disclosed in First Table	As Disclosed in First Table	As Disclosed in First Table
Total	**$413,300 to $710,900**			

**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 approved 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 15% of franchisee required purchases from

designated vendors of pasta sauce, pizza sauce, food, and paper products. For the fiscal year ended December 31, 2023, our affiliate received $1,098,705.63 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 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 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 provide you with any written specifications for required equipment, fixtures, products and services and provide you with updated lists of any approved suppliers of these items (Multi-Unit Development Agreement – Section 8.2).

5. 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).

6. 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).

7. 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. Provide you with any written specifications for required equipment, fixtures, products and services and provide you with updated lists of any approved suppliers of these items (Franchise Agreement, Section 5.9). Franchisor does not sell the required equipment, fixtures, and products.

8. For your first Paisano's Pizza 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.)

9. 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 1,400 to 1,600 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 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, fingerprint readers, Payment Card Industry compliant wireless router and 24 port GB switch.

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 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 up to $1,500.

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, 2023, the Brand Fund had expenditures as follows: 1% for production, 13% administration, and 86% 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 brand visibility to the general public, and improve the sales generated by Paisano's Pizza 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. An annual unaudited financial statement of the Brand Development Fund is available to any franchisee upon written request within thirty (30) days.

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 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 Gary Wise, Colleen Sisk, Won Jeong, and Rick Taweel and other company employees and invited guests. The minimum experience of, Mr. Taweel, Ms. Sisk, Mr. Wise, Mr. Jeong 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
Orientation First Week			
Franchise Partner Orientation	2	0	Chantilly, VA
Admin Day at Office Part 2			
Reading Reports	1	0	Chantilly, VA
Hospitality & Guest Recovery	1	1	Chantilly, VA/Training Store Workbook
Purchasing Training	1	14	Chantilly, VA
POS Training	0	15	Chantilly, VA
Payroll Training	1	1.5	Chantilly, VA
PR & Media Training	1	0	Chantilly, VA
Catering Sales & Marketing	1	2	Chantilly, VA
All Store Training			
Delivery Training	0	2	Chantilly, VA
Kitchen Operations – detailed schedule provided for each Franchise Partner once dates are selected	0	98	Northern VA
FOH Management Operations – detailed schedule provided for each Franchise Partner once dates are selected	0	86	Northern VA
Total	**8**	**219.5**	

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 E. 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 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 System Restaurant, including

sales through channels of distribution such as the Internet (including via an App or other e-commerce channel involving any third-party online ordering or delivery platform), 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	4291071	Principal
Paisanos Pasta	12/30/2008	3553382	Principal
	8/8/2017	5259264	Principal
Paisano's	3/26/2019	5709434	Principal
	9/29/2020	6163095	Principal
Paisano's Pizza	12/15/2020	6220958	Principal
Paisano's Pasta	12/15/2020	6220959	Principal
PAISANO'S PIZZA	7/12/2022	6788301	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:

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. 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, flash drive, 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 ensure 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 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 two (2) additional five-year terms
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.

Provision	Section in Franchise Agreement	Summary
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.
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.
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

Provision	Section in Franchise Agreement	Summary
		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
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

Provision	Section in Franchise Agreement	Summary
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
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.

Provision	Section in Franchise Agreement	Summary
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.

Provision	Section in Multi-Unit Development Agreement	Summary
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.
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

Provision		Section in Multi-Unit Development Agreement	Summary
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
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.

Provision	Section in Multi-Unit Development Agreement	Summary
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.

The following represents the actual historical sales achieved by our restaurants for the calendar year ending December 31, 2023, for 24 franchisee-owned restaurants and 12 corporate owned restaurants which are located in Maryland and Virginia. Each restaurant is required to have take-out service, delivery service and catering services. With prior approval a restaurant may provide dine-in service. A ramp-up period typically requires a large amount of preparation which means each service is gradually increased as the process or provide the service is established. The average ramp-up period for a new Restaurant is 3 years.

Table 1 – Franchised Locations

FRANCHISED LOCATIONS	Sales	COGS%
AVG	$ 1,320,478.99	30.76%
MAX	$ 2,065,074.87	35.15%
MIN	$ 714,044.69	26.60%
MEDIAN	$ 1,381,469.05	30.83%

	AUV	Quantity
Top 25% Franchise Unites AUV	$1,754,320.73	6 of 24 Franchise Units
Top 50% Franchise Units AUV	$1,595,479.30	12 of 24 Franchise Units
Top 75% Franchise Units AUV	$1,471,801.44	18 of 24 Franchise Units

Table 2 – Corporate Locations

CORPORATE LOCATIONS	Sales	COGS%
AVG	$ 1,236,235.47	30.46%
MAX	$ 1,799,782.80	34.20%
MIN	$ 506,330.28	28.60%
MEDIAN	$ 1,207,541.63	30.15%

	AUV	Quantity
Top 25% Corporate Units AUV	$1,607,651.21	3 of 12 Corporate Units
Top 50% Corporate Units AUV	$1,464,111.10	6 of 12 Corporate Units
Top 75% Corporate Units AUV	$1,362,929.43	9 of 12 Corporate Units

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

General Notes to Item 19

1. *Gross Sales.* For each Table 1 - 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. 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.

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

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

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 Fouad Qreitem 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 2021, 2022, 2023

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	2021	23	22	-1
	2022	22	23	+1
	2023	23	24	+1
Company-Owned*	2021	13	14	+1
	2022	14	13	-1
	2023	13	12	-1
Total Outlets	**2021**	**36**	**36**	**0**
	2022	**36**	**36**	**0**
	2023	**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 2021, 2022, 2023

Col. 1 State	Col. 2 Year	Col. 3 Number of Transfers
Virginia	2021	2
	2022	0
	2023	1
Maryland	2021	0
	2022	0
	2023	0
District of Columbia	2021	0
	2022	0
	2023	0
Total	**2021**	**2**

Col. 1 State	Col. 2 Year	Col. 3 Number of Transfers
	2022	**0**
	2023	**1**

Table No. 3
Status of Franchised Outlets
For years 2021, 2022, 2023

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
Maryland	2021	5	1	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Virginia	2021	16	0	0	0	1	0	15
	2022	15	1	0	0	0	0	16
	2023	16	1	0	0	0	0	17
Washington, DC	2021	2	0	1	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Total	**2021**	**23**	**1**	**1**	**0**	**1**	**0**	**22**
	2022	**22**	**1**	**0**	**0**	**0**	**0**	**23**
	2023	**23**	**1**	**0**	**0**	**0**	**0**	**24**

Table No. 4
Status of Company-Owned Outlets
For years 2021, 2022, 2023

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	2021	12	1	1	0	0	14
	2022	14	0	0	0	1	13
	2023	13	0	0	0	1	12

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
Maryland	2021	1	0	0	0	1	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Total	**2021**	**13**	**1**	**1**	**0**	**1**	**14**
	2022	**14**	**0**	**0**	**0**	**1**	**13**
	2023	**13**	**0**	**0**	**0**	**1**	**12**

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, 2023

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
DC	0	0	0
Virginia	0	1	2
Total	0	1	2

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 F 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 F 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: FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit D are our audited financial statements for the fiscal years ended December 31, 2021, December 31, 2022, and December 31, 2023, and our unaudited balance sheet as of May 31, 2024

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 C (Page 74)

   These include our Multi-Unit Development Operations and all attachments to it (Certification by Multi-Unit Developer, Minimum Performance Schedule, Development Area, and Existing Restaurants in Development Area).

2. Franchise Agreement — Exhibit B (Page 75)

   These include our Franchise Agreement and all attachments to it (Trademarks, Territory, General Release, Authorization Agreement Automatic Deposits (ACH Withdrawals), Conditional Assignment of Lease, Statement of Ownership Interests in Franchisee, Guaranty, Confidentiality and Non-Compete Agreement, SBA Addendum, Internet Advertisements, Social Media, Software, and Telephone Listing Agreement).

3. Acknowledgment Statement — Exhibit G (Page 84)

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

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 the Department of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of the Department of Financial Protection and Innovation
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner
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

State	State Agency	Agent for Service of Process
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8222 Phone	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 B

FRANCHISE AGREEMENT

PAISANO'S FRANCHISE SYSTEM, INC.

FRANCHISE AGREEMENT

_____

FRANCHISEE

_____

DATE

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ATTACHMENTS

1 – Trademarks
2 – Territory
3 – General Release
4 – Authorization Agreement Automatic Deposits (ACH Withdrawals)
5 – Conditional Assignment of Lease
6 – Statement of Ownership Interests in Franchisee
7 – Guaranty
8 – Confidentiality and Non-Compete Agreement
9 – SBA Addendum
10 – Internet Advertisements, Social Media, Software and Telephone Listing Agreement

PAISANO'S FRANCHISE SYSTEM, INC.

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement') is made and entered into on _____, by and between Paisano's Franchise System, Inc., a Virginia corporation, having its principal place of business at 4465 Brookfield Corporate Drive, Suite 202, Chantilly, Virginia 20151 (herein referred to as "we", "us" or "our") and _____, a(n) _____, with its principal place of business located at _____ and _____'s principals _____, an individual residing at _____ and _____, an individual residing at_____ ("Principal(s)"), who will act as the franchisee under this Agreement. _____ and Principal(s) shall be collectively referred to in this Agreement as "you" or "your" or "Franchisee".

W I T N E S S E T H:

WHEREAS, as the result of the expenditure of time, skill, effort and money, we and our affiliates have developed and own a unique and distinctive system (hereinafter "System") relating to the establishment and operation of fast casual restaurants offering a menu specializing in pizzas, calzones, strombolis, salads, sandwiches, hot and cold subs, Italian entrees, chicken wings, desserts, and beverages, 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" (the "Paisano's Marks"), 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 understand and acknowledge the importance of our high standards of quality, cleanliness, appearance and service and the necessity of operating the business franchised hereunder in conformity with our standards and specifications; and

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

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

ARTICLE 1: GRANT

1.1 Grant of Franchise

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

1.2 Accepted Location

The specific street address of the Restaurant location accepted by us shall be set forth in Attachment 2 ("Location" or "Accepted Location"). You shall not relocate the Restaurant without our express prior written consent, which consent shall not be unreasonably withheld. This Agreement does not grant to you the right or license to operate the Restaurant or to offer or sell any products or services described under this Agreement at or from any other location.

1.3 Relocation

If you are unable to continue the operation of the Restaurant at the Accepted Location because of the occurrence of a force majeure event (as described in Section 17.1.3(e)), then you may request our approval to relocate the Restaurant to another location in the Territory, as that term is defined below, which approval shall not be unreasonably withheld. Your request to us for consent to relocate the Restaurant shall be accompanied by payment of our then-current relocation fee. Any other relocation outside the Territory or a relocation of the Restaurant not caused by force majeure shall also be subject to our prior approval. If we elect to grant you the right to relocate the Restaurant, then you shall comply with the site selection and construction procedures set forth in Article II. At our request, you shall execute our then-current form of Franchise Agreement for the relocated Restaurant site, but the term of the new Franchise Agreement shall expire at the same time that this Agreement would have expired, and we shall issue a revised Attachment 1, in accordance with Section 1.2, to reflect the new address of the Accepted Location.

1.4 Designated Territory

Upon the execution of this Agreement or identification of the Accepted Location, whichever occurs later, you will be assigned a designated territory (the "Territory") that will also be described in Attachment 2. We may draw your Territory on a map to be attached to this Agreement. The Territory will be clearly defined by streets and intersections. If there is ever a discrepancy regarding the Territory's boundaries, the map shall be the final determining factor. Except as provided in this Agreement, and subject to your and the Principals' material compliance with this Agreement, any other agreement among you or any of your affiliates (defined for the purposes hereof as any entity that is controlled by, controlling or under common control with such other entity) and us, we shall not establish or authorize any other person or entity, other than you, to establish a Restaurant in the Territory during the term of this Agreement and any extensions hereof. You acknowledge and understand that the rights granted hereunder pertain only to the establishment

of a Restaurant. You acknowledge and agree that our affiliates currently operate, or may in the future operate, restaurants under different marks and with operating systems that are the same as or similar to the System, and that any such restaurants might compete with your Restaurant. You further agree and acknowledge that the license granted hereby is only for the operation of one (1) Restaurant and only at a location accepted by us and from within the Designated Territory. Except as set forth in this Agreement, you are prohibited from serving and soliciting customers outside of the Designated Territory and from using alternative methods of distribution as more fully specified herein.

1.5 Our Reserved Rights

Except as expressly limited by Section 1.4, we and our affiliates retain all rights with respect to Restaurants, the Marks and the sale of any products and services outside of your Territory, including, without limitation, the right:

1.5.1 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 the Internet, sales via any third-parry online ordering and/or delivery online platform, catalog sales, telemarketing or other direct marketing sales (together, "alternative distribution channels")), both within and outside the Territory, under trade and service marks other than the Marks and under any terms and conditions we deem appropriate;

1.5.2 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 Territory under the Marks and under any terms and conditions we deem appropriate;

1.5.3 to operate and to grant others the right to operate Restaurants located outside the Territory under any terms and conditions we deem appropriate and regardless of proximity to your Restaurant;

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

1.5.5 the right to acquire and operate a business operating one or more restaurants or food service businesses located or operating in the Territory.

As used in this Agreement, Non-Traditional Sites shall include, without limitation, military bases, shopping malls, hotels, high school and college campuses, airports, train stations, travel plazas, toll roads, beaches, parks and other seasonal facilities, government buildings and establishments, prisons, hospitals, convenience stores, cafeterias, snack bars, trucks, casinos, sports or entertainment venues or stadiums, host kitchens, ghost kitchens, other remote kitchens, 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. You understand and acknowledge that if a Non-Traditional Site is located within the boundaries of your Territory, this Non-Traditional Site is not included within your Territory and you have no rights to the Non-Traditional Site.

ARTICLE 2: SITE SELECTION, PLANS AND CONSTRUCTION

2.1 Your Responsibility to Locate a Site

You assume all cost, liability, expense and responsibility for locating, obtaining and developing a site for the Restaurant within the Territory, and for constructing and equipping the Restaurant at such site.

You shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for the Restaurant unless the site is accepted by us as set forth below. You acknowledge that the location, selection, procurement and development of a site for the Restaurant is your responsibility; that in discharging such responsibility you shall consult with real estate and other professionals of your choosing; and that our acceptance of a prospective site and the rendering of assistance in the selection of a site does not constitute a representation, promise, warranty or guarantee, express or implied, by us that the Restaurant operated at that site will be profitable or otherwise successful.

2.2 Site Selection

2.2.1 Prior to acquiring by lease or purchase a site for the Restaurant, but within one hundred eighty (180) days of the date this Agreement is executed, you shall locate a site for the Restaurant that satisfies the site selection guidelines provided to you by us pursuant to Section 5.1 and shall submit to us in the form specified by us a description of the site, including evidence reasonably satisfactory to us demonstrating that the site satisfies our site selection guidelines, together with such other information and materials as we may reasonably require, including, but not limited to, a letter of intent or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. We shall have thirty (30) days after receipt of this information and materials to accept or decline, in our sole discretion, the proposed site as the location for the Restaurant. We shall, in accordance with Section 5.2, and subject to your payment of the On-Site Evaluation and Lease Review Fee, provide location assistance, at your expense. No site may be used for the location of the Restaurant unless it is first accepted in writing by us. You acknowledge and agree that our acceptance of a location for the Restaurant is not a warranty or guaranty, express or implied, that you will achieve any particular level of success at the location or that your Restaurant will be profitable. Our acceptance of a location for the Restaurant only signifies that the location meets our then-current minimum criteria for a Paisano's Pizza Kitchen Restaurant. If you are unable to locate an acceptable site according to the timeframe provided herein, we have the right to terminate this Agreement.

2.2.2 In our discretion, we will conduct one (1) on-site evaluation of the proposed location, provided that we shall not be required to provide such on-site evaluation for any proposed site prior to our receipt of the information described above. If you request that we conduct additional site evaluations, or if this Agreement is for your second (2^{nd}) or later Restaurant, then, at our request, 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 representative of ours associated with all site inspections.

2.2.3 If you elect to purchase the premises for the Restaurant, you shall submit a copy of the proposed contract of sale to us for our written approval prior to its execution and shall furnish to us a copy of the executed contract of sale within ten (10) days after execution. If you will occupy the premises of the Restaurant under a lease or sublease, you shall submit a copy of the lease or sublease to us for written approval prior to its execution and shall furnish to us a copy of the executed lease or sublease within ten (10) days after execution. No lease or sublease for the Restaurant premises shall be accepted by us unless a Collateral Assignment of Lease, prepared by us and executed by us, you and the lessor or sublessor, in substantially the form attached as Attachment 3, is attached to the lease and incorporated therein. We shall have ten (10) days after receipt of the lease, sublease or the proposed contract of sale to either approve or disapprove such documentation prior to its execution.

2.2.4 After we have accepted the location for your Restaurant, we shall set forth the Accepted Location and Designated Territory on Attachment 1 of this Agreement and shall provide a copy thereof to you. Attachment 1, as completed by us, shall be incorporated herein and made a part thereof. You

shall notify us within fifteen (15) days of any error or rejection of Attachment 1; otherwise, Attachment 1 provided to you shall be deemed final.

2.3 Zoning Clearances, Permits and Licenses

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

2.4 Design of Restaurant

You must obtain any architectural, engineering and design services you deem necessary for the construction of the Restaurant at your own expense from an architectural design firm designated by us or, if you are permitted to use your own architectural design firm such firm shall be approved by us, which approval shall not be unreasonably withheld. You shall adapt the prototypical architectural and design plans and specifications for construction of the Restaurant provided to you by us in accordance with Section 5.3 as necessary for the construction of the Restaurant and shall submit such adapted plans to us for our review. If we determine, in our reasonable discretion, that any such plans are not consistent with the best interests of the System, we may prohibit the implementation of such plans, and in this event will notify you of any objection(s) within ten (10) days of receiving such plans. If we fail to notify you of an objection to the plans within this time period, you may use such plans. If we object to any such plans, we shall provide you with a reasonably detailed list of changes necessary to make the plans acceptable. We shall, upon a re-submission of the plans with such changes, notify you within ten (10) days of receiving the resubmitted plans whether the plans are acceptable. If we fail to notify you in writing of any objection within such time period, you may use the resubmitted plans. You acknowledge that our review of such plans relates only to compliance with the System and that our acceptance of such plans does not constitute a representation, warranty, or guarantee, express or implied, by us that such plans are accurate or free of error concerning their design or structural application.

2.5 Build-Out of Restaurant

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

2.6 Time is of the Essence

You acknowledge that time is of the essence. Subject to your compliance with the conditions stated below, you shall open the Restaurant and commence business within twelve (12) months from the Effective Date of this Agreement, unless you obtain an extension of such time period from us in writing. If you would like to request an extension of such time period, you must do so in writing to us. Such extensions may be granted in our sole discretion, and if granted, you shall pay to us an extension fee of Five Thousand Dollars ($5,000). The date the Restaurant actually opens for business to the public is herein called the "Opening Date". Prior to opening, you shall complete all exterior and interior preparations for the Restaurant, including installation of equipment, fixtures, furnishings and signs, pursuant to the plans and specifications reasonably approved by us, and shall comply with all of its other pre-opening obligations, including, but not limited to, those obligations described in Sections 6.2 through 6.7, to our reasonable satisfaction. If you fail to reasonably comply with any of such obligations, except for delay caused by a force majeure act as described in Section 17.1.3(e), we shall have the right to prohibit you from commencing business. Your failure to open the Restaurant and commence business in accordance with the foregoing shall be deemed an event of material default under this Agreement.

ARTICLE 3: TERM AND RENEWAL

3.1 Term

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

3.2 Successor Option

If you satisfy each of the requirements set forth below, you may enter into a new franchise agreement and other agreements and legal instruments and documents customarily employed by us and in the form then generally being offered to prospective franchisees in the state in which the Franchised Business is located (the "Successor Franchise Agreement") for up to two (2) additional consecutive terms of five (5) years each (provided that such renewal term shall automatically terminate upon the expiration or termination of your right to possess the Restaurant premises), subject to any or all of the following conditions which must be met prior to and at the time of renewal:

3.2.1 You shall, within six (6) months before the expiration of the Initial Term, but not later than twelve (12) months before the expiration of the Initial Term, provide written notice to us that you wish to sign a Successor Franchise Agreement, and e, in turn, shall provide you with any documents that you are required to execute for the successor term, which documents may include, but are not limited to, a general release, our Successor Franchise Agreement and all other ancillary agreements, instruments and documents then customarily used by us in the granting of Paisano's Pizza Kitchen franchises (all of which will contain terms and fees substantially the same as those included in the then-current Franchise Agreement, and which will not obligate you to pay a further initial franchise fee, but will require payment of the Successor Agreement Fee as defined in Section 3.2.3 below) (the "Successor Franchise Documents").

3.2.2 You shall repair or replace, at your cost and expense, equipment (including point-of-sale or computer hardware or software systems inclusive of any software upgrades required of you), signs, interior and exterior décor items, fixtures, furnishings, supplies and other products and materials required for the operation of the Restaurant as we may reasonably require and shall obtain, at your cost and expense, any new or additional equipment, fixtures, supplies and other products and materials which may be reasonably required by us for you to offer and sell new menu items from the Restaurant and shall otherwise modernize the Restaurant premises, equipment (including point-of-sale or computer hardware or software systems), signs, interior and exterior décor items, fixtures, furnishings, supplies and other products

and materials required for the operation of the Restaurant, as reasonably required by us to reflect the then-current standards and image of the System and as contained in the Manuals (as defined in Section 5.4) or otherwise provided in writing by us;

3.2.3 You shall execute the Successor Franchise Documents and all other documents and instruments that we require for the successor term. You shall return the executed Successor Franchise Documents to us, together with payment of a successor agreement fee equal to twenty-five percent (25%) of our then-current initial franchise fee for a single unit franchise (the "Successor Agreement Fee"), by no later than the expiration date of the Initial Term. If we do not receive the executed documents and Successor Agreement Fee by such expiration date, then this Agreement shall expire, you shall have no further rights under this Agreement, and you shall comply with the provisions of Article 18 and any other provisions that survive termination or expiration of this Agreement.

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

3.2.5 As part of the process of granting a Successor Franchise Agreement, we reserve the right to re-evaluate your then-existing Designated Territory according to certain demographics, including population. Since your Designated Territory includes a certain minimum population, your Designated Territory under the Successor Franchise Agreement will be modified to accommodate shifts and changes in population. Our intent is to make the target demographics of your successor Designated Territory similar to the target demographics of your original Designated Territory. A re-evaluation of your Designated Territory may result in your successor Designated Territory being smaller or larger than your original Designated Territory. We cannot guarantee that you will achieve any particular level of success with the successor Designated Territory or that your results will be the same as or similar to your results from operating in the original Designated Territory. This Section 3.2.5 shall be applicable only if your Designated Territory includes a minimum population because it is located in an urban setting. Notwithstanding anything herein to the contrary, we reserve the right not to enter into a successor franchise agreement for your franchise as a result of a decision to withdraw from a marketing area or the Designated Territory in which your Franchised Business is located.

3.3 Refusal to Grant Successor Term

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

3.4 Successor Term Under Law

Even though we decline to grant you a successor term for your franchise, it is possible that we can be required to grant you a successor term under a law, rule, regulation, statute, ordinance, or legal order that is applicable at the time. If that happens, to the extent it is allowed by the concerned law, rule, regulation, statute, ordinance or order, your successor term will be subject to the conditions of the Franchise

Agreement we are using for new franchisees at the time the successor term begins. If we are not then offering new franchises, your successor term will be subject to the terms in the Franchise Agreement that we indicate. If for any reason that is not allowed, the successor term will be governed by the terms of this Agreement.

3.5 Your Election Not to Sign a Successor Franchise Agreement

For the purposes hereof, you shall be deemed to have irrevocably elected not to sign a Successor Franchise Agreement hereunder (and the option to do so shall thereupon terminate) if you fail to execute and return to us any of the Successor Franchise Documents required by us for a successor franchise, together with payment of our then-current Successor Agreement Fee, or if you provide written notice within the final thirty (30) days of the Initial Term, indicating that you do not wish to sign a Successor Franchise Agreement.

ARTICLE 4: FEES

4.1 Initial Franchise Fee

The initial franchise fee for the Restaurant shall be Forty Thousand Dollars ($40,000). If this Agreement is executed pursuant to a Multi-Unit Development Agreement, the balance of the initial fee shall be due and payable. The amount of the initial franchise fee when so paid shall be deemed fully earned and non-refundable in consideration of the administrative and other expenses incurred by us in granting the franchise hereunder and for its lost or deferred opportunity to grant such franchise to any other party.

4.2 Royalty Fees

4.2.1 During the term of this Agreement, you shall pay to us, in partial consideration for the rights herein granted, a continuing weekly royalty fee of six percent (6%) of Gross Sales. Such royalty fee shall be due and payable each week based on the Gross Sales for the preceding week ending Sunday so that it is received by us by electronic funds transfer on or before the Tuesday following the end of each week, provided that such day is a business day. If the date on which such payments would otherwise be due is not a business day, then payment shall be due on the next business day.

4.2.2 Each such royalty fee shall be preceded by a royalty report itemizing the Gross Sales for the preceding week ending Sunday ("Royalty Report") and any other reports required hereunder. Notwithstanding the foregoing, you shall provide us with such Gross Sales information on the Monday of each week (or next business day if the Monday is not a business day) by modem or, if not reasonably available, by facsimile transmission or such other method of delivery as we may reasonably direct.

4.2.3 By executing this Agreement, you agree that we shall have the right to withdraw funds from your designated bank account each week by electronic funds transfer ("EFT") in the amount of the royalty fee described above, together with any other continuing payments or other amounts owed to us or our affiliates. Provided such day is a business day (and if not a business day, on the next succeeding business day), such withdrawals shall be drawn on the Tuesday of each week for the amount of the royalty fee due with respect to your Gross Sales for the preceding week, as evidenced by the Royalty Report. If you do not report the Restaurant's Gross Sales, we may debit your account for one hundred twenty percent (120%) of the last royalty fee and advertising fee (as described in Section 8.3 below) that we debited. If the royalty fee and advertising fee we debit are less than the royalty fee and advertising fee you actually owe to us, after 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 advertising fee we debit are greater than the royalty fee and advertising fee you actually owe, we will credit the excess against the amount we otherwise would debit from your account during the following week. You shall, upon execution of this

Agreement or at any time thereafter at our request, execute such documents or forms as we determine are necessary for us to process EFTs from your designated bank account for the payments due hereunder. If royalty fee payments are not received when due, interest may be charged by us in accordance with Section 4.2.4 below. Upon written notice to you, you may be required to pay such royalty fees and other continuing fees directly to us in lieu of EFT, at our sole discretion.

4.2.4 You shall not be entitled to withhold payments due us under this Agreement on grounds of alleged non-performance by us hereunder. Any payment or report not actually received by us on or before such date shall be deemed overdue. Time is of the essence with respect to all payments to be made by you to us. All unpaid obligations under this Agreement shall bear interest from the date due until paid at the lesser of (i) eighteen percent (18%) per annum; or (ii) the maximum rate allowed by applicable law. Notwithstanding anything to the contrary contained herein, no provision of this Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If any excess of interest is provided for herein, or shall be adjudicated to be so provided in this Agreement, the provisions of this paragraph shall govern and prevail, and neither you nor your Principals shall be obligated to pay the excess amount of such interest. If for any reason interest in excess of the maximum rate allowed by applicable law shall be deemed charged, required or permitted, any such excess shall be applied as a payment and reduction of any other amounts which may be due and owing hereunder, and if no such amounts are due and owing hereunder then such excess shall be repaid to the party that paid such interest.

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

4.2.6 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.

4.3 Definition of Gross Sales

For the purposes of determining the royalty fees to be paid hereunder, "Gross Sales" shall mean the total selling price of all services and products and all income of every other kind and nature related to the Restaurant (including, without limitation, 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. In the event of a cash shortage, the amount of Gross Sales shall be determined based on the records of the point-of-sale system and any cash shortage shall not be considered in the determination. Gross Sales shall expressly exclude the following:

4.3.1 Receipts from the operation of any public telephone installed in the Restaurant, or products from vending machines located at the Restaurant, except for any amount representing your share of such revenues;

4.3.2 Sums representing sales taxes collected directly from customers, based upon present or future laws of federal, state or local governments, collected by you in the operation of the Restaurant, 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 such taxes are actually transmitted to the appropriate taxing authority; and

4.3.3 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 upon the ongoing operation of the Restaurant required under this Agreement.

4.3.4 We may, from time to time, authorize certain additional items to be excluded from Gross Sales. Any such permission may be revoked or withdrawn at any time in writing by us in our discretion. In addition to the foregoing, included within the definition of Gross Sales is all proceeds from the sale of coupons, loyalty reward programs, gift certificates or vouchers; provided that at the time such coupons, gift certificates or vouchers are redeemed the retail price thereof shall be added to Gross Sales during the week in which such coupon, gift certificate or voucher is redeemed for the purpose of determining the amount of Gross Sales upon which the royalty fee and advertising fee are due.

4.4 Telephone Bills

We will, at all times during the term of this Agreement, own up to four (4) telephone numbers/ lines designated for your Restaurant. Upon receipt of a bill from the applicable telephone company, we will forward a copy of the bill to you and we will notify you on what day we will deduct payment for such bill by electronic funds transfer, which will be no later than ten (10) days after we forward a copy of the bill to you. Upon expiration or termination of this Agreement, we will continue to own the phone numbers for your Restaurant. We will not own the fax number for your Restaurant.

4.5 Payment of Additional Fees

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

4.6 Payments to Us

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

4.7 Interest on Overdue Amounts

You shall not be entitled to withhold payments due us under this Agreement on grounds of alleged non-performance by us hereunder. Any payment or report not actually received by us on or before its due date shall be deemed overdue. Time is of the essence with respect to all payments to be made by you to us. All unpaid obligations under this Agreement shall bear interest from the date due until paid at the lesser of (i) eighteen percent (18%) per annum; or (ii) the maximum rate allowed by applicable law. Notwithstanding anything to the contrary contained herein, no provision of this Agreement shall require

the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If any excess of interest is provided for herein, or shall be adjudicated to be so provided in this Agreement, the provisions of this paragraph shall govern and prevail, and neither you nor your Principals shall be obligated to pay the excess amount of such interest. If for any reason interest in excess of the maximum rate allowed by applicable law shall be deemed charged, required or permitted, any such excess shall be applied as a payment and reduction of any other amounts which may be due and owing hereunder, and if no such amounts are due and owing hereunder then such excess shall be repaid to the party that paid such interest.

4.8 Definition of Gross Sales

"Gross Sales" shall mean the total selling price of all services and products and all income of every other kind and nature related to the Restaurant, whether for cash or credit and regardless of collection in the case of credit, and including any third-party delivery fees. 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 taxes collected from your customers and paid to the appropriate taxing authority and customer refunds or adjustments.

ARTICLE 5: OUR OBLIGATIONS

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

5.1 Site Selection Assistance

Our written site selection guidelines and such site selection assistance as we may deem advisable.

5.2 On-Site Evaluation and Lease Review

We will provide an on-site evaluation and lease review for a potential location for the Restaurant at such time as we reasonably determine, but in any event after receipt of all required information and materials concerning such site prepared pursuant to Article II. The fee for this Site Development and Lease Evaluation is Five Thousand Dollars ($5,000) and is due upon the execution of lease for your site.

5.3 Prototype Design Plans

On loan, one (1) set of prototypical architectural and design plans and specifications for a Restaurant. You shall independently, and at your expense, have such architectural and design plans and specifications adapted for construction of the Restaurant in accordance with Article II. You may not begin to construct or build-out the Restaurant until we have approved your plans and your lease. In addition, no material change to the plans or the construction/build-out of the Restaurant may occur unless it has been approved by us.

5.4 Confidential Operations Manual

On loan, one (1) set of Confidential Operations Manuals and such other manuals and written materials as we shall have developed for use in the Franchised Business (as the same may be revised by us from time to time, the "Manuals"), as more fully described in Section 10.1.

5.5 Visits and Evaluations

Visits to the Restaurant and evaluations of the products sold and services rendered therein from time to time as reasonably determined by us, as more fully described in Section 7.5.6.

5.6 Advertising and Promotional Materials

Certain advertising and promotional materials and information developed by us from time to time for use by you in marketing and conducting local advertising for the Restaurant at a reasonable cost to you. We shall have the right to review and approve or disapprove all advertising and promotional materials that you propose to use, pursuant to Article VIII.

5.7 Management and Operations Advice

Advice and written materials concerning techniques of managing and operating the Restaurant from time to time developed by us, including new developments and improvements in Restaurant equipment, food products and the packaging and preparation thereof and menu items.

5.8 Products for Resale

From time to time and at our reasonable discretion, at a reasonable cost, make available for resale to your customers certain merchandise identifying the System, such as memorabilia, in sufficient amounts to meet customer demand. Similarly, we may make available from time to time certain Restaurant equipment and décor items at a reasonable cost.

5.9 Approved Suppliers

A list of approved suppliers as described in Section 7.4 from time to time as we deem appropriate. Such approved suppliers may include us and/or our affiliates.

5.10 Initial Training Program

An initial training program for you, your General Manager and one (1) assistant manager, and other training programs in accordance with the provisions of Sections 6.4.1, 6.4.2 and 6.4.4.

5.11 Opening Assistance

On-site pre-opening and post-opening assistance at the Restaurant in accordance with the provisions of Section 6.4.3, at your sole cost and expense.

5.12 Advertising Fund

Establishment and administration of an advertising fund and/or advertising cooperatives in accordance with Article VIII.

ARTICLE 6: YOUR AGREEMENTS, REPRESENTATIONS, WARRANTIES AND COVENANTS

6.1 Use Commercially Reasonable Efforts

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

6.2 Representations of Corporate Entity

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

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

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

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

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

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

6.2.6 If you are a corporation, partnership or other form of legal entity other than an individual, the ownership interests in you are accurately and completely described in Attachment 4. Further, if you are a corporation, you shall maintain at all times a current list of all owners of record and all beneficial owners of any class of voting securities in you or, if you are a partnership or other form of legal entity, you shall maintain at all times a current list of all owners of an interest in the partnership or entity. You shall immediately provide a copy of the updated list of all owners to us upon the occurrence of any change of ownership and otherwise make your list of owners available to us upon reasonable written request;

6.2.7 If you are a corporation, you shall maintain stop-transfer instructions against the transfer on your records of any of your equity securities and each stock certificate representing stock of the corporation shall have conspicuously endorsed upon it a statement in a form satisfactory to us that it is held subject to all restrictions imposed upon assignments by this Agreement; provided, however, that the requirements of this Section shall not apply to the transfer of equity securities of a publicly held corporation (as defined in Section 19.18). If you are a partnership, your written partnership agreement shall provide that ownership of an interest in the partnership is held subject to all restrictions imposed upon assignments by this Agreement;

6.2.8 You must have provided us with your most recent financial statements. Such financial statements present fairly your financial position at the dates indicated therein and with respect to you, the results of your operations and your cash flow for the years then ended. You agree that you shall maintain at all times, during the term of this Agreement, sufficient working capital to fulfill your obligations under this Agreement. Each of the financial statements mentioned above shall be certified as true, complete and correct and shall have been prepared in conformity with generally accepted accounting principles applicable to the respective periods involved and, except as expressly described in the applicable notes, applied on a consistent basis. No material liabilities, adverse claims, commitments or obligations of any nature exist as of the date of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise, which are not reflected as liabilities on your financial statements.

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

6.3 General Manager

You shall designate and retain at all times a general manager ("General Manager") to direct the operation and management of the Restaurant. You shall designate your General Manager concurrently with the execution of this Agreement or as soon as practicable after this Agreement is executed, but before the General Manager attends our training program. The General Manager shall be responsible for the daily operation of the Restaurant. The General Manager may be one of the Principals. The General Manager shall, during the entire period he serves as General Manager, meet the following qualifications:

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

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

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

6.3.4 The General Manager shall satisfy the training requirements set forth in Section 6.4. If, during the term of this Agreement, the General Manager is not able to continue to serve in such capacity, you shall promptly notify us and designate a replacement within sixty (60) days after the General Manager ceases to serve, such replacement being subject to the same qualifications listed above (including completing all training and obtaining all certifications required by us). You shall provide for interim management of the Restaurant until such replacement is so designated, such interim management to be conducted in accordance with the terms of this Agreement. Any failure to materially comply with the requirements of this Section 6.3 shall be deemed a material event of default under Section 17.1.3(o) hereof.

If the General Manager no longer qualifies to act as such (based on inspection reports, customer service issues and store performance reports), we or our area manager may make the recommendation to replace and/or dismiss the General Manager or require the General Manager to undergo further training at our designated location. If said training is held at our designated location, the per diem rate is Three Hundred Dollars ($300) per training day or part thereof. If said training must be held at your Restaurant, the per diem rate is Five Hundred Dollars ($500) per training day or part thereof. Said training shall be conducted for as long as it is necessary up to a maximum of five (5) days.

6.4 Training

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

6.4.1 **Training Fee.** You must pay us a training fee equal to Ten Thousand Dollars ($10,000.00) upon our approval for you to attend our initial training program, within three (3) days prior to your start date of our initial training program ("Training Fee"). Within the thirty (30) to sixty (60) days immediately prior to the Opening Date, you, your General Manager and one (1) assistant manager (for a maximum of three (3) persons) shall attend and complete, to our reasonable satisfaction, our initial training

program, including classroom training and training in an operating Restaurant at such location(s) as may be designated by us. We reserve the right to conduct all or any component of the initial training program in an online or other virtual or remote format. We shall have the right to charge a reasonable fee for such training of any additional managers or Restaurant personnel.

We shall determine, in our reasonable discretion, whether you and/or the General Manager have satisfactorily completed initial training. If the initial training program is (a) not completed within the timeframe required by us, (b) not satisfactorily completed by you or the General Manager, or (c) if we in our reasonable business judgment, based upon the performance of the General Manager, determine that the training program cannot be satisfactorily completed by such person, you shall designate a replacement to satisfactorily complete such training. Any General Manager subsequently designated by you shall also receive and complete such initial training. We reserve the right to charge a reasonable fee, which may include tuition and registration fees, for any initial training provided by us to any initial General Manager or any other Restaurant personnel for any initial training provided to such persons. You shall be responsible for any and all expenses incurred by you, your General Manager and other Restaurant personnel in connection with any initial training program, including, without limitation, costs of travel, lodging, meals and wages.

6.4.2 Your General Manager and such other Restaurant personnel as we shall designate shall attend such additional training programs and seminars as we may offer from time to time, if we require such attendance. We reserve the right to impose a reasonable fee for such additional training programs and seminars and, in addition, you shall be responsible for any and all expenses incurred by you or your General Manager and other Restaurant personnel in connection with such additional training, including, without limitation, costs of travel, lodging, meals, and wages.

6.4.3 In connection with the opening of the Restaurant, we shall provide you with opening assistance by up to two (2) trained representatives of us or our designee. If this Agreement is for your second (2^{nd}) or later Restaurant, we reserve the right to not provide opening assistance. The trainers will provide on-site pre-opening and opening training, supervision, and assistance to you for a period of up to five (5) days around the Restaurant's opening. You agree to reimburse us for the expenses incurred by such trained representatives, including, but not limited to, travel, lodging and meals, while providing the opening assistance.

6.4.4 Upon your reasonable request or as we shall deem appropriate, we shall, during the term hereof, subject to the availability of personnel, provide you with additional trained representatives who shall provide on-site remedial training and assistance to your Restaurant personnel. For this additional training and assistance, within thirty (30) days of invoice, you shall pay the per diem fee then being charged to franchisees under the System for the services of such trained representatives, plus their costs of travel, lodging, and meals.

6.4.5 We reserve the right to conduct an annual meeting of all franchisees in the System 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 will bear the expenses of 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.

6.5 Compliance with Laws

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

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

6.6 Compliance with All Other Obligations

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

6.7 Guaranty

If any principal is a married individual and the Principal's spouse has not executed this Agreement, such Principal shall cause his or her spouse to personally execute and bind himself or herself to the terms of a Guaranty, in the form attached as Attachment 7.

ARTICLE 7: FRANCHISE OPERATIONS

7.1 Compliance with Standards

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

7.2 Maintenance of Restaurant

You shall maintain the Restaurant in a high degree of sanitation, repair and condition, and in connection therewith shall make such additions, alterations, repairs and replacements thereto (but no others without our prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting or replacement of obsolete signs, furnishings, equipment (including, but not limited to, point-of-sale or computer hardware and software systems), and décor as we may reasonably direct in order to maintain system-wide integrity and uniformity. You shall also obtain, at your cost and expense, any new or additional equipment (including point-of-sale or computer hardware and software systems), fixtures, supplies and other products and materials which may be reasonably required by us for you to offer and sell new menu items from the Restaurant or to provide the Restaurant services by alternative means, such as through catering arrangements. Except as may be expressly provided in the Manuals, no material alterations or improvements or changes of any kind in design, equipment, signs, interior or exterior décor items, fixtures or furnishings shall be made in or about the Restaurant or its premises without our prior written approval, which shall not be unreasonably withheld.

7.3 Remodeling and Redecorating

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

7.4 Approved Suppliers

You shall comply with all of our standards and specifications relating to the purchase of all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including point-of-sale and computer hardware and software systems, and all components we prescribe related thereto) and other products used or offered for sale at the Restaurant. Except as provided in Sections 7.6 and 7.7 with respect to certain materials bearing the Marks and proprietary products, you shall obtain such items from suppliers (including manufacturers, distributors and other sources) who continue to demonstrate the ability to meet our then-current standards and specifications for food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment and other items used or offered for sale at Restaurants and who possess adequate quality controls and capacity to supply your needs promptly and reliably; and who have been approved in writing by us prior to any purchases by you from any such supplier; and who have not thereafter been disapproved by us. If you desire to purchase, lease or use any products or other items from an unapproved supplier, you shall submit to us a written request for such approval, or shall request the supplier itself to do so. You shall not purchase or lease from any supplier until and unless such supplier has been approved in writing by us. We shall have the right to require that our representatives be permitted to inspect the proposed supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory designated by us, for testing. A charge, not to exceed the reasonable cost of the inspection and the actual cost of the test, shall be paid by you or the supplier. We reserve the right, at our option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria. Nothing herein shall be construed to require us to approve any particular supplier.

7.5 Operation of Restaurant in Compliance with Our Standards

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

7.5.1 To sell or offer for sale all menu items, products and services required by us and in the method, manner and style of distribution prescribed by us, including, but not limited to, eating-in, carry-out, catering or delivery services, only as expressly authorized by us in writing in the Manuals. You understand and acknowledge that any catering and delivery activities must be conducted in accordance with our guidelines and specifications. You may not offer delivery or catering services without our prior written approval. You agree to comply with the terms of any such distribution program and in connection therewith to execute such documents or instruments that we may deem necessary to such program(s).

7.5.1.1 If you deliver outside your Territory, it is a violation of this Agreement and you shall receive written notification of said violation. At our discretion, a fee of Fifty Dollars ($50) per order plus profit margin on the order(s), up to fifteen percent (15%) of the retail value and/or promotional value of the order(s), shall be imposed for each violation after the second (2nd) violation.

7.5.1.2 If you have the following Late Deliveries ("lates"):

Sunday – Thursday, all lates above five (5)
Friday –Saturday, all lates above ten (10)

You may incur an $11 fee ($10 gift card mailed to the guest plus $1 Administrative fee) for each late above the limit. A Late Delivery is more than twenty (20) minutes after the driver is dispatched out the door. Grace Period: each location is allowed five (5) "disasters" per year in terms of poorly run shifts resulting in lates.

7.5.2 To sell and offer for sale only the menu items, products and services that have been expressly approved for sale in writing by us; to refrain from deviating from our standards and specifications without our prior written consent; and to discontinue selling and offering for sale any menu items, products or services which we may, in our sole discretion, disapprove in writing at any time.

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

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

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

7.5.6 To grant us and our agents the right to enter upon the Restaurant premises and any delivery/catering vehicle, during normal business hours, for the purpose of conducting inspections; to cooperate with our representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from us or our agents and without limiting our other rights under this Agreement, to take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. Should you, for any reason, fail to correct such deficiencies within a reasonable time as determined by us, we shall have the right and authority (without, however, any obligation to do so) to correct such deficiencies and charge you a reasonable fee for our expenses in so acting, payable by you

immediately upon demand. Any failure to sign the inspection report or allow the inspector(s) into the Restaurant shall constitute a material event of default under this Agreement and a service fine equal to Five Hundred Dollars ($500) shall be assessed for each incident. The service fine shall be in addition to all other remedies available to us under this Agreement or at law.

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

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

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

7.5.10 To sell or otherwise issue gift cards or certificates (together "Gift Cards") that have been prepared utilizing the standard form of Gift Card provided or designated by us, and only in the manner specified by us in the Manuals or otherwise in writing. You shall fully honor all Gift Cards that are in the form provided or approved by us regardless of whether a Gift Card was issued by you or another Paisano's Pizza Kitchen Restaurant. You shall sell, issue, and redeem (without any offset against any Royalty Fees) Gift Cards in accordance with procedures and policies specified by us in the Manuals or otherwise in writing, including those relating to procedures by which you shall request reimbursement for Gift Cards issued by other Paisano's Pizza Kitchen Restaurants and for making timely payment to us, other operators of Paisano's Pizza Kitchen Restaurants, or a third-party service provider for Gift Cards issued from the Restaurant that are honored by us or other Paisano's Pizza Kitchen Restaurant operators. We reserve the right to alter the terms and conditions of any gift card or loyalty programs, including reserving the right to apply changes retroactively to benefits already accrued under such programs.

7.6 Proprietary Products

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

7.7 Advertising and Promotional Materials

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

7.8 Complaints

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

7.9 Vehicles and Delivery Drivers

Any vehicle used by you to deliver Restaurant products and services or to provide catering services to customers shall meet our standards with respect to appearance and ability to satisfy the requirements imposed on you hereunder or as may be set forth in the Manuals. You shall place such signs and décor items on the vehicle as we reasonably require and shall at all times keep such vehicle clean and in good working order. You shall not engage or utilize any individual in the operation of a motor vehicle in connection with providing services hereunder who is under the age of eighteen (18) years or who does not possess a valid driver's license under the laws of the state in which you provide such services. You shall require each such individual to comply with all laws, regulations and rules of the road and to use due care and caution in the operation and maintenance of motor vehicles. Except as noted above, we do not set forth any standards or exercise control over any motor vehicle utilized by you, but we reserve the right to require you to purchase and/or lease specific motor vehicles to be used with the Franchised Restaurant for delivery and/or catering purposes.

7.10 Unapproved Products and Services

In the event you sell any food, beverage, products, novelty items, clothing, souvenirs or perform any services that we have not prescribed, approved or authorized, you shall, immediately upon notice from us: (i) cease and desist offering or providing the unauthorized or unapproved food, beverage, product, premium, novelty item, clothing, souvenir or from performing such services and (ii) pay to us, on demand, a prohibited product or service fine equal to Two Thousand Five Hundred Dollars ($2,500) per day for each day such unauthorized or unapproved food, beverage, product, premium, novelty item, clothing, souvenir or service is offered or provided by you after written notice from us. The prohibited product or service fine shall be in addition to all other remedies available to us under this Agreement or at law.

7.11 Mystery Shopper Service

We may designate an independent evaluation service to conduct a "mystery shopper" quality control and evaluation program with respect to Franchisor or affiliate-owned and/or franchised Restaurants. You agree that the Restaurant will participate in such mystery shopper program, as prescribed and required by us, provided that Franchisor-owned, affiliate-owned, and franchised Restaurants also will participate in such program to the extent we have the right to require such participation. We shall have the right to require you to pay the then-current charges imposed by such evaluation service with respect to inspections of the Restaurant, and you agree that you shall promptly pay such charges, whether as reimbursement to us or directly to the approved supplier.

7.12 Customer Surveys

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

7.13 Non-Compliance Fee

In the event you are not in compliance with any terms of this Franchise Agreement, the Manuals, or our standards and specification, you shall pay to us a non-compliance fee equal to Five Hundred Dollars ($500.00) per incident or per day, as the case may be (the "Non-Compliance Fee"). The Non-Compliance Fee shall be in addition to all other remedies available to us under this Agreement or at law.

7.14 Unauthorized Closure

In the event you fail to open the Restaurant during and the days and hours required in the Manuals without the prior consent of Franchisor, you shall pay to us a unauthorized closure fee of Two Thousand Five Hundred Dollars ($2,500) for each unauthorized closure ("Unauthorized Closure Fee"). The Unauthorized Closure Fee shall be in addition to all other remedies available to us under this Agreement or at law.

ARTICLE 8: ADVERTISING AND RELATED FEES

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

8.1 Participation in Advertising

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

8.2 Local Advertising

In addition to the ongoing advertising contributions set forth herein and, subject to any allocation of your expenditures for local advertising to the Cooperative as described in Section 8.4, you shall spend, throughout the term of this Agreement, not less than two percent (2%) of the Restaurant's Gross Sales each month on advertising for the Restaurant in your Territory ("Local Advertising"). We reserve the right to increase the foregoing required monthly Local Advertising expenditure up to four percent (4%) of the Restaurant's Gross Sales per month upon sixty (60) days prior notice to you. We may require you to direct a portion of your required monthly Local Advertising expenditure to our approved advertising vendors for marketing campaigns that we direct.

You also agree that we may require you to pay to us up to One Thousand Dollars ($1,000) per month for the purpose of our directed regional initiatives. This sum shall be paid to us by electronic funds

transfer on the fifth (5th) day of the month. This sum is in addition to the monthly Local Advertising you are required to spend under this Section.

You shall spend this amount within your Territory using only materials and methods approved by us. You shall submit to us, within thirty (30) days of our request, advertising expenditure reports accurately reflecting your Local Advertising expenditures, including verification copies of all advertising and any other information that we require. In addition to the restrictions set forth below, costs and expenditures incurred by you in connection with any of the following shall not be included in your expenditures on Local Advertising for purposes of this Section, unless approved in advance by us in writing:

8.2.1 Incentive programs for your employees or agents; including the cost of honoring any coupons distributed in connection with such programs;

8.2.2 Marketing research expenditures;

8.2.3 Food costs incurred in any promotion;

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

8.2.5 Charitable, political or other contributions or donations;

8.2.6 In-store materials consisting of fixtures or equipment; and

8.2.7 Seminar and educational costs and expenses of your employees.

At our request, you shall include certain language in your Local Advertising, such as "Franchises Available" and our website address and telephone number.

We may require you to pay your Local Advertising contribution directly to us in lieu of being spent locally for regional marketing campaigns.

8.3 Brand Fund

We will administer a Brand Fund for the purpose of advertising the System on a regional or national basis (the "Brand Fund"). You agree to contribute one percent (1%), subject to increases up to two percent (2%) upon sixty (60) days prior notice to you, of the Gross Sales of the Restaurant for each week to the Brand Fund ("Brand Fund Contribution"), such fee to be paid to us at the same time and in the same manner as the royalty fee due hereunder. You agree that the Brand Fund shall be maintained and administered by us or our designee as follows:

8.3.1 We shall direct all advertising programs and shall have sole discretion to approve or disapprove the creative concepts, materials and media used in such programs and the placement and allocation thereof. You agree and acknowledge that the Brand Fund is intended to maximize general public recognition and acceptance of the Marks and enhance the collective success of all Restaurants operating under the System. We and our affiliates shall, with respect to Restaurants operated by them, contribute to the Brand Fund generally on the same basis as you. In administering the Brand Fund, we and our designees undertake no obligation to make expenditures for you which are equivalent or proportionate to your contribution or to ensure that any particular franchisee benefits directly or *pro rata* from the placement of advertising. We shall be entitled to charge the Brand Fund an administration fee for our administration of

the Brand Fund. If we choose to charge this fee, it will not exceed twenty percent (20%) of the Brand Fund's balance.

8.3.2 You agree that the Brand Fund may be used to satisfy any and all costs of maintaining, administering, directing and preparing advertising (including, without limitation, the cost of preparing and conducting television, radio, magazine and newspaper advertising campaigns; direct mail and outdoor billboard advertising; development and maintenance of a website and social media platforms, internet marketing; public relations activities; creative content, indoor and outdoor signage, media purchases; employing advertising agencies to assist therein; marketing specialty services, IT projects and services, photography and videography, e-gift card program management and development; development and management of training programs; development and launch of new concepts; website developers; market research; menu research and development; development and maintenance of any loyalty and rewards programs; costs of obtaining and maintaining intellectual property and trademarks; spokespersons and sponsorships; costs of our personnel and other departmental costs for advertising that is internally administered or prepared by us; and any other program or activity that will enhance the recognition and value of the brand and the System). All sums paid by you to the Brand Fund shall be maintained in a separate account by us and may be used to defray any of our general operating expenses, if any, as we may incur in activities reasonably related to the administration or direction of the Brand Fund, as well as the administration fee described above, and advertising programs for franchisees and the System. The Brand Fund and its earnings shall not otherwise inure to our benefit. The Brand Fund is operated solely as a conduit for collecting and expending the advertising fees as outlined above.

8.3.3 A statement of the operations of the Brand Fund shall be prepared annually by us and shall be made available to you upon request. This statement of operations may be unaudited.

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

8.4 Designated Market Area (DMA) Cooperative Funds

Franchisor reserves the right to establish, in Franchisor's sole discretion, a regional advertising cooperative. If a regional cooperative is established during the term of this Agreement, Franchisee agrees to sign all documents Franchisor requests to become a member of the cooperative according to the terms of the documents. If Franchisor establishes a regional cooperative, Franchisee agrees to contribute amounts equal to Franchisee's share of the total cost of cooperative advertising, in addition to required Brand Fund Contributions. While each restaurant will have one vote in the cooperative, all decisions are subject to franchisor's consent. Franchisor may modify any advertising or promotional plan and the cooperative must implement the plan as modified by the franchisor. Before any cooperative is formed, the bylaws of that cooperative shall be submitted to us for approval.

8.5 Conduct of Advertising; Designated Supplier for Advertising Materials

All advertising and promotion by you in any medium shall be conducted in a professional manner and shall conform to our standards and requirements as set forth in the Manuals or otherwise. You shall obtain all advertising and marketing materials from our designated and approved supplier. You shall not develop your own advertising or marketing materials in connection with the Franchised Restaurant. You shall not advertise or use the Marks in any fashion on the Internet, World Wide Web or via other means of advertising through telecommunication without our express written consent. You are strictly prohibited

from advertising or using the Marks in any fashion on any social and/or networking Websites (such as, by way of example only, Facebook, LinkedIn, Twitter and My Space).

8.6 Pricing

With respect to the offer and sale of all menu and beverage items, we may from time to time offer guidance with respect to the selling price for such goods, products and services, or we may determine the maximum selling prices (which may include promotional prices) for such menu and beverage items, where permitted by applicable law, and you shall be bound to adhere to any such recommended or required pricing. You shall execute any instruments or other writings required by us to facilitate the provision of such products and services. If you sell any or all your products or merchandise at any price recommended or required by us, you acknowledge that we have made no guarantee or warranty that offering such products or merchandise at the recommended or required price will enhance your sales or profits.

8.7 Restaurant Launch Package

In addition to the ongoing advertising contributions set forth herein, you shall be required to purchase a restaurant launch package (the "Restaurant Launch Package") totaling up to Fifteen Thousand Dollars ($15,000) for an approved grand opening marketing campaign to advertise the opening of the Restaurant during the seven (7) days prior to and twenty-one (21) days following the Restaurant's opening. The Restaurant Launch Package shall be purchased from our designated and approved supplier, and the designated and approved supplier will conduct the associated opening marketing program on your behalf. We reserve the right to collect the cost of the Restaurant Launch Package and conduct the associated opening marketing program on your behalf.

8.8 Websites

As used in this Agreement, the term "Website" means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages and any mobile applications ("apps") that we may introduce. In connection with any Website, you agree to the following:

8.8.1 We shall have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Marks, Paisano's Pizza Kitchen Restaurants and any or all of the products offered at Restaurants, the franchising of Paisano's Pizza Kitchen Restaurants, and/or the System. We shall have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage; We shall also have the right to discontinue operation of the Website.

8.8.2 We shall have the right, but not the obligation, to designate one or more web page(s) to describe you and/or the Franchised Business, with such web page(s) to be located within our Website, and you shall pay our then-current fee to establish such web page. You shall comply with our policies with respect to the creation, maintenance and content of any such web pages; and we shall have the right to refuse to post and/or discontinue posting any content and/or the operation of any web page.

8.8.3 You shall not establish a separate Website related to the Marks or the System without our prior written approval (which we shall not be obligated to provide). If approved to establish a Website, you shall comply with our policies, standards and specifications with respect to the creation, maintenance and content of any such Website. You specifically acknowledge and agree that any Website owned or maintained by you or for your benefit shall be deemed "advertising" under this Agreement, and will be subject to (among other things) our approval under this Article VIII.

8.8.4 We shall have the right to modify the provisions of this Section 8.9 relating to Websites as we shall solely determine is necessary or appropriate.

8.9 On-line Ordering System

You shall participate in our on-line ordering system, which is operated by our designated supplier and which will permit your customers to place orders via the Internet for products available at your Restaurant. You acknowledge and agree that compliance with all aspects of the on-line ordering system is vital to its success, and that you will comply with all of our rules and procedures concerning the on-line ordering system. You shall pay any set-up and continuing fees to the designated supplier in order to participate in the on-line ordering system. When you have been added as a participant, we shall designate the delivery area related to orders received through the on-line ordering system. You acknowledge and understand that such delivery area may differ from your Territory, as described on Exhibit A hereto.

ARTICLE 9: MARKS

9.1 Use of Marks

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

9.2 Limited License

You expressly understand and acknowledge that:

9.2.1 We are the licensee of the owner of all right, title and interest in and to the Marks and the goodwill associated with and symbolized by them. Any references in this Article IX to our rights, title and interest in and to the Marks shall be deemed to include the owner's rights, title and interest.

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

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

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

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

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

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

9.3 Limitation on Use of Marks

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

9.3.1 Unless otherwise authorized or required by us, you shall operate and advertise the Restaurant only under the name "Paisano's Pizza Kitchen" without prefix or suffix. You shall not use the Marks, or any portions, variations, or derivatives thereof, as part of your corporate or other legal name, and shall obtain our approval of such corporate or other legal name prior to filing it with the applicable state authority.

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

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

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

9.4 Notification of Infringement or Claim

9.4.1 You acknowledge that you have received, upon your request to us, a report detailing potential infringing uses of the Marks in the area in which you intend to establish the Franchised Business. You acknowledge that by your execution of this Agreement, you have either not requested such report from us, or you have reviewed such report and, irrespective of the information included in the report, you are electing to proceed with the development of a Franchised Business pursuant to this Agreement.

You acknowledge that you have read and understand this Section 9.4.1: _____ (please initial).

9.4.2 You shall notify us immediately by telephone and thereafter in writing of any apparent infringement of or challenge to your use of any Mark, of any claim by any person of any rights in any Mark, and you and the Principals shall not communicate with any person other than us, our counsel and your counsel in connection with any such infringement, challenge or claim. We shall have complete

discretion to take such action as we deem appropriate in connection with the foregoing, and the right to control exclusively any settlement, litigation or Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Mark. You agree to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in our opinion, reasonably be necessary or advisable to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain the interests of us or any other interested party in the Marks. We may, in our discretion, indemnify you and hold you harmless from and against any claims, liabilities, costs, damages and reasonable expenses for which you are held liable in any proceeding arising out of your use of any of the Marks, provided that the conduct of you and the Principals with respect to such proceeding and use of the Marks is in full compliance with the terms of this Agreement.

9.5 Retention of Rights by Us

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

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

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

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

ARTICLE 10: CONFIDENTIALITY AND NON-COMPETITION COVENANTS

10.1 Confidential Operations Manuals

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

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

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

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

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

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

10.2 Confidential Information

10.2.1 Neither you nor any Principal shall, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other person, persons, partnership, association or corporation and, following the expiration or termination of this Agreement, they shall not use for their own benefit any confidential information, knowledge or know-how concerning the methods of operation of the Franchised Business which may be communicated to them or of which they may be apprised in connection with the operation of the Restaurant under the terms of this Agreement, including, but not limited to, formulas, recipes, methods, processes, customer lists and/or data, vendor partnerships and/or relationships, sales and technical information, financial information, product prices and names, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures. You and the Principals shall divulge such confidential information only to such of your employees as must have access to it in order to operate the Restaurant. Any and all information, knowledge, know-how, techniques and any materials used in or related to the System which we provide to you in connection with this Agreement shall be deemed confidential for purposes of this Agreement. Neither you nor any Principal shall at any time, without our prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person. The covenant in this Section shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon you and each of the Principals.

10.2.2 You shall require and obtain the execution of covenants similar to those set forth in Section 10.2.1 from your General Manager and all other of your personnel who have received or will have access to confidential information. Such covenants shall be substantially in the form set forth in Attachment 5.

10.2.3 If you or the Principals develop any new concept, process product, recipe, or improvement in the operation or promotion of the Restaurant, you are required to promptly notify us and provide us with all necessary related information, without compensation. You and the Principals acknowledge that any such concept, process product, recipe, or improvement will become our property, and we may use or disclose such information to other franchisees or developers as we determine to be appropriate.

10.3 Non-Competition

10.3.1 You and the Principals specifically acknowledge that, pursuant to this Agreement, you and the Principals will receive valuable training, trade secrets and confidential information, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of us and the System which are beyond the present skills and experience of you and the

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

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

(b) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures), advise, assist or make loans to, any business located within the United States, its territories, states or commonwealths, or any other country, province, state or geographic area in which we have used, sought registration of or registered the same or similar Marks or operate or license others to operate a business under the same or similar Marks, which business is of a character and concept similar to the Restaurant, including a restaurant which offers and sells the same or similar food products.

10.3.2 With respect to you and each Principal, and for a continuous uninterrupted period commencing upon the expiration, termination of, or transfer of all of your or any Principal's interest in, this Agreement and continuing for three (3) years thereafter, except as otherwise approved in our sole and absolute discretion, neither you nor any of the Principals shall, directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, persons, partnership, or corporation:

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

(b) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures), advise, assist or make loans to any business that is of a character and concept similar to the Restaurant, including a restaurant which offers and sells the same or similar food products, which business is, or is intended to be, located within a twenty five (25) mile radius of the location of any Restaurant in the System.

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

covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section.

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

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

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

10.3.4 You shall require and obtain execution of covenants similar to those set forth in this Section 10.3 (including covenants applicable upon the termination of a person's employment with you) from your General Manager and all other personnel of yours who have received or will have access to training from us. Such covenants shall be substantially in the form set forth in Attachment 5. Notwithstanding the foregoing, we reserve the right, in our sole discretion, to decrease the period of time or geographic scope of the non-competition covenant set forth in Attachment 5 or eliminate such non-competition covenant altogether for any party that is required to execute such agreement under this Section 10.3.4.

10.4 Failure to Comply

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

ARTICLE 11: BOOKS AND RECORDS

11.1 Books and Records

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

11.2 Reports

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

11.2.1 You shall, at your expense, submit to us, in the form prescribed by us, profit and loss statement for each month (which may be unaudited) for you within fifteen (15) days after the end of each month during the term hereof. Each such statement shall be signed by your treasurer or chief financial officer or comparable officer attesting that it is true, complete and correct. If you fail to provide a statement within forty-five (45) days of the end of the previous calendar month, or if you provide a statement in an improper format, we will charge you our then-current non-compliance fee;

11.2.2 You shall, at your expense, provide to us a complete annual financial statement (which shall be reviewed) for you prepared by an independent certified public accountant, within ninety (90) days after the end of each fiscal year of yours during the term hereof, showing the results of your operations during such fiscal year; we reserve the right to require such financial statements to be audited by an independent certified public accountant satisfactory to us at your cost and expense, in addition to repaying monies owed for Royalty Fees and Brand Fund contributions and interest on monies owed, if an inspection discloses an understatement of payments due to us of two percent (2%) or more in any report, pursuant to Section 11.3; and

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

11.3 Inspections; Audits

We or our designees shall have the right, during normal business hours, to review, audit, examine and copy any or all of your books and records as we may require at the Restaurant. You shall make such books and records available to us or our designees immediately upon request. If any required royalty or other payments due to us are delinquent, or if an inspection should reveal that such payments have been understated in any report to us, then you shall immediately pay to us the amount overdue or understated upon demand with interest determined in accordance with the provisions of Section 4.2.4. If an inspection discloses an understatement in any report of two percent (2%) or more, you shall, in addition, reimburse us for all costs and expenses connected with the inspection (including, without limitation, reasonable accounting and attorneys' fees). These remedies shall be in addition to any other remedies we may have at law or in equity.

11.4 Correction of Errors

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

11.5 Authorization of Us

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

performance of your Franchised Business in franchise disclosure document(s) issued by us following the Effective Date hereof.

11.6 We are Attorney-in-Fact

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

ARTICLE 12: INSURANCE

12.1 You shall procure, before the Restaurant's Opening Date, and shall maintain in full force and effect at all times during the term of this Agreement, at your expense, an insurance policy or policies protecting you and us, our successors and assigns, our officers, directors, shareholders, partners, agents, representatives, independent contractors and employees of each of them against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense whatsoever arising or occurring upon or in connection with the Restaurant, including liquor liability and employment practices coverage. We reserve the right to designate one or more insurance companies as the insurance carrier(s) for Paisano's Pizza Kitchen Restaurants, in which event you shall obtain your insurance policies from such insurance carrier(s).

12.2 Such policy or policies shall be written by a responsible, duly licensed "A" rated carrier or carriers reasonably acceptable to us and shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified by us from time to time), in accordance with standards and specifications set forth in writing, the following:

12.2.1 Commercial/general liability in an amount not less than One Million Dollars ($1,000,000) per occurrence and Two Million Dollars ($2,000,000) aggregate.

12.2.2 Insurance on the contents and leasehold for the Restaurant at full replacement value.

12.2.3 Liquor liability, if applicable, in an amount not less than One Million Dollars ($1,000,000) per occurrence and Two Million Dollars ($2,000,000) aggregate.

12.2.4 Umbrella coverage over general liability, including automobile and employer's liability, with at least Two Million Dollars ($2,000,000) per occurrence.

12.2.5 Automobile liability coverage, including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than One Million Dollars ($1,000,000) combined single limit.

12.2.6 Business interruption insurance equivalent to six (6) months of revenue.

12.2.7 Worker's compensation insurance and employer liability in amounts provided by applicable law.

12.2.8 Cyber Liability Insurance in the amount of One Million Dollars ($1,000,000).

12.2.9 Such other insurance as may be required by the state or locality in which the Restaurant is located and operated or as may be required by the terms of the lease for the Restaurant.

12.3 In connection with any construction, renovation, refurbishment or remodeling of the Restaurant, you shall maintain Builder's Risks/installation insurance in forms and amounts, and written by a responsible, duly licensed carrier or carriers, reasonably satisfactory to us.

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

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

12.6 Upon purchase of the initial insurance coverages, and thereafter thirty (30) days prior to the expiration of any such policy, you shall deliver to us Certificates of Insurance evidencing the existence and continuation of proper coverage with limits not less than those required hereunder. In addition, if requested by us, you shall deliver to us a copy of the insurance policy or policies required hereunder. All insurance policies required hereunder, with the exception of workers' compensation, shall name us, our officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, as additional named insureds, and shall expressly provide that any interest of same therein shall not be affected by any breach by you of any policy provisions. Further, all insurance policies required hereunder shall expressly provide that no less than thirty (30) days' prior written notice shall be given to us in the event of a material alteration to or cancellation of the policies.

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

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

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

ARTICLE 13: DEBTS AND TAXES

13.1 Taxes

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

authorities to us within ten (10) business days after such filing has been made with the appropriate taxing authority.

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

13.2 Payments to Us

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

13.3 Tax Disputes

In the event of any bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with the procedures of the taxing authority or applicable law. However, in no event shall you permit a tax sale or seizure by levy of execution or similar writ or warrant or attachment by a creditor to occur against the premises of the Franchised Business or any improvements thereon.

13.4 Compliance with Laws

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

13.5 Notification of Action or Proceeding

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

ARTICLE 14: TRANSFER OF INTEREST

14.1 Transfer by Us

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

You expressly affirm and agree that we may sell our assets, our rights to the Marks or to the System outright to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of "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.

14.2 Transfer by You

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

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

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

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

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

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

(e) The transferee shall enter into a written agreement, in a form reasonably satisfactory to us, assuming full, unconditional, joint and several liability for, and agreeing to perform from the date of the transfer, all obligations, covenants and agreements contained in this Agreement; and, if

transferee is a corporation or a partnership, transferee's shareholders, partners or other investors, as applicable, shall execute such agreement as transferee's principals and guarantee the performance of all such obligations, covenants and agreements;

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

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

(h) The transferor shall remain liable for all of the obligations to us in connection with the Restaurant incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by us to evidence such liability, and on a case by case basis, we shall have the right to require the transferor to remain liable for the obligations of the transferee;

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

(j) You shall pay to us a transfer fee in the amount of Five Thousand Dollars ($5,000) to reimburse us for reviewing the application to transfer, including, without limitation, legal and accounting fees. The fee to train a new operator is a separate charge. If such transfer occurs through our internal leads without a broker, the transfer fee shall also include an additional five percent (5%) of the total sales price related to such transfer;

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

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

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

14.3 Transfer to a Corporation or Limited Liability Company

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

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

14.4 Our Right to Purchase Business

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

(a) In the case of a Restricted Transfer involving a bona fide purchase offer, then such proposed seller shall promptly notify us in writing of each such offer, and shall provide such information and documentation relating to the offer as we may require. We shall have the right and option, exercisable within thirty (30) days after receipt of such written notification and copies of all documentation required by us describing such offer, to send written notice to the seller that we intend to purchase the interest proposed to be transferred in the Restricted Transfer on the same terms and conditions offered by the proposed purchaser (the "Offer Terms"). In the event that we elect to purchase the seller's interest, closing on such purchase must occur within the latest of (i) sixty (60) days from the date of notice to the seller of our election to purchase, (ii) sixty (60) days from the date we receive or obtain all necessary documentation, permits and approvals, or (iii) such other date as the parties agree upon in writing. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to our same right of first refusal as in the case of an initial offer. Our failure or refusal to exercise the option afforded

by this Section 14.4 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Article XIV with respect to a proposed transfer.

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

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

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

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

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

14.5 Your Death or Disability

14.5.1 The grant of rights under this Agreement is personal to you, and on the death or permanent disability of you or any of your Principals, the executor, administrator, conservator or other personal representative of yours or of the deceased Principal, as the case may be, shall be required to transfer your or your Principal's interest in this Agreement within six (6) months from the date of death or permanent disability to a third party approved by us. Failure to transfer in accordance with the forgoing will constitute a material default and the franchise granted by this Agreement will terminate. For

purposes of this Agreement, the term "permanent disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent such person from providing continuous and material supervision of the operation of the Franchised Business during the six (6) month period from its onset.

14.5.2 Upon the death or claim of permanent disability of you or any Principal, you or a representative of yours must notify us of such death or claim of permanent disability within ten (10) days of its occurrence. Any transfer under this Section 14.5 shall be subject to the same terms and conditions as described in this Article 14 for any *inter vivos* transfer.

14.5.3 Immediately after the death or permanent disability of such person, or while the Restaurant is owned by an executor, administrator, guardian, personal representative or trustee of that person, the Franchised Business shall be supervised by an interim successor manager satisfactory to us, or we, in our sole discretion, may provide interim management at a fee equal to XX percent (XX%) of the Gross Sales generated by the Franchised Business during our operation thereof, plus any and all costs of travel, lodging, meals and other expenses reasonably incurred by us, pending transfer of the Restaurant to the deceased or disabled individual's lawful heirs or successors. If we provide interim management pursuant to this Section 14.5, you agree to indemnify and hold us and any of our representatives harmless from any and all acts which we may perform.

14.6 Operation in the Event of Absence or Disability

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

14.7 No Waiver of Claims

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

ARTICLE 15: <u>INDEMNIFICATION</u>

15.1 Indemnification by You

You and each of the Principals shall, at all times, indemnify and hold harmless to the fullest extent permitted by law us, our successors and assigns, their respective partners and affiliates and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them ("Indemnitees"), from all "losses and expenses" (as defined in Section 15.4.2 below) incurred in connection with any action, suit, proceeding, claim, demand, investigation or inquiry (formal or

informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted) which arises out of or is based upon any of the following:

15.1.1 The infringement, alleged infringement, or any other violation or alleged violation by you or any of the Principals of any patent, trademark or copyright or other proprietary right owned or controlled by third parties (except as such may occur with respect to any right to use the Marks, any copyrights or other proprietary information granted hereunder pursuant to Article X);

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

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

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

15.1.5 Acts, errors, or omissions of you, any of your affiliates and any of the Principals and the officers, directors, shareholders, partners, agents, representatives, independent contractors and employees of you and your affiliates in connection with the establishment and operation of the Restaurant, including, but not limited to, any acts, errors or omissions of any of the foregoing in the operation of any motor vehicle. The parties understand and agree that we cannot and do not exercise control over the manner of operation of any motor vehicles used by, or on behalf of, you or any employee, agent or independent contractor of yours and that the safe operation of any motor vehicle is, therefore, entirely your responsibility.

15.2 Notification of Action or Claim

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

15.3 We May Settle

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

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

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

15.4 Losses and Expenses

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

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

15.7 Recovery from Third Parties

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

15.8 Survival of Terms

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

ARTICLE 16: RELATIONSHIP OF THE PARTIES

16.1 Independent Licensee

You understand and agree that you are and will be our independent licensee under this Agreement. Nothing in this Agreement may be construed to create a partnership, joint venture, agency, employment or fiduciary relationship of any kind. None of your employees will be considered to be our employees. Neither you nor any of your employees whose compensation you pay may in any way, directly or indirectly, expressly or by implication, be construed to be our employee for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. We will not have the power to hire or fire your employees. You expressly agree, and will never contend otherwise, that our authority under this Agreement to certify certain of your employees for qualification to perform certain functions for your Paisano's Pizza Kitchen Restaurant does not directly or indirectly vest in us the power to hire, fire or control any such employee.

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

You may not, without our prior written approval, have any power to obligate us for any expenses, liabilities or other obligations, other than as specifically provided in this Agreement. Except as expressly

provided in this Agreement, we may not control or have access to your funds or the expenditure of your funds or in any other way exercise dominion or control over your Paisano's Pizza Kitchen Restaurant. Except as otherwise expressly authorized by this agreement, neither party will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between us and you is other than that of franchisor and franchisee. We do not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by you which are not expressly authorized under this Agreement. We will not be obligated for any damages to any person or property which directly or indirectly arise from or relate to your operation of the Paisano's Pizza Kitchen Restaurant.

16.2 Sole and Exclusive Employer of Your Employees

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

16.3 You are Not Authorized

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

ARTICLE 17: TERMINATION

17.1 Automatic Termination – No Right to Cure

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

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

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

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

(b) If you fail to acquire an accepted location for the Restaurant within the time and in the manner specified in Article II;

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

(d) If you fail to open the Restaurant for business within the period specified in Section 2.6 hereof;

(e) If you at any time cease to operate or otherwise abandon the Restaurant, or lose the right to possession of the premises, or otherwise forfeit the right to do or transact business in the jurisdiction where the Restaurant is located; provided, however, that this provision shall not apply in cases of Force Majeure (acts of God, strikes, lockouts or other industrial disturbances, war, riot, epidemic, acts of terrorism, fire or other catastrophe or other forces beyond your control), if through no fault of yours, the premises are damaged or destroyed by an event as described above, provided that you apply within thirty (30) days after such event for our approval to relocate or reconstruct the premises (which approval shall not be unreasonably withheld) and you diligently pursue such reconstruction or relocation; such approval may

be conditioned upon the payment of an agreed minimum fee to us during the period in which the Restaurant is not in operation;

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

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

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

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

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

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

(l) If a transfer upon death or permanent disability is not accomplished in accordance with Article XIV and within the time periods therein;

(m) If you knowingly maintain false books or records, or submit any false reports to us;

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

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

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

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

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

(s) If you or any of your affiliates fail or refuse to comply with any terms and conditions of any sublease, or related agreement, between us and you or your affiliates, and do not cure such default within any notice and cure period provided for in such sublease or related agreement following notice from us of such default (unless no cure period is specified in the sublease or other agreement, in which case the notice and cure period provided in Section 17.2 shall apply); and

(t) If you fail to comply with all applicable laws and ordinances relating to the Restaurant, including Anti-Terrorism Laws, or if your or any of your Principals' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your Principals otherwise violate any such law, ordinance, or regulation.

17.2 Notice of Termination – 30 Days to Cure

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

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

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

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

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

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

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

17.4 Amendment Pursuant to Applicable Law

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

17.5 Our Right to Discontinue Services to You

If you are in breach of any obligation under this Agreement, and we deliver to you a notice of termination pursuant to this Article XVII, we have the right to suspend our performance of any of our obligations under this Agreement including, without limitation, the sale or supply of any services or products for which we are an approved supplier to you (or to direct suppliers to stop furnishing any and all products to you) and/or suspension of your webpage on our Website, until such time as you correct the breach.

ARTICLE 18: POST-TERMINATION

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

18.1 Cease Operations

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

18.2 Stop Using the System

You shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, computer software, procedures, and techniques associated with the System; the mark "Paisano's Pizza Kitchen"; and all other Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, you shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms and any other articles which display the Marks, and shall immediately change all paint colors, remove all of our proprietary or non-proprietary design items.

18.3 Cancellation of Assumed Names

You shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the mark "Paisano's Pizza Kitchen" or any other service mark or trademark of

ours, and you shall furnish us with evidence satisfactory to us of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

18.4 No Use of Similar Marks

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

18.5 Payment of Sums Owed

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

18.6 Payment of Damages, Costs and Expenses

You and the Principals shall pay to us all damages, costs and expenses, including reasonable attorneys' fees, incurred by us in connection with obtaining any remedy available to us for any violation of this Agreement and, subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Article XVIII.

18.7 Delivery of Manuals and Materials

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

18.8 Confidential Information

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

18.9 Advertising and Promotional Materials

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

18.10 Assignment to Us

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

18.11 Assignment of Lease

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

18.12 Our Right to Purchase

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

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

this option, fair market value shall be determined in accordance with the appraisal procedure described above.

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

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

18.13 Restaurant Assets

Notwithstanding anything to the contrary contained in Sections 18.11 and 18.12, if you operate the Restaurant from a premises that is subleased to you by us, upon termination (or expiration without a successor term) of this Agreement, we shall have the right to take immediate possession of the assets of the Restaurant, including, any or all of the furnishings, equipment (including any point-of-sale or computer hardware and software systems), signs, fixtures, motor vehicles, supplies, and inventory of yours related to the operation of the Restaurant. We shall have a lien against all such assets in the amount of any amounts due to us under this Agreement or any other agreement. We shall have the right to have such assets appraised at the lower of cost or fair market value of the used assets, and to acquire all right, title and interest to such assets, without conducting any public sale, by paying to you (or to any lender of yours who has a lienholder interest in the assets) the difference between the appraised value and the amounts owed to us by you at the time of termination. If the lien on the assets from your lender has priority over any lien of ours, and the amount of the lien is in excess of the appraised value of such assets, we shall have the right to deal directly with your lienholder, and to pay any amounts due to you directly to the lienholder. You agree to provide all further assurances, and to execute all documents required by us or by law to lawfully effect such transfer, and to perfect our security interest. We shall have the right to take such action without the execution of any further documents by you if you fail or refuse to comply with these further assurances.

18.14 Assignment of Options by Us

We shall be entitled to assign any and all of our options in this Section to any other party, without your consent.

18.15 Liquidated Damages

If we terminate this Agreement with cause, you must pay us liquidated damages equal to the average value of the Royalty Fees you paid or owed (per month) to us during the twelve (12) months before the termination multiplied by (i) thirty-six (36), being the number of months in three (3) full years, or (ii) the number of months remaining during the term of this Agreement, whichever is lower.

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages we would incur from this Agreement's termination and the loss of cash flow from Royalty Fees due to, among other things, the complications of determining what costs, if any, we might have saved and how much the Royalty Fees would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages. You represent that you have agreed to the Liquidated Damages set forth herein voluntarily and with the opportunity to seek the advice of counsel. You knowingly and voluntarily waive any defense as to the validity of the Liquidated Damages on the grounds that such Liquidated Damages are void as penalties or are not reasonably related to actual damages.

The liquidated damages provision only covers our damages from the loss of cash flow from the Royalty Fees. It does not cover any other damages, including damages to our reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Royalty Fee section. You and each of your owners agree that the liquidated damages provision does not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty Fee section.

ARTICLE 19: MISCELLANEOUS

19.1 Notices

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by expedited delivery service or certified or registered mail, return receipt requested, first class postage prepaid, or sent by facsimile or email (provided that the sender confirms the facsimile by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission) to the respective parties at the addresses set. Forth in the introductory paragraph of this Agreement, unless and until a different address has been designated by written notice to the other party.

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of facsimile, upon transmission (provided confirmation is sent as described above) or, in the case of expedited delivery service or registered or certified mail, three (3) business days after the date and time of mailing.

19.2 Entire Agreement

This Agreement, the documents referred to herein, and the Attachments hereto, constitute the entire, full and complete agreement between us and you and the Principals concerning the subject matter hereof and shall supersede all prior related agreements between us and you and the Principals; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by us in the Disclosure Document that was furnished to you by us. Except for those permitted to be made unilaterally by us hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

19.3 No Waiver

No delay, waiver, omission or forbearance on our part to exercise any right, option, duty or power arising out of any breach or default by you or the Principals under this Agreement shall constitute our waiver to enforce any such right, option, duty or power against you or the Principals, or as to a subsequent breach or default by you or the Principals. Acceptance by us of any payments due to us hereunder subsequent to the time at which such payments are due shall not be deemed to be our waiver of any preceding breach by you or the Principals of any terms, provisions, covenants or conditions of this Agreement.

19.4 Our Prior Approval

Whenever this Agreement requires our prior approval or consent, you shall make a timely written request to us, and such approval or consent shall be obtained in writing.

19.5 No Warranty or Guaranty

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

19.6 Continued Obligation to Pay Sums

If a Force Majeure event shall occur, then, in addition to payments required under Section 17.1.3(e), you shall continue to be obligated to pay to us any and all amounts that you shall have duly become obligated to pay in accordance with the terms of this Agreement prior to the occurrence of any Force Majeure event and the Indemnitees shall continue to be indemnified and held harmless by you in accordance with Article XV. Except as provided in Section 17.1.3(e) and the immediately preceding sentence herein, none of the parties hereto shall be held liable for a failure to comply with any terms and conditions of this Agreement when such failure is caused by an event of Force Majeure. Upon the occurrence of any event of the type referred to herein, the party affected thereby shall give prompt notice thereof to the other parties, together with a description of the event, the duration for which the party expects its ability to comply with the provisions of the Agreement to be affected thereby and a plan for resuming operation under the Agreement, which the party shall promptly undertake and maintain with due diligence. Such affected party shall be liable for failure to give timely notice only to the extent of damage actually caused.

19.7 Mediation

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 at tour then-current 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.

19.8 Arbitration

19.8.1 Except to the extent we elect to enforce the provisions of this Agreement by judicial process and injunction in our sole discretion, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter) which have not been settled through negotiation 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.

19.8.2 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.

19.8.3 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 19.10.

19.8.4 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.

19.9 Governing Law; Venue

With respect to any claims, controversies or disputes which are not finally resolved through arbitration, or as otherwise provided above, you and the Principals hereby irrevocably submit themselves to the jurisdiction of the state courts of Fairfax County, Virginia and the Federal District Court closest to our headquarters. You and the Principals hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision. You and the Principals hereby agree that service of process may be made upon any of them in any proceeding relating to or arising out of this Agreement or the relationship created by this Agreement by any means allowed by Virginia or federal law. You and the Principals 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.

19.10 Agreement Regarding Governing Law and Choice of Forum

You, the Principals and we acknowledge that the parties' agreement regarding applicable state law and forum set forth in Section 19.9 above provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising out of this Agreement or the parties' relationship created by this Agreement. Each of you, the Principals and we further acknowledge the receipt and

sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of forum have been negotiated in good faith and are part of the benefit of the bargain reflected by this Agreement.

19.11 Acceptance of Agreement

You, the Principals 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.

19.12 Waiver of Punitive Damages

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

19.13 Execution in Multiple Counterparts

This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

19.14 Captions

The captions used in connection with the sections and subsections of this Agreement are inserted only for purpose of reference. Such captions shall not be deemed to govern, limit, modify or in any other manner affect the scope, meaning or intent of the provisions of this Agreement or any part thereof nor shall such captions otherwise be given any legal effect.

19.15 Survival of Terms

Any obligation of you or the Principals that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest of you or the Principals therein, shall be deemed to survive such termination, expiration or transfer.

19.16 Severability of Provisions

Except as expressly provided to the contrary herein, each portion, section, part, term and provision of this Agreement shall be considered severable; and if, for any reason, any portion, section, part, term or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, this shall not impair the operation of, or have any other effect upon, the other portions, sections, parts, terms or provisions of this Agreement that may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties; the invalid portions, sections, parts, terms or provisions shall be deemed not to be part of this Agreement; and there shall be automatically added such portion, section, part, term or provision as similar as possible to that which was severed which shall be valid and not contrary to or in conflict with any law or regulation.

19.17 Joint and Several Obligations

All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable. Without limiting the obligations individually undertaken by the Principals under this Agreement, all acknowledgments, promises, covenants, agreements and obligations made or undertaken by you in this Agreement shall be deemed, jointly and severally, undertaken by all of the Principals.

19.18 Rights and Remedies Cumulative

All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between you or any of your affiliates and us. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of our rights pursuant to Article XVII of this Agreement shall not discharge or release you or any of the Principals from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.

19.19 References

Each reference in this Agreement to a corporation or partnership shall be deemed to also refer to a limited liability company and any other entity or organization similar thereto. Each reference to the organizational documents, equity owners, directors, and officers of a corporation in this Agreement shall be deemed to refer to the functional equivalents of such organizational documents, equity owners, directors, and officers, as applicable, in the case of a limited liability company or any other entity or organization similar thereto.

19.20 No Rights or Remedies Except to the Parties

Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than you, us, our officers, directors, members and employees and such of you and our respective successors and assigns as may be contemplated (and, as to you, authorized by Article XIV), any rights or remedies under or as a result of this Agreement.

19.21 Effectiveness of Agreement

This Agreement shall not become effective until signed by our authorized officer.

19.22 Modification of the System

You understand and agree that the System must not remain static if it is to meet, without limitation, presently unforeseen changes in technology, competitive circumstances, demographics, populations, consumer trends, societal trends and other marketplace variables, and if it is to best serve the interests of us, you and all other franchisees. Accordingly, you expressly understand and agree that we may from time to time change the components of the System including, but not limited to, altering the products, programs, services, methods, standards, forms, policies and procedures of that System; abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination or for other reasons; adding to, deleting from or modifying those products, programs and services which your Franchised Business is authorized and required to offer; modifying or substituting entirely the

building, premises, equipment, signage, trade dress, décor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes which you are required to observe hereunder; and changing, improving, modifying, or substituting other words or designs for, the Marks. You expressly agree to comply with any such modifications, changes, additions, deletions, substitutions and alterations; provided, however, that such changes shall not materially and unreasonably increase your obligations hereunder.

You shall accept, use and effectuate any such changes or modifications to, or substitution of, the System as if they were part of the System at the time that this Agreement was executed.

We shall not be liable to you for any expenses, losses or damages sustained by you as a result of any of the modifications contemplated hereby. You hereby covenant not to commence or join in any litigation or other proceeding against us or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. You expressly waive any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

19.23 Step-In Rights

If we determine in our sole judgment that the operation of your Restaurant is in jeopardy, or if a default occurs, then in order to prevent an interruption of the Franchised Business which would cause harm to the System and thereby lessen its value, you authorize us to operate your Restaurant for as long as we deem necessary and practical, and without waiver of any other rights or remedies which we may have under this Agreement. In our sole judgment, we may deem you incapable of operating the Franchised Business if, without limitation, you are absent or incapacitated by reason of illness or death; you have failed to pay when due or have failed to remove any and all liens or encumbrances of every kind placed upon or against your Restaurant; or we determine that operational problems require that we operate your Restaurant for a period of time that we determine, in our sole discretion, to be necessary to maintain the operation of the business as a going concern.

We shall keep in a separate account all monies generated by the operation of your Restaurant, less the expenses of the Restaurant, including reasonable compensation and expenses for our representatives. In the event of our exercise of the Step-In Rights**,** you agree to hold harmless us and our representatives for all actions occurring during the course of such temporary operation. You agree to pay all of our reasonable attorneys' fees and costs incurred as a consequence of our exercise of the Step-In Rights. Nothing contained herein shall prevent us from exercising any other right which we may have under this Agreement, including, without limitation, termination.

19.24 Costs and Legal Fees

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.

19.25 Consent to do Business Electronically

The parties to the Franchise Agreement hereby consent to do business electronically. Pursuant to the Uniform Electronic Transactions Act as adopted by the State of Connecticut, the parties hereby affirm

to each other that they agree with the terms of the Franchise Agreement and its Addenda, and by attaching their signature electronically to the Franchise Agreement, they are executing the document and intending to attach their electronic signature to it. Furthermore, the parties acknowledge that the other parties to the Franchise Agreement can rely on an electronic signature as the respective party's signature.

ARTICLE 20: SECURITY INTEREST

20.1 Collateral

You grant to us a security interest ("Security Interest") in all of the furniture, fixtures, equipment, signage, and realty (including your interests under all real property and personal property leases) of the Restaurant, together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds, and products thereof, wherever located, used in connection with the Restaurant. All items in which a security interest is granted are referred to as the "Collateral".

20.2 Indebtedness Secured

The Security Interest is to secure payment of the following (the "Indebtedness"):

20.2.1 All amounts due under this Agreement or otherwise by you;

20.2.2 All sums which we may, at our option, expend or advance for the maintenance, preservation, and protection of the Collateral, including, without limitation, payment of rent, taxes, levies, assessments, insurance premiums, and discharge of liens, together with interest, or any other property given as security for payment of the Indebtedness;

20.2.3 All expenses, including reasonable attorneys' fees, which we incur in connection with collecting any or all Indebtedness secured hereby or in enforcing or protecting our rights under the Security Interest and this Agreement; and

20.2.4 All other present or future, direct or indirect, absolute or contingent, liabilities, obligations, and indebtedness of you to us or third parties under this Agreement, however created, and specifically including all or part of any successor term or extension of this Agreement, whether or not you execute any extension agreement or successor instruments.

20.2.5 Our security interest, as described herein, may be subordinated, at our sole discretion, to any financing related to your operation of the Restaurant, including, but not limited to, a real property mortgage and equipment leases.

20.3 Additional Documents

You will from time to time as required by us join with us in executing any additional documents and one or more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions, or modifications thereof) in form satisfactory to us.

20.4 Possession of Collateral

Upon default and termination of your rights under this Agreement, we shall have the immediate right to possession and use of the Collateral.

20.5 Our Remedies in Event of Default

You agree that, upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness secured shall, at our option and without notice, become due and payable immediately, and we shall then have the rights, options, duties, and remedies of a secured party under, and you shall have the rights and duties of a debtor under, the Uniform Commercial Code of Virginia (or other applicable law), including, without limitation, our right to take possession of the Collateral and without legal process to enter any premises where the Collateral may be found. Any sale of the Collateral may be conducted by us in a commercially reasonable manner. Reasonable notification of the time and place of any sale shall be satisfied by mailing to you pursuant to the notice provisions set forth above.

20.6 Special Filing as Financing Statement

This Agreement shall be deemed a Security Agreement and a Financing Statement. This Agreement may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated and may also be filed as a Financing Statement in the counties or in the office of the Secretary of State, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code as in effect in the appropriate jurisdiction.

ARTICLE 21
TECHNOLOGY

21.1 Computer Systems and Software

The following terms and conditions shall apply with respect to your computer system:

21.1.1 We shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among Paisano's Pizza Kitchen, including without limitation: (a) back office and point-of-sale systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at Paisano's Pizza Kitchen, between or among Restaurants, and between and among the Franchised Restaurant and us and/or you; (b) Point-Of-Sale Systems; (c) physical, electronic, and other security systems; (d) printers and other peripheral devices; (e) archival back-up systems; and (f) internet access mode and speed (collectively, the "Computer System").

21.1.2 We shall have the right, but not the obligation, to develop or have developed for us, or to designate: (a) computer software programs and accounting system software that you must use in connection with the Computer System ("Required Software"), which you shall install and which shall include but not be limited to web based functionality, online ordering, loyalty services, email marketing services, mobile app technology, enterprise reporting and menu management; (b) updates, supplements, modifications, or enhancements to the Required Software, which you shall install; (c) the tangible media upon which you shall record data; and (d) the database file structure of your Computer System.

21.1.3 You shall record all sales on computer-based point-of-sale systems approved by us or on such other types of systems as may be designated by us in the Manual or otherwise in writing ("Point-Of-Sale Systems"), which shall be deemed part of your Computer System.

21.1.4 You shall make, from time to time, such upgrades and other changes to the Computer System and Required Software as we may request in writing (collectively, "Computer Upgrades").

21.1.5 You shall comply with all specifications issued by us with respect to the Computer System and the Required Software, and with respect to Computer Upgrades. You shall also afford us unimpeded access to your Computer System and Required Software as we may request, in the manner, form, and at the times requested by us.

21.1.6 In addition to the requirements of Section 4.4, you shall pay all fees, whether to us or to third party vendor(s), and expenses for technology required by this Agreement for operation of the Franchised Business, including but not limited to, all costs related to the Computer System, Required Software, and Computer Upgrades, digital menu displays, internet access, license fees, help desk fees, and licensing or user-based fees.

21.2 Data

We may, from time-to-time, specify in the Manual or otherwise in writing the information that you shall collect and maintain on the Computer System installed at the Restaurant, and you shall provide to us such reports as we may reasonably request from the data so collected and maintained. All data pertaining to the Restaurant, and all data created or collected by you in connection with the System, or in connection with your operation of the Restaurant (including without limitation data pertaining to or otherwise concerning the Restaurant's customers) or otherwise provided by you (including, without limitation, data uploaded to, or downloaded from your Computer System) is and will be owned exclusively by us, and we will have the right to use such data in any manner that we deem appropriate without compensation to you. Copies and/or originals of such data must be provided to us upon our request. We hereby license use of such data back to you for the term of this Agreement, at no additional cost, solely for your use in connection with the business franchised under this Agreement.

21.3 Privacy

You shall abide by all applicable laws pertaining to privacy of information collected or maintained regarding customers or other individuals ("Privacy"), and shall comply with our standards and policies pertaining to Privacy. If there is a conflict between our standards and policies pertaining to Privacy and applicable law, you shall: (a) comply with the requirements of applicable law; (b) immediately give us written notice of said conflict; and (c) promptly and fully cooperate with us and our counsel as we may request to assist us in our determination regarding the most effective way, if any, to meet our standards and policies pertaining to Privacy within the bounds of applicable law.

21.4 Telecommunications

You shall comply with our requirements (as set forth in the Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between your Computer System and our Intranet (as defined below), if any, and/or such other computer systems as we may reasonably require.

21.5 Intranet

We may establish a website providing private and secure communications between us, you, franchisees, licensees and other persons and entities as determined by us, in our sole discretion (an "Intranet"). You shall comply with our requirements (as set forth in the Manual or otherwise in writing) with respect to connecting to the Intranet, and utilizing the Intranet in connection with the operation of the Restaurant. The Intranet may include, without limitation, the Manual, training and other assistance materials, and management reporting solutions (both upstream and downstream, as we may direct). You shall purchase and maintain such computer software and hardware as may be required to connect to and utilize the Intranet.

21.6 On-line Use of Proprietary Marks

You shall not use the Proprietary Marks or any abbreviation or other name associated with us and/or the System as part of any email address, domain name, and/or other identification of you in any electronic medium. You agree not to transmit or cause any other party to transmit advertisements or solicitations by email or other electronic media without our prior written consent as to your plan for transmitting such advertisements.

21.7 No Outsourcing Without Prior Written Consent

You shall not hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, or any other of your obligations without our prior written approval therefor, unless we have designated an approved supplier to provide such services. Our consideration of any proposed outsourcing vendor(s) may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with us and you in a form that is reasonably provided by us.

21.8 Changes to Technology

You and we acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree that you shall abide by those reasonable new standards established by us as if this Article 21 were periodically revised by us for that purpose. You acknowledge and understand that this Agreement does not place any limitations on either our right to require you to obtain Computer Upgrades or the cost of such Computer Upgrades.

ARTICLE 22
YOUR REPRESENTATIONS AND ACKNOWLEDGMENTS

22.1 Your Representations

You represent and warrant to us, with the intention that we are relying thereon in entering into this Agreement, that:

22.1.1 If you are a corporation, limited liability company, general partnership, partnership, or limited partnership, then you are organized under the laws of the state of your principal place of business (or another state which you have identified to us) and are in good standing with and qualified to do business in each state and political/governmental subdivision having jurisdiction over the Restaurant.

22.1.2 If you are a corporation, limited liability company, general partnership, partnership, or limited partnership, you have all corporate power and authority to execute, deliver, consummate and perform this Agreement, and it will be binding upon you and your successors and assigns when executed.

22.1.3 You do not have any material liabilities, adverse claims, commitments, or obligations of any nature as of the date of execution of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise which are not reflected as liabilities on the balance sheets of your current financial statements, which you have furnished to us before the execution of this Agreement.

22.1.4 As of the date of execution of this Agreement, there are no actions, suits, proceedings or investigations pending or, to your knowledge or the knowledge any of your officers, directors, principal shareholders, proprietors, partners or principals (as applicable) after due inquiry,

threatened, in any court or arbitral forum, or before any governmental agency or instrumentality, nor to the best of your knowledge or the knowledge of any such persons or entities (after due inquiry) is there any basis for any claim, action, suit, proceeding or investigation which affects or could affect, directly or indirectly, any of your assets, properties, rights or business; your right to operate and use your assets, properties or rights to carry on your business; and/or which affects or could affect your right to assume and carry out in all respects the duties, obligations and responsibilities specified in this Agreement.

22.1.5 Neither you nor any of your Principals is a party to any contract, agreement, covenant not to compete or other restriction of any type which may conflict with, or be breached by, the execution, delivery, consummation and/or performance of this Agreement.

22.1.6 All of your representations and warranties contained in this Agreement are complete, correct and accurate as of the date of execution of this Agreement and will survive any termination or expiration of this Agreement.

[Signatures appear on the next page]

Each of the parties hereto has caused this Agreement to be executed by its duly authorized representative as of the date first above written.

FRANCHISOR:

PAISANO'S FRANCHISE SYSTEM, INC.

By:_____

_____,_____
(Print Name, Title)

FRANCHISEE:

_____

By:_____

_____,_____
(Print Name, Title)

PRINCIPAL:

_____

_____
(Print Name)

PRINCIPAL:

_____

_____

ATTACHMENT 1

Service Marks –

Paisano’s Pizza Kitchen

PAISANO’S PIZZA

Paisanos Pasta

Paisano’s

ATTACHMENT 2

TERRITORY DESCRIPTION AND FRANCHISED BUSINESS LOCATION

(If there is no Approved Location on the Effective Date, insert: **TERRITORY AND ADDRESS TO BE DETERMINED AND INSERTED AFTER A PAISANO'S PIZZA KITCHEN PREMISES IS IDENTIFIED BY FRANCHISEE AND APPROVED BY FRANCHISOR, IN ACCORDANCE WITH SECTION 2.2 OF THE FRANCHISE AGREEMENT, IN THE SITE SEACH AREA OF _____)

Territory (insert map and/or define by zip codes):

_____

_____

_____

_____

Franchised Business Address:

_____

_____

ATTACHMENT 3

GENERAL RELEASE

_____ ("Franchisee") and its principal(s):

_____

_____

_____

_____

(a) Franchisee and Franchisee's Principal(s) do, for themselves and their successors and assigns, hereby release and forever discharge generally Franchisor and any affiliate, wholly owned or controlled limited liability company, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, agent, executor, administrator, estate, trustee or heir of any of them (the "Released Franchisor Party"), 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 Franchisee or Franchisee's Principal(s) may now have, or may hereafter claim to have or to have acquired 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 antitrust statutes, rules or regulations, in any way arising out of or connected with the Franchise Agreement or this General Release, 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 any Released Franchisor Party, 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 General Release. In the event Franchisee or Franchisee's Principal(s) breaches any of the promises, covenants, or undertakings made herein by any act or omission, Franchisee and Franchisee's Principal(s) shall pay, by way of indemnification, all costs and expenses of any Released Franchisor Party caused by the act or omission, including reasonable attorneys' fees and costs.

(b) Franchisee and Franchisee's Principal(s) represent and warrant that no portion of any claim, right, demand, obligation, debt, guarantee, or cause of action released hereby has been assigned or transferred by Franchisee or Franchisee's Principal(s) 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 Franchisor Party because of any such purported assignment, transfer or subrogation, Franchisee and Franchisee's Principal(s) agree to indemnify and hold such Released Franchisor 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.

(c) THIS RELEASE IS A GENERAL RELEASE AND THE PARTIES INTEND AND AGREE THAT IT SHALL BE INTERPRETED, CONSTRUED AND ENFORCED AS SUCH.

(d) Franchisee and Franchisee's Principal(s) acknowledge, warrant, and represent that no promises, representations, or inducements, except as set forth in this General Release, have been offered or made by any Franchisor Released Party to secure the execution of this General Release, and that this General Release is executed without reliance on any statements or any representations not contained herein. Franchisee and Franchisee's Principal(s) knowingly waive (1) any claim that this General Release was induced by any misrepresentation or nondisclosure, and (2) any right to rescind or avoid this General Release based upon presently existing facts, known or unknown.

FRANCHISEE AND FRANCHISEE'S PRINCIPAL(S) ON BEHALF OF THEMSELVES AND THE FRANCHISEE RELEASORS WAIVE ANY RIGHTS AND BENEFITS CONFERRED BY ANY APPLICABLE PROVISION OF LAW EXISTING UNDER ANY FEDERAL, STATE OR POLITICAL SUBDIVISION THEREOF

WHICH WOULD INVALIDATE ALL OR ANY PORTION OF THE RELEASE CONTAINED HEREIN BECAUSE SUCH RELEASE MAY EXTEND TO CLAIMS WHICH THE FRANCHISEE RELEASORS DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTION OF THIS AGREEMENT. Franchisee and Franchisee's Principal(s) also covenant not to bring any suit, action, or proceeding, or make any demand or claim of any type, against any Released Franchisor Party with respect to any Franchisee Released Claim, and Franchisee and Franchisee's Principal(s) shall defend, indemnify, and hold harmless each of Franchisor Releasees against same.

Executed as of _____, 20___.

FRANCHISEE:

_____

By:_____

_____,_____
(Print Name, Title)

PRINCIPAL:

_____

_____
(Print Name)

PRINCIPAL:

_____

_____
(Print Name)

ATTACHMENT 4

AUTHORIZATION AGREEMENT
AUTOMATIC DEPOSITS (ACH WITHDRAWALS)

Franchisor Name: **Paisano's Franchise System, Inc.**

I (We) hereby authorize Paisano's Franchise System, Inc., hereinafter called Franchisor, to initiate debit entries to my (our) Checking Account/Savings Account (Select One) indicated below at the depository financial institution named below, and to debit the same to such account. I (We) acknowledge that the origination of ACH transactions to my (our) account must comply with the provisions of U.S. Law, and that I will be responsible for any banking fees that my institution charges.

Financial Institution Name:_____ Branch: _____

City:_____ State:_____ Zip:_____ Phone: _____

ACH/Routing Number:_____ Account Number: _____
(Nine Digits)

This authorization is to remain in full force and effect until Franchisor has received a written replacement ACH Withdrawal Form notification from me. I (We) understand that revocation of this Authorization Agreement by me (us) may constitute an event of Default under the Franchise Agreement.

I (We) understand that the amount to be withdrawn by Franchisor will not be the same each month and I (We) therefore authorize all monetary transfers pursuant to Articles 6 and 18 of the Franchise Agreement.

Print Franchisee / Account Holder Name	Print Franchisee/Co-Account Holder Name
Franchisee/ Account Holder Signature-Date	Franchisee/Co-Account Holder Signature-Date
Daytime Phone Number	Email Address

PLEASE ATTACH A VOIDED CHECK TO THIS FORM

Please Return Form to:

Paisano's Franchise System, Inc.
4465 Brookfield Corporate Drive, Suite 202
Chantilly, Virginia 20151

ATTACHMENT 5

CONDITIONAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned _____ ("Assignor") hereby assigns and transfers to Paisano's Franchise System, Inc., District of Columbia limited liability company with a notice address of 4465 Brookfield Corporate Drive, Suite 202 Chantilly, Virginia 20151 ("Assignee"), all of Assignor's right, title and interest as tenant in, to and under that certain lease, a copy of which shall be attached hereto (the "Lease") respecting premises commonly known as _____ _____. This Assignment is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee takes possession of the premises demised by the Lease pursuant to the terms hereof and assumes the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that Assignor has full power and authority to so assign the Lease and Assignor's interest therein and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of Assignor's interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under the franchise agreement for a Paisano's Pizza Kitchen outlet between Assignee and Assignor (the "Franchise Agreement"), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the Premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment, or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days prior to the last day that the option must be exercised, unless Assignee otherwise agrees in writing. If Assignee does not otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Assignor for the purpose of effecting such extension or renewal.

ASSIGNOR:

DATED: _____ By: _____

_____, _____
(Print Name, Title)

DATED: _____ _____

DATED: _____ _____

CONSENT AND AGREEMENT OF LANDLORD

to that Conditional Assignment of Lease from _____ (Assignor) to Paisano's Franchise System, Inc. (Assignee) dated _____ for the property known as _____ _____.

The undersigned Landlord under the aforedescribed Lease further hereby:

(a) Agrees to notify Assignee in writing of and upon the failure of Assignor to cure any default by Assignor under the Lease;

(b) Agrees that Assignee shall have the right, but shall not be obligated, to cure any default by Assignor under the Lease within 30 days after delivery by Landlord of notice thereof in accordance with paragraph (a) above;

(c) Consents to the foregoing Conditional Assignment and agrees that if Assignee takes possession of the Premises demised by the Lease and confirms to Landlord the assumption of the Lease by Assignee as tenant thereunder, Landlord shall recognize Assignee as tenant under the Lease, provided that Assignee cures within the 30-day period the non-monetary defaults, if any, of Assignor under the Lease;

(d) Agrees that Assignee may further assign the Lease to a person, firm or corporation who shall agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Landlord and upon such assignment Assignee shall have no further liability or obligation under the Lease as assignee, tenant or otherwise.

(e) Permits Assignee to enter upon the Premises without being guilty of trespass or any other crime or tort to de-identify the Premises as a Paisano's Pizza Kitchen outlet if Tenant fails to do so following termination of the Franchise Agreement or Lease, provided that Assignee shall repair any damage caused thereby.

DATED: _____ LANDLORD:

_____

_____

ATTACHMENT 6

STATEMENT OF OWNERSHIP INTERESTS IN FRANCHISEE/ENTITY

Name	Percentage of Ownership

ATTACHMENT 7

GUARANTY

This Guaranty and Covenant (this "Guaranty") is given by the undersigned ("Guarantor") on _____ _____ to Paisano's Franchise System, Inc. a Virginia corporation ("Franchisor"), in order to induce Franchisor to enter into that certain Franchise Agreement dated of even date herewith (the "Franchisee Agreement") with _____, a(n) _____, _____ and _____ (collectively "Franchisee").

Guarantor acknowledges that Guarantor is the spouse of Franchisee's Principal, as that term is used in the Franchise Agreement.

Guarantor acknowledges that Guarantor has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Guaranty are in partial consideration for, and a condition to the granting of, the rights granted in the Franchise Agreement to Franchisee, and that Franchisor would not have granted these rights without the execution of this Guaranty by Guarantor.

Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the monetary obligations and non-competition covenants and agreements of the Franchisee as set forth in the Franchise Agreement, including but not limited to, the covenants set forth in Sections 19.2, 19.5, 19.6, 19.8 and 19.9 of the Franchise Agreement ("Guaranteed Obligations"). Guarantor shall perform and/or make punctual payment to Franchisor of the Guaranteed Obligations in accordance with the terms of the Franchise Agreement or other applicable document forthwith upon demand by Franchisor.

This Guaranty is an absolute and unconditional continuing guaranty of payment and performance of the Guaranteed Obligations. This Guaranty shall not be discharged by renewal of any claims guaranteed by this instrument, change in ownership or control of the Franchisee entity, transfer of the Franchise Agreement, the suffering of any indulgence to any debtor, extension of time of payment thereof, nor the discharge of Franchisee by bankruptcy, operation of law or otherwise. Presentment, demand, protest, notice of protest and dishonor, notice of default or nonpayment and diligence in collecting any obligation under any agreement between Franchisee and Franchisor are each and all waived by Guarantor and/or acknowledged as inapplicable. Guarantor waives notice of amendment of any agreement between Franchisee and Franchisor and notice of demand for payment by Franchisee. Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Franchisee and Franchisor.

Franchisor may pursue its rights against Guarantor without first exhausting its remedies against Franchisee and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy.

If other guarantors have guaranteed any and or all of the Guaranteed Obligations, their liability shall be joint and several to that of Guarantor.

Until all of the Guaranteed Obligations have been paid in full and/or performed in full, Guarantor shall not have any right of subrogation, unless expressly given to Guarantor in writing by Franchisor.

All Franchisor's rights, powers and remedies hereunder and under any other agreement now or at any time hereafter in force between Franchisor and Guarantor shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Franchisor by law.

Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions nevertheless shall remain effective.

This Guaranty shall extend to and inure to the benefit of Franchisor and its successors and assigns and shall be binding on Guarantor and its successors and assigns.

Guarantor has signed this Guaranty as of the date set forth above.

GUARANTOR - SPOUSE OF FRANCHISEE'S PRINCIPAL:

_____
Print Name:_____
Address: _____
_____

ATTACHMENT 8

CONFIDENTIALITY AND NON-COMPETE AGREEMENT

This Confidentiality and Non-Compete Agreement (the "Agreement") is made and entered into this _____, by _____ _____, a(n) _____ _____ ("Franchisee"), a franchisee of Paisano's Franchise System, Inc., Virginia corporation ("Franchisor"), and _____, an individual ("Covenantor") in connection with an Franchise Agreement dated.

WHEREAS, Franchisee and Franchisor are parties to a franchise agreement dated _____ _____ (the "Franchise Agreement"), whereby Franchisor has granted Franchisee the right to use certain trademarks, including, the registered trademark "Paisano's Pizza Kitchen" and design mark, and certain proprietary products, services, promotions and methods (the "System") for the establishment and operation of Franchised Business outlets;

WHEREAS, in connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the confidential information, knowledge, know-how, techniques, contents of the Paisano's Pizza Kitchen operations manual and other materials used in or related to the System and/or concerning the methods of operation of the System (collectively referred to as "Confidential Information");

WHEREAS, the Confidential Information provides economic advantages to Franchisor and licensed users of the System, including Franchisee;

WHEREAS, Franchisee has acknowledged the importance of restricting the use, access and dissemination of the Confidential Information, and Franchisee therefore has agreed to obtain from Covenantor a written agreement protecting the Confidential Information and further protecting the System against unfair competition; and

WHEREAS, Covenantor acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

1. Confidentiality Agreement.

a. Covenantor shall, at all times, maintain the confidentiality of the Confidential Information and shall use such Confidential Information only in the course of his or her employment by or association with Franchisee in connection with the operation of a Franchised Business under the Franchise Agreement.

b. Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor's express written permission.

c. Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except, and only then to the limited extent necessary, to those employees of Franchisee for training and assisting such employees in the operation of the Franchised Business.

d. Covenantor shall surrender any material containing some or all of the Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment or association with Franchisee.

e. Covenantor shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the System.

f. Covenantor agrees that no Confidential Information may be reproduced, in whole or in part, without written consent.

2. Covenants Not to Compete.

a. In order to protect the goodwill and unique qualities of the System, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants that during Covenantor's employment or association with Franchisee, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity:

(i) divert, or attempt to divert, any business or customer of the Paisano's Pizza Kitchen outlet or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise,

(ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any restaurant or eatery business substantially similar to the System.

b. In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the goodwill and unique qualities of the System, Covenantor further agrees and covenants that, upon the termination of Covenantor's employment or association with Franchisee and continuing for twenty-four (24) months thereafter, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity:

(i) divert, or attempt to divert, any business or customer of the Franchised Business or of other franchisees in the Paisano's Pizza Kitchen System to any competitor, by direct or indirect inducement or otherwise,

(ii) participate as an owner, partner, director, officer, employee, or consultant or serve in any other managerial, operational or supervisory capacity in any substantially similar restaurant or eatery business within the within twenty-five (25) miles of Franchisee's Territory or any Paisano's Pizza Kitchen location, or

c. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor.

d. If the period of time or the geographic scope specified Section 2.b. above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable. In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement or any portion thereof, without Covenantor's or Franchisee's consent, effective immediately upon receipt by Covenantor of written notice thereof, and Covenantor agrees to forthwith comply with any covenant as so modified.

3. General.

a. Franchisee shall take full responsibility for ensuring that Covenantor acts as required by this Agreement.

b. Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisee is obligated to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies that are made available to it at law or in equity, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

c. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Franchisee in enforcing this Agreement.

d. Any failure Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

e. THIS AGREEMENT SHALL BE INTERPRETED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE THE FRANCHISED BUSINESS IS LOCATED. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF OR HERSELF TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS OF THE SUCH STATE. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON COVENANTOR IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY SUCH STATE OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE IN THE STATE WHERE THERE FRANCHISED BUSINESS IS LOCATED; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION THAT INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE THAT HAS JURISDICTION.

f. The parties agree that each of the foregoing covenants contained herein shall be construed as independent of any other covenant or provision of this Agreement.

g. Covenantor acknowledges and agrees that each of the covenants contained herein will not impose any undue hardship on Covenantor since Covenantor has other considerable skills, experience and education which affords Covenantor the opportunity to derive income from other endeavors.

h. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

i. All notices and demands required to be given hereunder shall be in writing, and shall be delivered personally or by certified or registered mail, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or the date delivery is refused. All such notices shall be addressed to the party to be notified at the following addresses:

If directed to Franchisee:

_____
_____

If directed to Covenantor:

_____
_____

Any change in the foregoing addresses shall be effected by giving written notice of such change to the other parties.

j. Franchisor is an intended third-party beneficiary of this Agreement, and Franchisor may take whatever action it deems necessary to enforce Covenantor's obligations hereunder. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successors and assigns.

k. The respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor, without the prior written consent of Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Confidentiality and Non-Compete Agreement as witnessed by their signatures below.

FRANCHISEE:

_____

By: _____
Name: _____
Title: _____

COVENANTOR:

_____

Name: _____

ATTACHMENT 9

SBA ADDENDUM

THIS ADDENDUM ("Addendum") is made and entered into on _____, 20____ by Paisano's Franchise System, Inc., a Virginia corporation headquartered at 4465 Brookfield Corporate Drive, Suite 202, Chantilly, Virginia 20151 ("Franchisor") and _____, with a principal address at _____ ("Franchisee").

Recitals. Franchisor and Franchisee entered into a Franchise Agreement on _____, 20__, (the "Franchise Agreement"). The Franchisee agreed among other things to operate and maintain a franchise located at _____ designated by Franchisor as Unit #_____ ("Unit"). Franchisee has obtained from a lender a loan ("Loan") in which funding is provided with the assistance of the United States Small Business Administration ("SBA"). SBA requires the execution of this Addendum as a condition for obtaining the SBA assisted financing.

NOW, THEREFORE, in consideration of the mutual promises below, and for good and valuable considerations in hand paid by each of the parties to the others, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows:

1. The Franchise Agreement is in full force and effect, and Franchisor has sent no official notice of default to Franchisee under the Franchise Agreement that remains uncured on the date hereof.

2. If the Franchisor must operate the business under Section 14.6 or 19.23 of the Franchise Agreement, Franchisor will operate the business for ninety (90) days, and the Franchisor will periodically discuss the status with the Franchisee or its heirs.

3. If the Franchisee becomes disabled under Section 14.5 of the Franchise Agreement and the parties are unable to agree as to whether the Franchisee is permanently disabled, the disability shall be determined by three (3) physicians chosen in the following manner: Franchisee shall select one (1) and the Franchisor shall select one (1), and the two (2) physicians so chosen shall select a third physician. The decision of the majority of the physicians so chosen shall be conclusive.

4. This Addendum automatically terminates on the earliest to occur of the following: (i) a Termination occurs under the Franchise Agreement; (ii) the Loan is paid; or (iii) SBA no longer has any interest in the Loan.

5. Section 14.4.1(b) of the Franchise Agreement shall not apply to Franchisee for as long as this Addendum is effective.

6. Section 18.12.2 of the Franchise Agreement shall be amended to reflect that, for so long as this Addendum is effective, Franchisee shall not be required to sell real property related to the franchise to the Franchisor, which sale shall be at Franchisee's option.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative as of the date first above written.

FRANCHISOR:
PAISANO'S FRANCHISE SYSTEM, INC.
a Virginia corporation

By:_____
Name:_____
Title:_____
Date:_____

FRANCHISEE:
_____

By:_____
Name:_____
Title:_____
Date:_____

ATTACHMENT 10

INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE LISTING AGREEMENT

THIS INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE LISTING AGREEMENT (the "Agreement") is made and entered into this day of _____ (the "Effective Date"), by and between Paisano's Franchise System, Inc., a Virginia Corporation with its principal place of business at 4465 Brookfield Corporate Drive, Suite 202 Chantilly, Virginia 20151(the "Franchisor"), and _____, a(n) _____, with its principal place of business located at_____ and _____ _____'s principal(s), _____, an individual, residing at _____ _____, and _____, an individual, residing at _____ _____ ("Principal(s)"). _____ and Principal(s) shall be collectively referred to in this Agreement as the "Franchisee".

WHEREAS, Franchisee desires to enter into a franchise agreement with Franchisor for an Paisano's Pizza Kitchen business ("Franchise Agreement") which will allow Franchisee to conduct internet-based advertising, maintain social media accounts, use software, and use telephone listings linked to the Paisano's Pizza Kitchen brand.

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee's agreement to enter into, comply with, and be bound by all the terms and provisions of this Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Definitions**

All terms used but not otherwise defined in this Agreement shall have the meanings set forth in the Franchise Agreement. "Termination" of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. **Internet Advertising and Telephone Listings**

2.1 Interest in Web Sites, Social Media Accounts, Other Electronic Listings and Software. Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of Franchise Agreement, certain right, title, or interest in and to certain domain names, social media accounts, hypertext markup language, uniform resource locator addresses, access to corresponding internet web sites, the right to hyperlink to certain web sites and listings on various internet search engines, and the right to use certain software (collectively, "Electronic Advertising and Software") related to the Franchised Business or the Marks.

2.2 Interest in Telephone Numbers and Listings. Franchisee has or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, internet page, and other telephone directory listings (collectively, the "Telephone Listings") related to the Franchised Business or the Marks.

2.3 Transfer. On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately:

2.3.1 direct all internet service providers, domain name registries, internet search engines, other listing agencies and software companies (collectively, the "Internet and Software Companies") with which Franchisee has Electronic Advertising and Software: (i) to transfer all of Franchisee's interest in such Electronic Advertising and Software to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Electronic Advertising and Software, Franchisee will immediately direct the Internet and Software Companies to terminate such Electronic Advertising and Software or will take such other actions with respect to the Electronic Advertising and Software as Franchisor directs; and

2.3.2 direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the "Telephone Companies") with which Franchisee has Telephone Listings: (i) to transfer all Franchisee's interest in such Telephone Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Listings or will take such other actions with respect to the Telephone Listings as Franchisor directs.

2.4 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under the Franchise Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.4.1 Direct the Internet and Software Companies to transfer all Franchisee's interest in and to the Electronic Advertising and Software to Franchisor, or alternatively, to direct the Internet and Software Companies to terminate any or all of the Electronic Advertising and Software;

2.4.2 Direct the Telephone Companies to transfer all Franchisee's interest in and to the Telephone Listings to Franchisor, or alternatively, to direct the Telephone Companies to terminate any or all of the Telephone Listings; and

2.4.3 Execute such standard assignment forms or other documents as the Internet and Software Companies and/or Telephone Companies may require in order to affect such transfers or terminations of Franchisee's interest.

2.5 Certification of Termination. Franchisee hereby directs the Internet and Software Companies and Telephone Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.6 Cessation of Obligations. After the Internet and Software Companies and the Telephone Companies have duly transferred all Franchisee's interests as described in paragraph 2.3 above to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations with respect to the particular Electronic Advertising and Software and/or Telephone Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet and Software Companies and Telephone Companies for the respective sums Franchisee is obligated to pay to them for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such interests, or for any other obligations not subject to the Franchise Agreement or this Agreement.

3. **Miscellaneous**

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet and Software Companies and/or Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertible in, or in any way related to this Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, debts, claims, demands, or obligations that are related to or are based on this Agreement.

3.3 No Duty. The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's interest in any matter hereunder.

3.4 Further Assurances. Franchisee agrees that at any time after the date of this Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein.

3.7 Survival. This Agreement shall survive the Termination of the Franchise Agreement.

3.8 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Virginia, without regard to the application of Virginia conflict of law rules.

The undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISOR:

Paisano's Franchise System, Inc.

By:_____

_____, _____
(Print Name, Title)

FRANCHISEE:

_____

By:_____

_____,_____
(Print Name, Title)

PRINCIPAL:

_____

_____
(Print Name)

PRINCIPAL:

_____

_____
(Print Name)

EXHIBIT C

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:

1 Certification by Multi-Unit Developer
2 Minimum Performance Schedule
3 Development Area
4 Existing Restaurants in Development Area

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: DEVELOPMENT FEE

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: SCHEDULE AND MANNER FOR EXERCISING DEVELOPMENT RIGHTS

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: COVENANTS

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

Agreement, except as otherwise approved in writing by us, you shall not, either directly or indirectly, for 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: 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

DO NOT SIGN THIS CERTIFICATION IF YOU ARE A RESIDENT OF MARYLAND OR THE FRANCHISE IS TO BE OPERATED IN MARYLAND

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		$30,000	$ -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

By:_____
Name:_____
Title:_____

PAISANO'S FRANCHISE SYSTEM, INC.

By:_____
Name:_____
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 D

FINANCIAL STATEMENTS

PAISANO'S FRANCHISE SYSTEM, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2023

PAISANO'S FRANCHISE SYSTEM, INC.
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MUHAMMAD ZUBAIRY, CPA PC

Certified Public Accountant
646.327.7013

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, 2023, and 2022, 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, 2023, and 2022. 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.

Muhammad Zubairy, CPA PC
Westbury, NY
February 5, 2024

PAISANO'S FRANCHISE SYSTEM, INC.
BALANCE SHEETS

	YEARS ENDED DECEMBER 31	
	2023	2022
ASSETS		
Current Assets		
Cash	$ 3,268,431	$ 3,040,815
Accounts receivable	74,156	60,682
Prepaid expenses	114,703	205,366
Due from related party	415,631	265,356
Total current assets	3,872,921	3,572,219
Total Assets	$ 3,872,921	$ 3,572,219
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$ 212,718	$ 129,986
Gift card liability	70,755	86,192
Contract Liability	31,500	31,500
Total Current Liabilities	314,973	247,678
Contract Liability, net of current	239,856	336,270
Shareholders' Equity	3,318,092	2,988,271
Total Liabilities and Shareholders' Equity	$ 3,872,921	$ 3,572,219

See notes to financial statements

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

	YEARS ENDED DECEMBER 31	
	2023	2022
Revenues		
Royalties	$ 1,771,150	$ 1,631,283
Franchise fees	78,289	31,500
Marketing fees	843,130	817,252
Other	48,416	6,384
	2,740,985	2,486,419
Selling, general and administrative expenses	2,169,564	1,628,773
Net Income	571,421	857,646
Shareholders' Equity - Beginning	2,988,271	2,302,225
Shareholders' (Distribution)	(241,600)	(171,600)
Shareholders' Equity - Ending	$ 3,318,092	$ 2,988,271

See notes to financial statements

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

	YEARS ENDED DECEMBER 31	
	2023	2022
Cash Flows from Operating Activities:		
Net Income	$ 571,421	$ 857,646
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in assets and liabilities		
Accounts receivable	(13,474)	10,406
Prepaid expenses	90,663	(159,784)
Due from related party	(150,275)	468,853
Accounts payable and accrued expenses	82,732	(47,657)
Gift card liability	(15,437)	9,936
Related party payable	—	(18,539)
Contract Liabilities	(96,414)	(3,376)
	469,216	1,117,485
Cash Flow from Investing Activities		
Shareholders' distributions	(241,600)	(171,600)
Net Increase in Cash	227,616	945,885
Cash - Beginning of Year	3,040,815	2,094,930
Cash - End of Year	$ 3,268,431	$ 3,040,815

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 $2,910,363 as of December 31, 2023. 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, 2023, and 2022, were $1,087,620 and $582,287 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 **3.**

3. REVENUE RECOGNITION (cont'd)

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. CONTRACT LIABILITY

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, 2023, and 2022, were $271,356 and $308,146, respectively.

5. DEFERRED DEVELOPMENT FEES

In compliance with the Financial Accounting Standards Board ("FASB") new accounting standards for revenue recognition ("Topic 606"), the Company records its non-refundable development area fees, net of amounts earned based on development of the restaurants, as deferred revenues, to be recognized as stated in the development agreement. The non-refundable development fees received but not yet earned as of December 31, 2023, and 2022, were $0 and $28,124, respectively

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, 2023, and 2022 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, 2023 and 2022, the balances due the Company were $415,631 and $265,356, 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, 2023, and 2022 were $843,130 and $817,252, respectively. Advertising expenditures for the years ending December 31, 2023 and 2022 were $1,087,620 and $582,287, respectively.

9. 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 nonrecognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events were evaluated though February 5, 2024, the at which the financial statements were available to be issued.

PAISANO'S FRANCHISE SYSTEM, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2022

PAISANO'S FRANCHISE SYSTEM, INC.
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MONIS J. SIDDIQUI, CPA P.C.

Certified Public Accountant
917.309.5670

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, 2022, and 2021, 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, 2022, and 2021. 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.

Monis Siddiqui, CPA P.C.

Monis Siddiquic CPA
Bellerose, NY
February 17, 2023

PAISANO'S FRANCHISE SYSTEM, INC.
BALANCE SHEETS

ASSETS

	DECEMBER 31	
	2022	2021
Current Assets		
Cash	$ 3,040,815	$ 2,094,930
Accounts receivable	60,682	71,088
Prepaid expenses	205,366	45,582
Due from related party	265,356	734,209
Total current assets	3,572,219	2,945,809
Total Assets	$ 3,572,219	$ 2,945,809

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities		
Accounts payable and accrued expenses	$ 129,986	$ 177,643
Gift card liability	86,192	76,256
Related party payable	-	18,539
Deferred revenue	31,500	31,500
Total Current Liabilities	247,678	303,938
Non-Current Liabilities		
Deferred revenue, net of current	336,270	339,646
Total Non-Current Liabilities	336,270	339,646
Shareholders' Equity	2,988,271	2,302,225
Total Liabilities and Shareholders' Equity	$ 3,572,219	$ 2,945,809

See notes to financial statements

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

	YEARS ENDED DECEMBER 31	
	2022	2021
Revenues		
Royalties	$ 1,631,283	$ 1,554,888
Franchise fees	31,500	54,625
Marketing fees	817,252	736,609
Other	6,384	224
	2,486,419	2,346,346
Selling, general and administrative expenses	1,628,773	1,434,099
Operating Income	857,646	912,247
Gain on Sale of Equipment	-	24,588
Net Income	857,646	936,835
Shareholders' Equity - Beginning	2,302,225	1,586,990
Shareholders' (Distribution)	(171,600)	(221,600)
Shareholders' Equity - Ending	$ 2,988,271	$ 2,302,225

See notes to financial statements

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

	YEARS ENDED DECEMBER 31	
	2022	2021
Cash Flows from Operating Activities:		
Net Income	$ 857,646	$ 936,835
Depreciation	-	23,410
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in assets and liabilities		
Accounts receivable	10,406	(1,885)
Prepaid expenses	(159,784)	(33,770)
Due from related party	468,853	(503,424)
Accounts payable and accrued expenses	(47,657)	159,031
Gift card liability	9,936	61,493
Related party payable	(18,539)	18,539
Deferred revenue	(3,376)	(54,624)
	1,117,485	605,605
Cash Flows from Financing Activities		
Financing principal payments	-	(71,028)
Fixed asset sales	-	104,413
	-	33,385
Cash Flow from Investing Activities		
Shareholders' distributions	(171,600)	(221,600)
Net Increase in Cash	945,885	417,390
Cash - Beginning of Year	2,094,930	1,677,540
Cash - End of Year	$ 3,040,815	$ 2,094,930
Interest Expense	-	1,753

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 $1,698,672 as of December 31, 2022. 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, 2022, and 2021, were $582,287 and $648,206 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, 2022, and 2021, were $308,146 and $371,146, respectively.

5. DEFERRED DEVELOPMENT FEES

In compliance with the Financial Accounting Standards Board ("FASB") new accounting standards for revenue recognition ("Topic 606"), the Company records its non-refundable development area fees, net of amounts earned based on development of the restaurants, as deferred revenues, to be recognized as stated in the development agreement. The non-refundable development fees received but not yet earned as of December 31, 2022, and 2021, were $28,124 and $0, respectively.

6. 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. There were no outstanding loans for year ending December 31, 2022

7. 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, 2022, and 2021was $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, 2022 and 2021, the balances due the Company were $265,356 and $734,209, 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, 2022, and 2021 the balance due to a related party was $0 and $18,539, respectively.

8. 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, 2022, and 2021 were $817,252 and $736,609, respectively. Advertising expenditures for the years ending December 31, 2022 and 2021 were $582,287 and $804,018, respectively.

9. 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 February 17, 2023, the at which the financial statements were available to be issued.

These Financial Statements Have Been Prepared without an Audit. Prospective Franchisees or Sellers of Franchises Should be Advised that No Independent Certified Public Accountant Has Audited These Figures or Expressed an Opinion with Regard to their Content or Form.

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

		5/31/2024
Cureent Assets		
	Cash	$3,407,177.73
	Accounts Receivable	$ -
	Prepaid Expenses	$ 259,726.38
	Other	$ 470,578.30
	Total Current Assets	$4,137,482.41
	Fixed assets, net of Acc Dep	$ -
	Deferred Commissions	$ -
Total Assets		$4,137,482.41
Liabilities and Shareholders Equity		
Current Liabilities		
	Accounts Payable	$ 49,270.17
	Other	$ 170,229.77
Total Current Liabilities		$ 219,499.94
Noncurrent Liabilities		
	Deferred Revenue	$ 254,856.17
	Loans Payable	$ -
Total Noncurrent Liabilities		$ 254,856.17
Total Liabilities		$ 474,356.11
Total Shareholders Equity		
	Common Stock	$ 150,000.00
	Retained Earnings	$3,168,250.35
	Distributions	$ (66,000.00)
	Net Income	$ 410,875.95
Total Shareholders Equity		$3,663,126.30
Total Liabilities and Shareholders Equity		$4,137,482.41

EXHIBIT E

OPERATIONS MANUAL TABLE OF CONTENTS

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Total number of pages - 150

EXHIBIT F

FRANCHISED OUTLETS AS OF DECEMBER 31, 2023

Franchisee Name, Address, Phone	Franchisee Name, Address, Phone
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
Wali Temple Hills 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 Sonny Irmandra 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	Marimar, LLC Mario Yanes 1533 S Pleasant Valley Road #3G Winchester, VA 22601 540-542-1600 Opened in December 2017
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 Circle 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
Wali Vienna LLC Neil Shah and Rizwan Bhopal 312 Maple Ave W Vienna, VA 22180 703-281-7800	
WASHINGTON, DC	

Franchisee Name, Address, Phone	Franchisee Name, Address, Phone
Wali Georgetown LLC† 1815 Wisconsin Ave, NW Washington, DC 20007 202-298-6800 Opened August 2016 Note: Multi-Unit Operator	

† Indicates Multi-Unit Developer

FRANCHISEES WITH FRANCHISE AGREEMENT SIGNED FOR RESTAURANT NOT YET OPENED AS OF 12/31/2023:

None.

FRANCHISEES AND MULTI-UNIT DEVELOPERS WHO HAVE LEFT THE SYSTEM

(As of December 31, 2023)

Extra Cheese LLC 1533 S Pleasant Valley Road #3G Winchester, VA 22601 540-542-1600 Opened in December 2017 Transferred to Mirimar LLC

EXHIBIT G

DO NOT SIGN THIS ACKNOWLEDGEMENT IF YOU ARE A RESIDENT OF MARYLAND OR THE FRANCHISE IS TO BE OPERATED IN MARYLAND

PAISANO'S FRANCHISE SYSTEM, INC ACKNOWLEDGEMENT STATEMENT

Acknowledgement of the truthfulness of the statements below are an inducement for the Franchisor to enter into a Franchise Agreement (or Multi-Unit Development Agreement). Notify Franchisor immediately, prior to acknowledgment, if any statement below is incomplete or incorrect.

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

1. Franchisee (or Developer) has conducted an independent investigation of all aspects relating to the financial, operational, and other aspects of the business of operating the Franchised Business. Franchisee (or Developer) further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement has been made to Franchisee (or Developer) by Franchisor and Franchisee (or Developer) and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee (or Developer) may experience as a franchisee (or developer) under this Agreement.

_____
Initial

2. Franchisee (or Developer) has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee (or Developer) and its efforts as an independent business operation.

_____
Initial

3. Franchisee (or Developer) agrees that no claims of success or failure have been made to it or him or her prior to signing the Franchise Agreement (or Multi-Unit Development Agreement) and that it/she/he understands all the terms and conditions of the Franchise Agreement (or Multi-Unit Development Agreement). Franchisee (or Developer) further acknowledges that the Franchise Agreement (or Multi-Unit Development Agreement) contains all oral and written agreements, representations, and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally.

_____
Initial

4. Franchisee (or Developer) has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents, or servants, about the business contemplated by the Franchise Agreement (or Multi-Unit Development Agreement) that are contrary to the terms of the Franchise Agreement (or Multi-Unit Development Agreement), or the documents incorporated herein.

Franchisee (or Developer) acknowledges that no representations or warranties are made or implied, except as specifically set forth in the Franchise Agreement (or Multi-Unit Development Agreement). Franchisee (or Developer) represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining the Franchise Agreement (or Multi-Unit Development Agreement).

_____
Initial

5. Franchisor expressly disclaims the making of, and Franchisee (or Developer) acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by the Franchise Agreement (or Multi-Unit Development Agreement).

_____
Initial

6. Franchisee (or Developer) acknowledges that Franchisor's approval or acceptance of Franchisee's (or Developer's) Business location does not constitute a warranty, recommendation, or endorsement of the location for the Franchised Business, nor any assurance by Franchisor that the operation of the Franchised Business at the premises will be successful or profitable.

_____
Initial

7. Franchisee (or Developer) acknowledges that it has received the Paisano's Franchise System, Inc. Franchise Disclosure Document with a complete copy of the Franchise Agreement (and Multi-Unit Development Agreement) and all related Attachments and agreements at least fourteen (14) calendar days prior to the date on which the Franchise Agreement (or Multi-Unit Development Agreement) was executed. Franchisee (or Developer) further acknowledges that Franchisee (or Developer) has read such Franchise Disclosure Document and understands its contents.

_____
Initial

8. Franchisee (or Developer) acknowledges that it has had ample opportunity to consult with its own attorneys, accountants, and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee (or Developer) with respect to the Franchise Agreement (or Multi-Unit Development Agreement) or the relationship thereby created.

_____
Initial

9. Franchisee (or Developer), together with Franchisee's (or Developer's) advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by the Franchise Agreement (or Multi-Unit Development Agreement).

_____
Initial

10. Franchisee (or Developer) is aware of the fact that other present or future franchisees (or developers) of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

_____
Initial

11. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products under the Marks licensed herein; and it is understood that Franchisor does not warrant that such products will not be sold within the Franchisee's (or Developer's) Territory by others who may have purchased such products from Franchisor.

_____
Initial

12. BY EXECUTING THE FRANCHISE AGREEMENT (OR MULTI-UNIT DEVELOPMENT AGREEMENT), FRANCHISEE (OR DEVELOPER) AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE'S (OR DEVELOPER'S) AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE PAISANO'S FRANCHISE SYSTEM, INC., CAPITAL RESTAURANT GROUP, INC., AND ANY OF THE ABOVE'S PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AND THE FOREGOING ENTITIES' DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THE FRANCHISE AGREEMENT (OR MULTI-UNIT DEVELOPMENT AGREEMENT), INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF. THIS RELEASE SHALL NOT APPLY TO ANY CLAIMS ARISING FROM REPRESENTATIONS MADE BY FRANCHISOR IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT RECEIVED BY FRANCHISEE (OR DEVELOPER).

_____
Initial

FRANCHISEE:

_____

By:_____

_____, _____
(Print Name, Title)

Date:_____

PRINCIPAL:

_____

_____
(Print Name)

Date: _____

PRINCIPAL:

_____

_____
(Print Name)

Date: _____

EXHIBIT H

STATE ADDENDA

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.
FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF MARYLAND

This will serve as the State Addendum for Paisano's Franchise Systems, Inc. for the State of Maryland for Paisano's Pizza 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 et seq.).

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.

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

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

IN 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.

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

IN 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.

[Signature Page to Follow]

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 A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS 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:

_____

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

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:

_____

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
Illinois	Pending
Maryland	Pending
New York	Pending
Virginia	July 9, 2024

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 I

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 A.

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

Fouad Qreitem
4465 Brookfield Corporate Drive
Suite 202
Chantilly, Virginia 20151
703-378-1500

Issuance Date: April 30, 2024

I received a Disclosure Document dated April 30, 2024, that included the following Exhibits:

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

Date Received: _____ DATE: _____
(If other than date signed)

Print Name: _____

Print Address: _____

City, State: _____

_____
(Signature of recipient)

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

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Date Received: _____ DATE: _____
(If other than date signed)

Print Name: _____

Print Address: _____

City, State: _____

_____
(Signature of recipient)

KEEP FOR YOUR RECORDS