FRANCHISE DISCLOSURE DOCUMENT

Pitango Gelato™

Pitango Gelato Franchise Co., LLC
A Delaware limited liability company
509 South Exeter Street, Suite 214
Baltimore, Maryland 21202
Tel.: 202-746-8656
Fax: 410-605-0161
http://www.pitangogelato.com/

You will establish and operate a Pitango Gelato™ restaurant (a "**Gelato Shop**"). Pitango Gelato is an authentic gelato and coffee shop that offers take away gelato, sorbet, espresso drinks, hot chocolate, and other beverages and sweets.

The total investment necessary to begin operation of a Pitango Gelato franchise if you purchase only one franchise is $345,500 to $542,800. This includes $30,000 that must be paid to the franchisor or 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 this 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 governmental agency has verified the information contained in this document.**

The terms of your contract will govern your franchise relationship. Do not 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, D.C. 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.

Issued: March 23, 2022

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit E.
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 B 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 Pitango Gelato business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Pitango Gelato franchisee?	Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit 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 requires you to resolve disputes with the franchisor by mediation and/or arbitration only in the State of Maryland. Out-of-state mediation and/or arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or arbitrate with the franchisor in Maryland than in your own state.

2. **Short Operating History**. The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

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Exhibits

Item 1.
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this Disclosure Document, "**we**" (including as the context may require, "**us**" or "**our**") or "**Pitango Gelato**" means Pitango Gelato Franchise Co., LLC, the Franchisor. "**You**" (including as the context may require, "**your**") means the legal entity that buys the franchise and each of that entity's individual owners.

Pitango Gelato is a Delaware limited liability company that was formed on July 9, 2018. Our principal business address is 509 South Exeter Street, Suite 214, Baltimore, Maryland 21202. We do business under the name Pitango Gelato™ and do not do business under any other name. Our agents for service of process are listed in Exhibit A of this Disclosure Document.

We have not previously offered this type of franchise. We have no other business activity and have not offered or sold franchises in any other line of business. We do not have any parents or predecessors.

Affiliates

We do not have any affiliates that have ever offered franchises in any line of business.

Noah Dan, who is the creator of the Pitango Gelato Gelato Shop and is one of our three Managers (a role similar to a Director), owns the following companies that provide goods to our franchisees or owns intellectual property material to this franchise:

Pitango Gelato LLC, which maintains its principal business address at 8813 Hidden Hills Lane, Potomac, Maryland 20854, is the sole and exclusive supplier of gelato, sorbets, branded paper products, and certain other food products and beverages sold to or used by your Gelato Shop. The Master Supply Agreement between Pitango Gelato LLC and us, dated August 26, 2019 has a thirty-year term and requires Pitango Gelato LLC to sell its products to Pitango Gelato franchisees at the lowest price offered to similar customers. Pitango Gelato LLC has been engaged in the supply business since March 2006.

Pitango IP LLC owns our trademarks and service marks identified in Item 13 of this disclosure document and has licensed them to us for use in our franchising business. This relationship is further explained in Item 13.

The Gelato Shop

As a Franchisee, you will operate a take away and limited seating dessert Gelato Shop serving authentic Italian gelato and sorbets made with organic milk and all natural ingredients without additives or preservatives. Ingredients include single origin chocolate, pistachios and hazelnuts roasted in Italy and fresh, seasonal fruit. All Pitango Gelato gelato and sorbets are made at our plant located on an organic dairy farm in Pennsylvania and you will churn them on-site at your Gelato Shop to preserve freshness. Our coffee is sourced from Vigilante, an independent coffee roaster that was named as Washington D.C.'s best coffee by the Washington Post Express in 2016.

Pitango Gelato Gelato Shops can be located in strip shopping centers, stand-alone buildings, urban or suburban office buildings, hotels and mixed use complexes.

If you sign a Multi-Unit Development Rider (see Items 5 and 12), upon establishing each additional outlet under the development schedule, you may be required to sign a then-current Franchise Agreement, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document.

Competition and Regulations

The frozen dessert business is highly competitive, including competition from independent local ice cream and frozen yogurt shops as well as regional and national chains. This market is developed and is seasonal, as the primary product sold in our Gelato Shops is gelato and during warmer weather months consumers typically purchase more frozen desserts and patronize the retail areas where we have typically located Gelato Shops.

There are no regulations specific to the operation of a Pitango Gelato Shop, although you must comply with local, state, and Federal laws applicable to food service generally. Such laws include those affecting zoning and construction, employment and labor, public accommodations, accessibility by persons with disabilities, food storage, preparation and delivery, and health and safety. Many of the laws vary from jurisdiction to jurisdiction. It is your responsibility to apprise yourself of and comply with all applicable laws.

Item 2.
BUSINESS EXPERIENCE

Principal Officers, Directors and Managers of Pitango Gelato

President and Manager: Dinah Bengur

Ms. Bengur has been our President since our founding in July 2018. From November 2016 to June 2019, Ms. Bengur was a Financial Manager for PJPA, LLC, a multi-unit Papa John's Pizza franchisee and a Financial Manager for FGG Spa, LLC, a Hand & Stone Massage and Facial Spa franchisee, both in Baltimore, Maryland. From September 2014 to October 2016, Ms. Bengur was an Access to Financial Services Analyst for the World Bank, in Washington D.C.

Manger and Chairman of the Board: Osman (Oz) Bengur

Mr. Bengur has been our Chairman of the Board since our founding in July 2018. Since January 1991, Mr. Bengur also has been the Managing Director of Bengur Bryan & Co., Inc., an investment banking firm. Since January 1999, Mr. Bengur has been the Chairman of PJPA, LLC, a multi-unit Papa John's Pizza franchise. Since January 2014, he has been a member of FGG Spa, LLC, a Hand & Stone Massage and Facial Spa franchisee. All of these companies maintain their principal office in Baltimore, Maryland.

Manager: Noah Dan

Mr. Dan has been a partner of Pitango Gelato since our founding in July 2018. Mr. Dan has owned and operated the Pitango Gelato gelato shop business in Baltimore since 2006 and, since 2012 has been the sole owner and chief executive officer of Pitango Padre, LLC based in Potomac, Maryland, which is the parent company of five (5) other companies that operate Pitango Gelato gelato shops in Washington and Baltimore. Operating primarily from Potomac, Maryland, since 2006 he has been the sole Member of Pitango Gelato, LLC, the sole supplier of gelato, sorbet and other food products to Pitango Gelato gelato shops, and since March 2015 he has been the sole Member of Pitango Pastry, LLC, which operates the Pitango Bakery & Café in Baltimore, Maryland.

Director of Operations: James Freaney

Mr. Freaney has been our Director of Operations since April 2022, overseeing operations, logistics and training for five Gelato Shops, as well as Pitango Gelato's production, shipping and receiving facilities. Prior to working at Pitango Gelato, Mr. Freaney was the Director of Operations for the Colmont Restaurant Group in Glenwood, Maryland from November 2017 until April 2022 where he oversaw the operation of twelve fast casual pizza chain restaurants, Lotsa Stone Fired Pizza. Before working with the Colmont Restaurant Group, from October 2001 to November 2017, Mr. Freaney was the General Manager of a Panera Bread franchising group in Baltimore, Maryland, that grew from six to sixty-five locations during his tenure.

Item 3.
LITIGATION

No litigation is required to be disclosed in this Item.

Item 4.
BANKRUPTCY

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

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Item 5.
INITIAL FEES

<u>Initial Franchise Fee</u>

The initial franchise fee (the "**Initial Franchise Fee**") for your Pitango Gelato franchise is Thirty Thousand Dollars ($30,000.00). The Initial Franchise Fee is due in full when you sign the franchise agreement, the form of which is attached as Exhibit C to this disclosure document. Our franchise agreement with you will designate an exclusive geographic territory, which will not be subject to any minimum performance requirements. The Initial Franchise Fee is uniform for all Pitango Gelato franchisees.

At your option, your franchise agreement with us may include a Multi-Unit Development Rider through which you will obtain the option to purchase a specified number of additional franchises to operate in designated geographic areas, provided that you are in good standing under your existing franchise agreement(s) and exercise the options within specified time deadlines. If you execute the Multi-Unit Development Rider, the initial franchise fee for each additional Gelato Shop will be Twenty-Five Thousand Dollars ($25,000). You will have to pay $15,000 of the fee per franchise reserved when executing the initial franchise agreement (the "**Multi-Unit Development Fee**") and you will have to pay the balance of $10,000 per franchise reserved when you exercise an option for each such territory. For example, if you enter into a Multi-Unit Development Rider with us by which you reserve 4 additional franchises, your total initial payment to when signing the initial franchise agreement will be $90,000; and when you exercise the option for each reserved franchise, you will pay the balance of $10,000 for that franchise.

You will have no option to require us to refund any part of the Initial Franchise Fee or Multi-Unit Development Fee. However, if we choose to terminate the franchise agreement in the following circumstances then we will provide a partial refund of those fees as follows:

(a) if we determine during the initial headquarters training program that you will not be a suitable franchisee, despite your full participation in all aspects, then we will refund the amount of all initial fees that you paid minus all commissions and fees that we have paid as a result of your franchise purchase (*e.g.*, to brokers or consultants who introduced you to us or attorneys who assist us in preparing the franchise agreement and other documents);

(b) if you and we are unable to agree on a site for your first Gelato Shop within 9 months of your execution of the franchise agreement, despite your best efforts to find a suitable location consistent with our requirements, we will refund $10,000 of the Initial Franchise Fee and 33.33% of any Multi-Unit Development Fees that you have paid.

A condition of receiving a refund in either circumstance is that you execute a mutual release of claims with us, to the maximum extent permitted by applicable law. No refunds are available under any other circumstance.

Initial Training Fee

We do not charge any additional fee for the initial training of your General Manager. Additionally, at your request and subject to space availability, we will provide initial training to one (1) additional personnel of yours (beyond the General Manager) at no additional charge. For any trainees above the first two (your General Manager plus one other) we charge a fee for additional initial training. Our current initial training fee is Five Thousand Dollars ($5,000) for each additional person to be trained, plus the transportation, lodging and miscellaneous out-of-pocket expenses of our personnel who perform the training if you require training to be conducted at your Gelato Shop. This fee represents our cost of providing the training, including our administrative costs of making personnel available for training purposes, and the cost of materials. You must pay the initial training fee for the additional personnel before training begins, and the initial training fee is non-refundable. The initial training fee is charged uniformly to all franchisees under this Disclosure Document, although actual dollar amounts may vary depending on how many additional persons are trained.

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Item 6
OTHER FEES

Fees (1)	Amount	Due Date	Remarks
Royalty (2)	5% of Aggregate Sales	Weekly, on Wednesday of each week or next business day	Amounts due will be withdrawn by EFT from your designated bank account.
Technology	Currently, $50 per month, which may increase as the costs from our providers increase or we develop and implement new technologies	Weekly, on Wednesday of each week or next business day	This fee includes the cost for providing our company intranet, which is how you will access the Manual and other management information, and in the future may include the licensing cost for a third party's business management software.
Brand Building Fund	1.5% of Aggregate Sales	Weekly, on Wednesday of each week or next business day	Amounts due will be withdrawn by EFT from your designated bank account.
Cooperative Advertising (3)	If an Advertising Cooperative is established for your metropolitan area, the initial contribution is 1% of Aggregate Sales; may be increased up to 2% of Aggregate Sales	As determined by Cooperative	We will not require the aggregate total advertising contributions or payments by Franchisee with respect to any calendar year (whether in the form of Brand Building Fees and/or Cooperative Fees) to exceed 3.5% of Franchisee's Aggregate Sales.
Interest	1.5%/month interest or highest rate allowed by applicable law, whichever is less	On demand	Interest may be charged on all overdue amounts.

Fees (1)	Amount	Due Date	Remarks
Late Payment or Sales Reporting	$50 in addition to interest, as described above	The day on which a payment or sales report is overdue	If you fail to pay the Royalty Fee or submit a Royalty Report when due, we may charge you a fee of $50 in addition to interest.
Initial Training of Additional, Replacement and Successor Managers	You must pay the current fee being charged to franchisees generally for such training, plus expenses. The current initial training fee is $5,000.	The initial training fee is payable before initial training; expenses are payable when billed	No fee for initial training of your first General Manager and one additional designee.
Additional or Remedial Training at our Location	You must pay the current hourly fee being charged to franchisees generally for such training, plus expenses. The current hourly training fee for additional or remedial training is $85 per hour per our representative providing the training.	Payable when billed	We reserve the right to charge a fee for additional or remedial training. You are responsible for all of your staff members' expenses (such as the cost of travel, lodging and meals) if such training is held in a location away from your Gelato Shop (such as in Maryland).
Onsite Training	$500 per our representative per day, plus our representative's expenses.	Payable when billed	At your request, we may provide onsite training at your Gelato Shop. You are responsible for all of our representatives' expenses (such as the cost of travel, lodging and meals).

Fees (1)	Amount	Due Date	Remarks
Telephone Assistance	$45 per hour, after the first 4 hours each week.	Payable when billed	We will be available to provide assistance and answer management questions over the phone. You will receive up to four (4) hours of free telephonic assistance during any week. Thereafter, you will be charged for your calls at the rate of $45 per hour.
Transfer	50% of the Initial Franchise Fee then being charged to franchisees, or such greater amount as is necessary to reimburse us for our costs and expenses associated with reviewing the application and processing the transfer, including, without limitation, legal and accounting fees	$1,000 submitted with transfer application; remainder due at Closing of the transfer	No fee charged to a franchisee that requests consent to Transfer an interest to an entity controlled by the same interest holders, or for a transfer of 20% or less of ownership in the Franchisee entity provided control over the entity is not effected.
Renewal	$10,000 or 25% of our then-current Initial Franchise Fee, whichever is higher	On signing renewal franchise agreement The term of the initial franchise agreement is 10 years	You must give us not less than nine (9) months nor more than eighteen (18) months' notice prior to the end of the initial term or first renewal term, as applicable; remodel to current standards; sign then-current form of franchise agreement; satisfy all monetary obligations to us; and sign a general release (see Exhibit D).

Fees (1)	Amount	Due Date	Remarks
Temporary Management	$2,000 per week, plus our out-of-pocket expenses (e.g., travel, lodging)	Fee is due on Tuesday of each week we provide the support Expense reimbursement must be paid 15 days after billing	If you fail to have a replacement General Manager trained or certified as meeting our standards after a General Manger leaves, we may charge you this fee to supply a manager until your replacement manager is trained or certified, as applicable.
Point of Sale System	Our current designated vendor for the POS system charges $120 per month, which may increase based on their pricing policies	As arranged between you and the POS vendor	In the future, we may negotiate directly with a POS vendor to make one payment on behalf of all franchisees, at which time this fee would be payable directly to us.
Audit	Cost of audit, in addition to paying back any deficiencies	10 days from when we deliver the bill and audit report	Our cost of performing the audit is payable only if we find, through an audit, that you have understated your Aggregate Sales by more than 2% during the period audited.
Failed Inspection (4)	$1,000 if your inspection score is below 85%	When we deliver the bill	If we conduct an onsite inspection of your Gelato Shop and your grade is below 85%, then we may charge you this fee. See note 4 for details.

Fees (1)	Amount	Due Date	Remarks
Breach Fee (5)	$10,000 per incident for breach of confidentiality or use of unapproved supplies. $5,000 per incident for misuse of the Marks, including unauthorized advertising.	When billed	See note 5.
Optional Termination	Your average annual royalties accrued during preceding 2 calendar years.	60 days before your termination become effective	Payable if you exercise your option to terminate the franchise on the 5th annual anniversary of the franchise agreement.
Liquidated Damages	36 times your average monthly royalties during the prior 24 months	30 days after termination	You must pay this if we terminate the franchise due to your default, or you terminate the franchise without cause except under the option at end of year 5

Notes:

(1) All fees and expenses described in this Item 6 are non-refundable. Except as otherwise indicated in this chart, we impose all fees and expenses listed and you must pay them to us. Except as specifically stated above, the dollar amounts given (but not percentage (%) rates) may be subject to increases based on changes in market conditions, the cost of providing services and future policy changes. While dollar-amount fees will be uniformly imposed, other Pitango Gelato franchisees may pay fees at different percentage rates depending on when they sign their franchise agreement with us.

(2) "**Aggregate Sales**" means total monthly gross sales, less:

(a) the monthly dollar value of complimentary food and beverage, such as those provided for house errors, employees, management, and advertising and promotional programs (collectively, "**Comps**"); provided, however, that the total amount of the reduction for Comps for any calendar month may not exceed three percent (3%) of the dollar amount of total gross sales for that month; and

(b) sums representing sales taxes collected by you directly from customers, provided that the taxes are actually transmitted to the appropriate taxing authority.

We may authorize certain other items to be excluded from Aggregate Sales and you may seek our prior written consent to exclude certain items from Aggregate Sales, subject to our sole discretion. We may revoke or withdraw any exception at any time.

Upon the redemption of any gift card/gift certificate, you shall include the entire amount of the gift card/gift certificate redeemed in Aggregate Sales for purposes of determining the royalties to be paid. All Royalty Reports must demonstrate Franchisee's calculation of Aggregate Sales.

The royalty fee will be withdrawn from your designated bank account by electronic funds transfer ("**EFT**") weekly based on Aggregate Sales from the preceding weekly accounting period (see Section 4.4 of the franchise agreement), unless we require otherwise. If the Royalty Report has not been received within the time period required under the franchise agreement, we may, at our option, process an EFT for the royalty based on (i) information regarding your Aggregate Sales for the preceding weekly accounting period obtained by us from your point of sales system, or (ii) the most recent Royalty Report provided to us by you. If the actual amount of the Royalty Fee due was more than the amount of the EFT received by us, then we may immediately withdraw additional funds through EFT from your designated bank account for the difference. If the actual amount of the Royalty Fee due was less than the amount of the EFT received by us, then we will credit the excess amount to the payment of your future royalty obligations or issue a refund.

(3) Cooperatives, if and when formed, will be comprised of all franchised Gelato Shops and Gelato Shops owned by our affiliates located in a designated marketing area as defined by The Nielsen Company or a comparable successor, or the Standard Metropolitan Statistical Area as designated by the U.S. government. We have not established any cooperatives as of the date of this Disclosure Document.

(4) We will conduct unannounced inspections at your Gelato Shop from time to time to ensure adherence to our operating standards based on a standardized performance rubric. If your score is below 85% we may fine you, and if your score is below 70%, we may terminate the franchise agreement. If upon a second re-inspection (i.e., the second inspection following the inspection in which your scored below 85%) your score is below 85%, we may terminate your franchise agreement.

(5) We reserve the right to charge a Breach Fee and not terminate the franchise agreement if you breach your confidentiality obligations under the franchise agreement or misuse the Marks (including by way of unauthorized advertising), which will be aggregated if a single incident involves a breach of more than one of the foregoing. It is in our sole discretion that we may choose to charge you a Breach Fee rather than terminate the franchise agreement.

Except as otherwise disclosed in this Item, all fees are uniformly imposed. All fees are non-refundable.

Item 7.
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT IF YOU PURCHASE ONLY ONE FRANCHISE

Expenditure (1)	Estimated Amount (Low)	Estimated Amount (High)	Method of Payment	When Payable	To Whom Paid
Initial Franchise Fee (2)	$30,000	$30,000	By check or wire transfer	On signing Franchise Agreement	Us
Leasehold Improvements (3)	$80,000	$170,000	As Invoiced	As Arranged	Independent Contractors
Lease Payments and other rental expenses (4)	$6,000	$18,000	Per Lease	Monthly	Landlord
Kitchen Equipment (5)	$104,000	$130,000	As Invoiced	As Arranged	Designated Vendors and Us
Furniture, Fixtures and Furnishings (6)	$45,500	$62,600	As Invoiced	As Arranged	Designated Vendors
Signage (7)	$8,500	$15,000	As Invoiced	As Arranged	Independent Contractors
Initial Inventory (8)	$24,000	$28,000	As Invoiced	As Arranged	Designated Vendors
Professional Fees (9)	$8,500	$20,500	As Invoiced	As Arranged	Independent Contractors
POS and Computer Equipment (10)	$1,400	$2,200	As Invoiced	Lump Sum	Designated Vendor
Travel, lodging and meals for training (11)	$2,000	$5,000	As Incurred	As Incurred	Independent Suppliers
Business licenses, permits, etc. (for first year) (12)	$600	$1,000	As Incurred	As Arranged	Various Agencies
Insurance deposits and premiums (13)	$4,000	$8,500	As Invoiced	As Arranged	Independent Carrier
Grand Opening Advertising	$500	$1,000	By check or wire transfer	As Arranged	Independent Contractors

Expenditure (1)	Estimated Amount (Low)	Estimated Amount (High)	Method of Payment	When Payable	To Whom Paid
Utilities – deposits and connection fees	$500	$1,000	As Arranged	As Arranged	Utilities; Local Governments
Additional Funds – Three Months (14)	$30,000	$50,000	As Incurred	As Arranged	Various
TOTAL	**$345,500**	**$542,800**			

Notes:

(1) Except as otherwise stated or agreed between you and third parties, all costs listed in the Item 7 table above are nonrefundable.

(2) You must pay us an initial franchise fee of $30,000 for the right to establish a Pitango Gelato Gelato Shop under a franchise agreement. The initial franchise fee is non-refundable under the terms of the franchise agreement, except for the limited circumstances described in Item 5, which are subject to our sole discretion.

(3) 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 of materials and labor, which may vary based on market conditions and geographic location. We base these estimates on the experience of Mr. Dan developing Gelato Shops in Baltimore, Maryland, and Washington D.C., and assume that you will adapt our prototypical architectural and design plans to remodel and finish out the Gelato Shop. These amounts may vary substantially based on local conditions, including the availability and prices of labor and materials. They also will be depend on whether your chosen site is new construction provided in a "dark shell" condition, existing retail for which few changes are required, or real estate in some other condition. These costs may also vary depending on whether certain of these costs will be incurred by the landlord and allocated to you over the term of the lease, and may be lower if we approve you to retrofit an existing building for your Gelato Shop or if your landlord funds any portion of the improvements for your premises.

(4) This is an estimate for the first month's rent and a security deposit equal to 1 month of base rent. You will require at least 800 to 1,200 square feet of floor space for a Pitango Gelato Gelato Shop depending on the nature of your location. The actual amount you pay under the lease will vary substantially based on the prevailing rental rates in the geographic region, the type of location, the amount of square footage, the types of charges that the real estate owner allocates to tenants under the lease, and your ability to negotiate with real estate owners.

(5) You must purchase certain equipment meeting our specifications to use in the food preparation and display areas, including gelato machines, coffee machines, refrigeration units, storage units and other items such as small wares. We have designated certain equipment brands and models that used in a Pitango Gelato Gelato Shop to meet our specifications. You must purchase of gelato churning and display equipment from our designated vendor in Italy, and this estimate includes the 5% processing fee that the vendor pays us for facilitating that transaction.

(6) These amounts represent your costs for furnishing the "front of the house" of your Gelato Shop and includes tables, chairs, benches, and patio furniture (if applicable), as well as items such as sound systems.

(7) These amounts represent your cost for internal murals and logos as well as outdoor signage and descriptive signs and awnings. Your Landlord may have different restrictions it places on interior and exterior signage, which may affect your costs.

(8) These amounts represent your initial inventory of food supplies, beverages, and paper goods for use in the first month of operating your Pitango Gelato Gelato Shop. As part of the initial training program, the trainer will assist you in placing your first order for inventory.

(9) These fees are estimates of your costs in retaining professionals to assist you in opening your Gelato Shop. This includes amounts that you would pay to a licensed architect for interior design services, because you must adapt our prototypical plans and specifications for the construction of your Pitango Gelato Gelato Shop. This also includes amounts that you may pay accountants or attorneys for reviewing documentation and assisting with start-up legal matters.

(10) You must obtain and use in your Pitango Gelato Gelato Shop an electronic point of sale payment system approved by us from a vendor that we approve. We have the right to poll and monitor your system at our discretion. Our designated POS vendor currently charges One Thousand Four Hundred Dollars ($1,400) for the initial setup of their system, although the cost to you may vary based on your specific needs and the pricing policies of the vendor. The high estimate is for Gelato Shops requiring two POS systems.

(11) We provide initial training of three to four (3-4) weeks to your General Manager and up to one additional employee at no charge. These estimates include only your out-of-pocket costs associated with the training of your General Manager (including travel, lodging, and meals). This estimate does not include a salary for the trainees, and does not include any fees or expenses for training any other personnel. These costs will vary depending on the number of persons trained, your selection of lodging and dining facilities, and mode and distance of transportation.

(12) These are estimates of the costs for obtaining local business licenses and permits, which typically remain in effect for one year. These figures do not include occupancy and construction permits, which are included in the leasehold improvement cost estimates. The cost of these permits and licenses will vary substantially depending on the location of the Gelato Shop.

(13) These figures are estimates of the cost of the annual premiums for the insurance.

(14) These amounts are our estimate of the amount needed to cover your operating expenses for the first three months after Opening, including wages and compensation of staff, equipment lease payments; advertising and promotional expenditures; technology fees and other costs. It assumes that you pre-fund the operating expenses during this phase and will not be relying on revenue from the Gelato Shop's sales. These figures are estimates and we cannot assure you that you will not have additional expenses starting the Gelato Shop. Your actual costs may vary and will depend on factors such as your decisions regarding employee compensation, the prevailing wage rates, competition for employees, local economic conditions, the local market for products, and your management skill, experience and business acumen. These amounts do not include any estimates for debt service. We have relied on Noah Dan's more than thirteen (13) years of experience in supervising the opening of Pitango Gelato Shops, as well as our other Managers' experience in opening other franchised businesses, in determining this estimate of Additional Funds.

In addition to the costs described above, if you enter into a Multi-Unit Development Rider with us when signing the Franchise Agreement, then the following additional estimated initial investment is required:

Expenditure	**Estimated Amount**	**Method of Payment**	**When Payable**	**To Whom Paid**
Multi-Unit Development Fee(1), (2)	$15,000 for each additional Gelato Shop reserved for development	By check or wire transfer of immediately available funds	On signing Franchise Agreement with Multi-Unit Rider	Us

(1) You may, but are not required to, enter into a Multi-Unit Development Rider ("**MUDR**") with us when signing the franchise agreement. Under the MUDR, you obtain time-limited exclusive rights to develop a specified number of additional franchise Gelato Shops in defined geographic areas, and pay us a development fee equal to $15,000 multiplied by the number of Gelato Shops that you reserve for development. We will credit $15,000 of the development fee you pay against the initial franchise fee of $25,000 otherwise due for each Gelato Shop when you sign each additional Franchise Agreement, so that you would only need to pay an additional $10,000 to us when signing those additional Franchise Agreements.

(2) Actual start-up costs pertaining to the actual Gelato Shops opened under the Area Development Agreement are as estimated in the first table in this Item 7, subject to potential increases over time or other changes in circumstances. If you execute a MUDR, your professional fees, such as legal and accounting, may be higher because of the increased financial risk of your investment.

Of the estimated amounts, we believe that most will be non-refundable except as follows:

(a) We may refund a portion of the Initial Franchise Fee, but only in the situations specified in Item 5.

(b) Your payments for some types of non-perishable inventory may be refundable, depending on the policies of the supplier.

(c) Your utility deposits should be refundable when you terminate service from that utility.

(d) Your lease deposit should be refundable when the lease ends, except as provided for in the lease agreement.

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Item 8.
RESTRICTION ON SOURCES OF PRODUCTS AND SERVICES

You must operate your Pitango Gelato Gelato Shop in strict conformity with the methods, standards and specifications that we prescribe in the Manuals 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, paper goods and other items that meet our standards and specifications. All menu items must be prepared in accordance with the recipes and procedures specified in the Manuals 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 first obtaining our written consent. You must sell and offer for sale only those menu items, products and services that we have expressly approved for sale in writing. We can, and expect to, modify our standards and specifications as we deem necessary. We will provide you notice of any changes in the Manuals or other written materials.

To maintain its standards of uniformity and quality we require that you purchase all food ingredients, paper products and beverages from a limited number of approved suppliers who we designate. We reserve the right to designate, from time to time, a single supplier for any services, products, equipment, supplies, or materials and to require you to use such a designated supplier exclusively, which exclusive designated supplier may be us or our affiliate.

At this time, Pitango Gelato LLC, which is wholly owned and controlled by one of our owners and Managers, Noah Dan, is our sole supplier for authentic Italian gelato, and sorbet, branded paper goods, gelato add-ins, and certain beverages, including lemonade and iced tea. We do have one other approved supplier for coffee that is not an affiliate of ours, and we may, in our sole discretion, approve other coffee suppliers as needed in a particular geographic region. In addition, we do not restrict your supplier for bottled spring water, provided that you sell a regionally or nationally recognized brand, such as Deer Park, or Poland Springs.

In the event there is not an approved or sole supplier for a restricted good or service that can serve your Pitango Gelato Gelato Shop, we may approve an alternative supplier in our reasonable business judgment. Our criteria for supplier approval, in general terms, are that the supplier must have adequate quality controls and the capacity to supply your needs promptly and reliably, and that our approval of the supplier will not negatively impact the pricing that other franchised and company-owned Gelato Shops receive from our previously approved suppliers. If you wish to purchase, lease or use any products, equipment or other items from an unapproved supplier, you must submit a written request for approval, or must request the supplier to do so; however, we will deny all requests for alternative suppliers for gelato and sorbet mixes for which Pitango Gelato LLC is our sole supplier. You may not make any purchases from that supplier unless and until we have approved such supplier in writing. 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. Our supplier approval procedure does not obligate us to approve any particular supplier. However, we will notify you, within 30 days after we complete the inspection and evaluation process, of our approval or disapproval of any proposed supplier, and our failure to do so shall be deemed a disapproval of such supplier. We reserve the right to re-inspect the facilities and products of any approved supplier and to revoke our approval in writing if the supplier fails to continue to provide quality products or services, promptly and reliably, or if your continued use of the supplier negatively impacts the System's relationship with previously approved suppliers of the same goods or services.

We may in the future 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 we require you to participate.

We and our affiliates do not currently, but may in the future, receive payments from suppliers on account of such suppliers' dealings with you and other franchisees and we will allocate all amounts so received to the Brand Building Fund. We do charge a 5% processing fee directly to you for assisting you in purchasing the required gelato churning and display equipment from our designated vendor in Italy.

You must acquire and maintain an office computer system and a Point of Sale system. The Point of Sale system must be a Square payment system. The computer system will be used to record all sales data, item count data, complaints, and customer address and phone information. All hardware and software must be approved by us, and the hardware must be upgraded periodically as required to use the approved software. The cost to obtain those items for your store's opening will range from $1,400 to $2,200, depending on the size of your Pitango Gelato Gelato Shop.

We use a third-party cloud storage provider to provide proprietary information to all of our Pitango Gelato franchisees that we require you to use, which currently costs Fifty Dollars ($50) per month (the "**Technology Fee**") in order to cover our licensing expenditures to our vendor, and which may increase over time. The Technology Fee may also increase if we provide other types of technology services to you in the future.

You are required to engage a Human Resources or payroll management vendor to manage your payroll obligations. In addition, your General Manager and, if you are business entity, any owner is required to provide us with evidence that they are paying self-employment tax.

Gelato Shop Size and Build Out. The minimum permissible size of a Pitango Gelato Gelato Shop is 800-1,200 square feet depending on the nature of your location, excluding "**Captive Audience Locations**" (such as universities, stadiums, military basis, airports, train stations and other transportation terminals; and other places where on-site concessionaires are the exclusive concessionaires available). We require you to buy specific brands and types of kitchen equipment, point of sale computer systems (for taking customer orders and accepting payments), and furniture and fixtures. We may require that you use specified contractors for designing the build-out of your Gelato Shop based on our prototypical design. We may require that such items be purchased from one or more specified suppliers. Your outdoor signage must meet our brand standards and we may require you to have the sign fabricated and installed by an approved vendor.

Insurance. You must purchase and maintain insurance, naming us as an additional insured on all liability policies. Coverage must be at least as comprehensive as the minimum requirements listed in the franchise agreement or the operations manual as revised from time to time, and provided by carriers that have an A.M. Best Company rating of A-. You must consult your carrier representative to determine the level of coverage necessary for your franchised business. Our current insurance coverage requirements are:

TYPE	AMOUNT
General Liability Insurance, including coverage for food-borne illness	$1,000,000 ($2,000,000 annual aggregate)
Property Insurance	Equal to replacement costs
Umbrella Liability	$4,000,000
Workers Compensation	Statutory
Employment Practices Liability	$500,000
Flood Insurance (if applicable to your location)	$1,000,000
Insurance Required by Law	As required by state or federal law

If you fail to purchase any type of required policy, we may obtain insurance for you and you must reimburse us for its cost, which might be higher than the cost of insurance you could obtain for yourself. All insurance policies must name us and any affiliates that we designate as additional insureds and give us at least thirty (30) days' prior written notice of termination, amendment, or cancellation. You also must provide us with certificates of insurance evidencing your insurance coverage no later than ten (10) days before your Gelato Shop opens.

No Alternative Suppliers

Consistency and quality are the two factors that contribute to the success of a franchise. You will be asked to purchase or lease certain items in accordance with specifications and guidelines issued by us. Our specifications may include minimum standards of quality, quantity, prompt delivery, design, appearance, durability, style, warranties, price range, and other similar restrictions.

We do not permit you to propose alternative suppliers of any products or services for which we have designated an approved or sole supplier.

Percentages of Franchise Purchases That Are Source Restricted.

We estimate that the cost of goods and services you will purchase from us, or from approved suppliers in accordance with our specifications, will be approximately 90% of your total purchases in connection with the establishment of your business, and approximately 75% of your purchases in the on-going operation of your business. This estimate is inclusive of purchases of services from independent contractors as well as your ongoing payroll for employees.

Material Benefits

We do not provide any material benefits to you if you buy from sources we approve.

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

Except as described in this Item 8, there are no other purchase or lease requirements that are source restricted.

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Item 9.
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Item in Disclosure Document
a. Site selection and acquisition	Article II	Items 7, 11 and 12
b. Pre-opening purchases/leases	Sections 2.3, 2.5, 2.6, 2.7, 2.9	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Article II	Items 7, 8 and 11
d. Initial and ongoing training	Section 6.4	Items 6 and 11
e. Opening	Sections 2.4, 2.9, 6.4.3	Items 5, 7, 8, 9 and 11
f. Fees	Article IV	Items 5, 6, 7 and 12
g. Compliance with standards and policies/ Confidential Operations Manual	Sections 2.6, 6.6, 7.1, 7.4, 9.1	Items 8, 9, 11, 14, 15, 16 and 17
h. Trademarks and Proprietary information	Article IX	Items 8, 13, and 14
i. Restrictions on products/services offered	Sections 6.2.6, 7.2, 7.3, 7.4, 7.5	Items 8 and 16
j. Warranty and customer service	None	None
k. Territorial development and sales quotas	Section 1.6, Exhibit 5	Item 12
l. Ongoing product/service purchases	Sections 7.2, 7.3, 7.5	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	Section 7.2	Item 7
n. Insurance	Article XII	Items 7 and 8
o. Advertising	Article VIII	Items 6 and 11
p. Indemnification	Article XIII	Item 14
q. Owner's participation/man-agement/staffing	Sections 6.3, 7.4.4, 15.1	Items 11 and 15
r. Records/reports	Article XI, Sections 4.5, 11.2	Items 6 and 11

Obligation	Section in Agreement	Item in Disclosure Document
s. Inspections/audits	Sections 2.8, 7.4.2, 11.2	Items 6 and 11
t. Transfer	Article XVI	Items 6 and 17
u. Renewal	Section 3.2	Items 6 and 17
v. Post-termination obligation	Article XVIII	Item 17
w. Non-competition covenants	Article X	Item 17
x. Dispute resolution	Articles XIX, XX, XXI, XXII	Item 17
y. Guaranty	Sections 6.2.11, Exhibit 4	Item 15

Item 10.
FINANCING

Pitango Gelato has no obligation to provide any financing to you either directly or indirectly through third parties. We will not guarantee any loan, lease or other obligation you may incur. We do not receive any direct or indirect payments from third parties for any financing you may receive.

Item 11.
FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as disclosed below, Pitango Gelato is not required to provide you with any assistance.

Before Opening. Before you open your business, Pitango Gelato will:

1. At our discretion and subject to our availability, assist you to obtain helpful information to select a site within your territory. You must choose the site for your Gelato Shop, subject to our approval of it. We will decide whether to approve a proposed site based on the total population and demographics of its surrounding trade area, the visibility of the site, and the ease of vehicular and pedestrian accessibility. (see Item 12) We have thirty (30) days to approve or disapprove a proposed site after you submit it to us for consideration. If the parties cannot agree on a site within 9 months of receipt by Pitango Gelato of the Initial Franchise Fee, then Pitango Gelato may terminate the franchise agreement, in which case Pitango Gelato may, in our sole discretion, return $10,000 of the Initial Franchise Fee to you in exchange for your execution of a general release of any claims against us. (Franchise Agreement, Section 4.3.1.)

2. Provide you with a set of sample construction plans, specifications, interior layouts of the structures, equipment, furnishings, fixtures, décor and signs identified with the Gelato Shop, and interact with your Gelato Shop designer or architect (if required by applicable law) to customize those plans for use in the selected site. (Franchise Agreement, Section

5.1.3.) You must obtain our approval of such customized plans and not materially deviate from them in developing the Gelato Shop.
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3. Facilitate your purchase of gelato churning and display equipment from our designated supplier. (Franchise Agreement, Section 5.1.7.)

4. Facilitate your purchase of initial inventory from our approved suppliers. (Franchise Agreement, Section 5.1.8.)

5. Provide to you, through electronic means only, our confidential Operations Manual, which includes our standards, specifications, methods, procedures and other information necessary to the operation of your Pitango Gelato Gelato Shop. (Franchise Agreement, Sections 5.1.4, 6.6.) The table below lists each section of the Operations Manual and its number of pages:

I.	Cover and Table of Contents	3 pages
II.	Introduction	5 pages
III.	Establishing a Pitango Gelato Store	8 pages
IV.	Employment & Personnel	12 pages
V.	Every Day Practices	51 pages
VI.	Policies	4 pages
	Total	83 pages

6. Within sixty (60) days of the scheduled opening of your Gelato Shop, you, or your General Manager (as defined below) must complete our initial training program, which is as follows:

TRAINING PROGRAM

Subject	**Hours of Classroom Training**	**Hours of On-the-Job Training**	**Location**
Orientation & Gelato Scooping	0	12	Baltimore, MD
Gelato Making Training	0	30	Baltimore, MD
Daily Operations	0	32	Baltimore, MD
Inventory/Ordering/Administration	0	32	Baltimore, MD
TOTALS	0	106	

If you are a business entity, your "**General Manager**" is an individual who owns at least ten percent (10%) profits or equity interest in your company and who agrees to be responsible for the personal and direct onsite management of the Gelato Shop. We also will train up to one additional representative of yours at no additional cost to you for the initial training, other than your out of pocket expenses for travel and any wages you may owe to your trainees.

As part of the initial training program, we also will train your management staff for 6 days at the location of your Gelato Shop, during the 3 days immediately before and 3 days immediate after its Opening, including the day of opening (Franchise Agreement, Section 6.4.3.)

The initial training occurs at existing Gelato Shops in Baltimore, Maryland, and Washington D.C. or at another location of our choice in Maryland or Washington D.C. The training program is conducted on an as-needed basis. Depending on your level of experience in making gelato and coffee drinks, you may request, and we may approve, a shortened training period, in our sole discretion. Attendees must complete the training program to our satisfaction. Our training program is led by Jim Freaney who is the Director of Operations for Pitango Gelato. Mr. Freaney has trained managers and employees for Pitango Gelato Shops since April 2022, and has been the general manager of restaurants in the Baltimore, Maryland, area since 2001. Each of our trainers has an unblemished employment record, is knowledgeable of our company standards and the specific duties of his or her area of expertise, and is a Pitango Certified Barista.

Additional training will be at our sole discretion upon your written request and at your expense, including the hourly rate of Eight Five Dollars ($85) per hour for each trainer.

From time to time, at our sole discretion, we may offer mandatory ongoing training as we develop new methods and practices for the Gelato Shop, including new methods for making gelato, new flavor processes, new protocols and advanced coffee preparation classes. Such ongoing training may be provided via video or printed documents.

Time to Open. The typical length of time between your execution of the franchise agreement and the payment of the Initial Franchise Fee and the opening of your business is 9 to 12 months. There may, however, be delays because of additional time to select your location, negotiate leases, obtaining financing (if needed), procure building permits, zoning or licensing approvals, weather conditions, time of year, delayed installation of equipment fixtures and signs, availability of training, and acts of God beyond our or your control.

After Opening. During the operation of your franchise, we will provide:

1. a consistent source of approved gelato and sorbet mixes, either from Pitango Gelato, LLC (as required by our supply agreement with it) or, if Pitango Gelato fails to fulfill its obligations, from alternative suppliers who we approve (Franchise Agreement, Section 5.1.11);

2. available amendments to our confidential Operations Manual (Franchise Agreement, Section 6.6);

3. technical support by phone, free of charge for the first 4 hours each week, and Forty-Five Dollars ($45) per hour for each part of an hour thereafter (Franchise Agreement, Section 5.2);

4. advertising templates and material as developed for use in our affiliate's Pitango Gelato locations (Franchise Agreement, Section 5.1.6);

5. initial training for replacement or additional managers, for which we reserve the right to charge a tuition or fee for such training (Franchise Agreement, Section 6.4.2); and

6. once instituted, administration of the Brand Building Fund and/or Regional Advertising Cooperatives (Franchise Agreement, Section 8.1).

The extent to provide these services, and the methods that we use to provide them, will be determined by us using our own reasonable business judgment.

We will conduct unannounced inspections at your Gelato Shop from time to time to ensure adherence to our operating standards based on a standardized performance rubric. If your score is from 70% to 85%, we may fine you $1,000, and if your score is below 70%, we may terminate the franchise agreement. If upon a second re-inspection (i.e., the second inspection the inspection for which you scored 85% or less) your score is below 85%, we may terminate your franchise agreement.

Advertising:

Except as described below, we are not obligated to conduct advertising, pay for advertising of your Gelato Shop, or assist you with advertising your Gelato Shop.

Local Advertising

You may develop advertising or promotional materials for your own use, at your own cost, but you must obtain our written approval of all such materials in advance of using or publishing them, including all advertising disseminated through the Internet. (Franchise Agreement, Section 8.3.)

Regional Advertising

We may require you to participate in a regional marketing program, based on standard designated marketing areas (such as metropolitan Baltimore), as long as all of our affiliates' Gelato Shops in that region also participate in such a program. We may not require you to spend more annually on such a program than your proportionate share (calculated as the total cost divided by the number of Pitango Gelato Gelato Shops in the designated marketing area) or 2% of your annual Aggregate Sales, whichever is less. If our affiliates control the majority of Pitango Gelato Gelato Shops in a region, we will determine both the budget and methods used in such marketing, provided that we must inform you of our marketing plans on at least an annual basis. If our affiliates no longer own a majority of the Gelato Shops in an applicable region, then the regional marketing plan and budget will be determined on an annual basis by majority vote of the Gelato Shop owners, with one vote for each Gelato Shop owned. We do not intend to create any separate governing documents for such a regional cooperative (Franchise Agreement, Section 8.2.)

National Advertising

Although not operational as of the effective date of this disclosure document, we are in the process of establishing a system-wide Brand Building Fund (Franchise Agreement, Section 8.1.). Once established:

a. you will be required to make contributions to that Fund not to exceed 1.5% of your monthly Aggregate Sales. The aggregate amount that we require you to pay into a Regional Cooperative and the Brand Building Fund may not exceed 3.5% of your Aggregate Sales.

b. any amount that you must pay would be in addition to any other fees required by the franchise agreement.

c. We would direct all programs that the Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. We may use Fund contributions for preparing and producing video, audio, and written materials and electronic media; developing, implementing, maintaining, operating, and modifying a Franchise System Website and related strategies; maintaining or paying third parties to maintain a customer response center, toll-free numbers; administering direct mail and other media advertising, and using regional or national advertising, promotion, and marketing agencies and other advisors to provide assistance and create advertisements; and supporting public relations, market research, and other advertising, promotion, and marketing activities. However, the Fund contributions would not be used for the primary purpose of soliciting new franchise sales.

d. We would account for the Fund separately from its other funds, although we would not be required to have the Fund audited. You would be able to obtain the accounting of the Fund beginning one hundred twenty (120) days after the end of each calendar year by submitting a written request to us. We may not use the Fund contributions for any of our general operating expenses, but we may use them to pay the reasonable salaries and benefits of personnel who manage and administer the Fund, the Fund's other administrative costs, travel expenses of personnel while they are on Fund business, meeting costs, overhead relating to Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Fund and its programs, including conducting market research, public relations, preparing advertising, promotion, and marketing materials, and for costs in collecting and accounting for Fund contributions.

e. We may spend in any fiscal year more or less than the total Fund contributions in that year, borrow from our general operating funds or others (paying reasonable interest) to cover deficits, or invest any surplus for future uses consistent with our written obligations to you regarding uses of the Fund.

f. We would utilize the Fund to maximize recognition of the Marks and patronage of Gelato Shops. Although we would try to use the Fund to develop advertising and marketing materials and programs, and to place advertising and marketing, that will benefit all Gelato Shops, we need not ensure that Fund expenditures in or affecting any geographic area are proportionate or equivalent to Fund contributions by Gelato Shops operating in that geographic area or that any Gelato Shop benefits directly or in proportion to its Fund contribution from the development of advertising and marketing materials or the placement of advertising and marketing.

g. We could at any time defer or reduce contributions of the Gelato Shop and, upon thirty (30) days' prior notice to Franchisee, reduce or suspend Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Fund. If we terminated the Fund we would distribute all unspent monies to the franchisees, and to our affiliates that operate Pitango Gelato Gelato Shops, in proportion to their respective Fund contributions during the preceding twelve (12) month period.

No Advertising Council

There is currently no advertising council composed of franchisees, though we reserve the right to develop one in the future.

Computer Requirements

You, at your own expense, are required to have an office computer system and a Point of Sale system. The office computer system must run on a recent version of Microsoft Windows operating system or Apple operating system; the Point of Sale system must be a Square payment system. The hardware for these systems is available commercially directly from Square. The computer system will be used to record all sales data, item count data, complaints, and customer address and phone information. We will have independent access to the information collected and there are no contractual limitations on our right to access such information. All hardware and software must be approved by us and must be updated per contractual obligation, as required by the software company. The cost for these items will range from One Thousand Four Hundred Dollars ($1,400) to Two Thousand Two Hundred Dollars ($2,200), depending on the size of your Gelato Shop. Your software will collect customer billing information and connect it to the Internet. We will have independent access to the information without limitation.

We have no contractual obligation to provide hardware or software maintenance, repairs or upgrades to you. Support, ongoing maintenance, repairs or upgrades are provided by the various vendors of the products at your expense. The computer system must be upgraded at your own expense at a minimum of every five (5) years.

Item 12
TERRITORY

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.

You will receive the right to operate your Pitango Gelato Gelato Shop in a geographical territory designated by us in which no other Pitango Gelato Gelato Shops may be established, except for Captive Audience Locations, and in which other Pitango Gelato Gelato Shops will be prohibited from providing local advertising (the "**Territory**"). Captive Audience Locations are airports, train stations, venues that people pay money to visit (such as stadiums, arenas, theme parks and museums), or workplaces with restricted access and on-site meal service such as military bases, college campuses and large corporate campuses.

The franchise agreement grants you the right to operate a Pitango Gelato Gelato Shop at a single location that you select and that we approve (the "**Approved Location**"). Schedule A to the franchise agreement will identify the specific street address of the Approved Location. If you and we have not agreed on a site when signing the franchise agreement, then Schedule A will specify a non-exclusive geographic area in which we authorize you to seek a site. Once you and we agree on a site and you secure it by lease or purchase, we will edit Schedule A to identify the Approved Location and the Territory. You must operate the Gelato Shop only at the approved location and may not relocate the Gelato Shop without first obtaining our written consent.

We determine your Territory primarily by the number of potential customers in your area. The Territory will consist of a minimum of 50,000 and a maximum of 150,000 people in the residential population or daytime population. We will make this determination using U.S. census data and other public resources and will cover no more than a ten-mile radius.

Prior to entering into your lease for the Approved Location, we must approve the proposed lease for the Approved Location in writing. The lease must include the Franchisor Lease Addendum substantially in the form attached as Exhibit 1 to the franchise agreement.

We will not unreasonably withhold our approval for a relocation of your Gelato Shop in the event of a natural disaster or other catastrophe outside of your control ("**Force Majeure**"); in other circumstances, requests to relocate will be considered on a case-by-case basis in light of the specific facts at hand. Therefore, we do not have specific standards for evaluating proposals for relocation. You may not establish or operate another Gelato Shop unless you enter into a separate franchise agreement with us. You must obtain our advance approval of any proposed relocation of your Gelato Shop within your Territory, and all requirements in the franchise agreement will apply to development of a relocation site.

Consumers in your Territory may not be actively solicited by direct mail advertising or geo-targeted Internet advertising by us, our affiliates that operate Pitango Gelato Gelato Shops, or other franchisees. Likewise, unless we expressly authorize you to do so, you may not actively solicit by direct mail advertising or geo-targeted Internet advertising consumers that are located outside of your Territory. However, some franchisees operating outside of your territory may use advertisements (for example, radio or newspaper) that are distributed in your territory in the ordinary course of their business, and it is always the customer's choice which particular Pitango Gelato Gelato Shop to patronize.

If you sign a Multi-Unit Development Rider with your initial franchise agreement, and pay the Development Rider fees specified in Item 5 above, you will have the option to execute franchise agreements with us for as many additional Gelato Shops as agreed to in the Multi-Unit Development Rider. Under the terms of the Multi-Unit Development Rider, you must execute the option for the first additional Gelato Shop within twelve (12) months of your Authorized Start Date, and for each subsequent Gelato Shop, within nine (9) months of the option exercise for the preceding Gelato Shop. You may only exercise a Gelato Shop option if you are not in default under any Franchise Agreement with us.

To exercise each option you must send us a notice specifying the reserved territory that you wish to acquire and the additional $10,000 due for the initial franchise fee for the additional territory. If you meet the requirements then we will provide you with a new franchise agreement for the additional territory purchased. If you do not meet the requirements then we will explain the deficiency in writing and refund the $10,000 paid.

Although you may acquire additional franchises within the Territory or contiguous territories, the franchise agreement does not give you an option, right of first refusal, or similar rights to acquire such franchises, unless you have executed a Multi-Territory Development Rider.

Neither we nor our affiliates currently operate, franchise, or conduct business through alternative channels of distribution offering products or services similar to those offered by the Pitango Gelato Gelato Shops under different marks, and at this time we have no plans to do so. There are, however, no restrictions in either the Franchise Agreement or Multi-Unit Development Rider that would restrict our ability to do so at any time.

Item 13.
TRADEMARKS

We grant our franchisees the right to operate Pitango Gelato Gelato Shops under the service mark "Pitango Gelato". By "**Mark**" we mean trade names, trademarks, service marks and logos used to identify the Gelato Shop.

Pitango IP LLC, a company owned by Noah Dan who is one of our three Managers, has granted us the license and right throughout the United States to use the System and Marks in connection with the ownership and franchising of Pitango Gelato Gelato Shops, except within a 115-mile radius of the U.S. Capitol Building in Washington D.C. We are not obligated to pay our affiliate a license fee for the use of the Marks. Under the license agreement, our affiliate retains the right to distribute products containing the marks through channels other than Gelato Shops, such as restaurants, grocery stores and caterers. Our affiliate also retains the right to advertise using the Marks nationwide in any territory, including within the territory of any Pitango Gelato franchisee, provided that such advertising is consistent with the Pitango Gelato image. The term of the license is 30 years with an additional 30-year renewal term, contingent upon franchisor being in material compliance with the license agreement and providing notice of renewal to our affiliate.

Our affiliate Pitango IP LLC has obtained registration of the name "Pitango" on Principal Registrar of the United States Patent & Trademark Office ("**USPTO**"), with a Registration Number of 3336769, issued on November 13, 2007. Our affiliate has filed all necessary affidavits with the USPTO to maintain these registrations.

There are currently no effective material determinations of the United States Patent and Trademark Office, trademark trial and appeal board, the trademark administrator of this state or any court; pending infringement, opposition or cancellation; or pending material litigation involving the Marks. In addition, there are no existing infringing uses actually known to us of our Marks which could materially affect your use of the Marks. Except for the restrictions in the License Agreement with Pitango IP LLC as described, there are no agreements currently in effect, which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

You will not receive any rights to the Marks other than the nonexclusive right to use them in the operation of your Gelato Shop. You may only use the Marks in accordance with our standards, operating procedures and specifications. Any unauthorized use of the Marks by you is a breach of the franchise agreement and an infringement of our and our affiliate's rights in the Marks. You may not contest the validity or ownership of the Marks, including any Marks that we license to you after you sign the franchise agreement. You may not assist any other person in contesting the validity or ownership of the Marks.

You must immediately notify us of any apparent infringement of, or challenge to your use of, any Mark, or any claim by any person of any rights in any Marks, and you may not communicate with any person other than us regarding any infringements, challenges or claims unless you are legally required to do so, however, you may communicate with your own counsel at your own expense. We may take whatever action we deem appropriate in these situations; we have exclusive control over any settlement or proceeding concerning any Mark. You must take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks.

We can require you to modify or discontinue the use of any Mark and to use other trademarks or service marks. We will not be required to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. We are not obligated to reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

We will reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark, but only if you notify us of the proceeding in a timely manner and you have complied with our directions with regard to such proceeding. We have the right to control the defense and settlement of any such proceeding. Our reimbursement does not include your expenses for removing signage or discontinuing your use of any Mark. Our reimbursement also does not apply to any disputes where we challenge your use of a Mark. Our reimbursement does not apply to legal fees you incur in seeking separate, independent legal counsel.

You must use the Marks as the sole trade identification of your Gelato Shop. You may not use any Mark in connection with the sale of any unauthorized products or services, or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law.

You must notify us if you apply for your own trademark or service mark registrations. You must not register or seek to register as a trademark or service mark, either with the PTO or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any of our Marks.

You may not establish, create or operate an Internet site or website using any domain name containing the words "Pitango", "Gelato", or any variation thereof without our prior written consent. We retain the sole right to create websites (including pages on any third party websites or "social media platforms") using the words "Pitango Gelato" as an identifying name or domain name, and you may not claim any other domain names that reflects the Marks as we may designate in the Manual.

Item 14.
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents. We own no rights in or licenses to any patents that are material to the franchise, and we do not have any pending patent applications.

Copyrights. There are currently no registered copyrights that are material to the franchise. Pitango Gelato owns the copyrights and common law proprietary rights in our advertising and the Confidential Operations Manual as described in Item 11. By signing the franchise agreement, you agree not to copy, reprint or otherwise use these proprietary materials without our prior approval.

Proprietary Information. You will receive proprietary, confidential and trade secret information of Pitango Gelato, including know-how, ideas, techniques, research, methods and improvements, owned or developed by Pitango Gelato. You must maintain the confidentiality of this information unless otherwise authorized by us in writing. You will be required to sign the confidentiality and non-competition agreement in the form of Exhibit 3 to the franchise agreement, which is Exhibit C to this disclosure document, before proprietary information is disclosed to you during the period before you sign the franchise agreement. Your employees who will have access to proprietary and confidential information, and everyone who receives training from us, will also be required to sign these confidentiality and non-competition agreements.

You must promptly tell us if you learn about any unauthorized use of our proprietary information. We are not obligated to take action, but will respond to this information as we think appropriate. We have no obligation under the franchise agreement or otherwise to protect or indemnify you for any claims of infringement based on your use of our copyrighted or proprietary materials or any patented items or material that we develop.

We do not know of any infringing uses that could materially affect your use of any proprietary and/or copyrighted material supplied to you by us.

Item 15.
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

You must devote your best efforts to the onsite management of your Gelato Shop. If you are a corporation, limited liability company or other business entity, you must designate an individual upon whom we may rely for the personal and direct onsite management of the franchised business, referred to in this disclosure document as the General Manager. That individual must hold a minimum of ten percent (10%) profits or equity interest in your company the Franchisee entity. Within sixty (60) days of the scheduled opening of your Gelato Shop, you, or your General Manager who will provide onsite management of your Gelato Shop must complete our initial training program described in Item 11.

All Owners of the Gelato Shop, each of their spouses, and each person who attends our headquarters training program must sign a written agreement (Exhibit 3 to the Franchise Agreement, which is Exhibit C to this Disclosure Document) to maintain the confidentiality of the trade secrets described in Item 14 and to conform with the covenants not to compete described in Item 17. All owners of fifteen percent (15%) or more of a franchisee that is a corporation or legal entity must sign the Personal Guaranty (Exhibit 4 to the franchise agreement) agreeing, as an individual, to satisfy all obligations to us that are not fulfilled by the franchisee entity.

Item 16.
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer for sale only those goods and services which comply with our standards for kind and quality. These standards are stated in the Confidential Operations Manual or our written directives. We have the right to add additional products and services from time to time and as often as we deem necessary, without limitation.

To ensure the uniformity and high quality of Pitango Gelato gelato, beverages and other products, you must prepare, serve and sell only those items that we approve. All gelato and bakery items will be formulated, designed, and enhanced by us. You will serve and sell all items specified by us, subject to seasonable availability, and shall serve and sell only such items as specified by us, and adequately stock your Gelato Shop with necessary ingredients and products. (See requirements on sources of products in Item 8.)

You will not be permitted to create new menu items without our prior written approval. A decision to perform testing of such new menu items will be in our sole and absolute discretion. If we engage in such testing, and approve your request, then and only then may you adopt such concept, process, product, recipe, or improvement. You will receive no additional compensation for any such approved concept, product, recipe or improvement which we have approved for your use.

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Item 17.
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

	Provision	Section in Franchise Agreement	Summary
a.	Length of the franchise term	Section 3.1.	10 years.
b.	Renewal or extension of the term	Section 3.2.	You have the right to continue the franchise relationship for up to 2 additional terms of 10 years each (20 years total) if you satisfy the requirements identified in subpart (c) below.
c.	Requirements for franchisee to renew or extend	Section 3.2.	"**Renewal**" means generally the right to continue to operate your Pitango Gelato Gelato Shop for an additional fixed period of time beyond the term of the franchise agreement. You may be asked to sign a contract with **materially different** terms and conditions than your original contract. To renew, you must be in Good Standing, as that term is defined in the expiring franchise agreement; pay the renewal fee specified in the expiring agreement; sign our then-current form of franchise agreement, which may be different than the current form, may require different royalty fee and advertising obligations, and may modify your territorial rights; and update the Gelato Shop to meet our then-current appearance and equipment standards.
d.	Termination by franchisee	Section 17.5	You will have a one-time option after 5 years from the date you sign the franchise agreement to terminate the franchise agreement, providing that you give us at least 6 months' notice and pay the Termination Fee. Otherwise, you may terminate the franchise only if we have materially breached the franchise agreement and have failed to cure the breach after a notice period. Specifically, before you terminate the franchise agreement for good cause, you must serve a written notice of default on us and state the grounds of default; you must grant us a reasonable opportunity of not less than 30 days to cure the default or to commence diligent efforts to cure the default, if the default cannot reasonably be cured within such 30 days; and continue to operate the Gelato Shop as a franchise until expiration of any applicable cure period, which need not exceed 90 days in duration.
e.	Termination by franchisor without cause	Not Applicable	We can only terminate if you default.

	Provision	Section in Franchise Agreement	Summary
f.	Termination by franchisor with cause	Sections 17.2, 17.3, 17.4, 17.5, 17.6	We can only terminate if you default. The franchise agreement describes defaults throughout—please read it carefully.
g.	"**Cause**" defined — curable defaults	Sections 17.3.9, 17.3.13, 17.4	Failure to pay monies owed -- 5 days to cure after notice. For all defaults other than those listed in (h) below – 30 days to cure after notice.
h.	"**Cause**" defined — non-curable defaults	Sections 17.2, 17.3	Criminal conviction of felony or certain misdemeanor offenses by Franchisee or any guarantor; insolvency of Franchisee or any of its guarantors; failure to begin operations within 180 days of signing the lease for your Gelato Shop location; sale of unauthorized products or services; receipt of 2 default notices during any 12 month period; failure to complete initial training within 270 days from signing the franchise agreement; closes business for 7 consecutive days without our consent or for reasons out of your control; material misrepresentation to us; unauthorized disclosure of confidential information; directing advertisements to customers in another franchisee's territory on more than one occasion; unauthorized assignment; attachment of lien to Gelato Shop or its assets that is not released within 10 days, or execution on or levying of the assets of the Gelato Shop; uncured breach of another franchise agreement between us and you or your affiliates; default under your lease for the Gelato Shop location; score below 70% on an inspection of your Gelato Shop or 85% on a re-inspection of your Gelato Shop.
i.	Franchisee's obligations on termination/non-renewal	Article XVIII	Payment of all monies owed; payment of liquidated damages, if applicable; compliance with covenant not to compete and trade secret obligations; cooperation in the transfer of the Gelato Shop's tangible assets to us or a new franchisee (subject to fair value compensation); assignment of the lease for the premises to us or our designee, if we request; complete de-identification of the Gelato Shop premises, if we request.
j.	Assignment of contract by franchisor	Section 16.1	No restriction on our right to assign.
k.	"**Transfer**" by franchisee -- defined	Section 16.2	Includes transfer of franchise agreement or assets or ownership change in Franchisee, if a business entity.
l.	Franchisor approval of transfer by franchisee	Section 16.2	All transfers must be approved by us, but we will not unreasonably withhold approval.

	Provision	Section in Franchise Agreement	Summary
m.	Conditions for franchisor approval of transfer	Section 16.2.1	New franchisee or owners are acceptable to us financially and in their personal qualifications; transfer fee paid, terms of the purchase agreement with transferee will not endanger the continued viability of the Gelato Shop as a going concern, or the solvency of the transferee's other Pitango Gelato franchises (if applicable); transferee's General Manager completes our training at our option, either your franchise agreement is assumed by the transferee or the transferee signs our then-current form of franchise agreement; and you issue a general release to us. If selling a minority of ownership in the Gelato Shop, a lower transfer fee is charged and the only other requirements are that the new investor is acceptable to us, that person signs a guarantee of Franchisee's obligations if owning more than 15% of the Gelato Shop, that person completes training if he/she will be a manager; and the transferor of ownership signs a release of claims in our favor.
n.	Franchisor's right of first refusal to acquire your business	Section 16.3	We have 30 days to match any offer to purchase an ownership interest of more than 15% ownership in the Gelato Shop or Franchise entity, or substantially all of the assets of the Gelato Shop.
o.	Franchisor's option to purchase your business	Section 18.12	Upon termination or non-renewal, we may purchase your tangible assets in the Gelato Shop for their fair market value, but are not obligated to pay you for any amount for the Gelato Shop's goodwill as a going concern. We also will have an option to assume your lease, subject to restrictions imposed by the real estate owner.
p.	Death or disability of franchisee	Sections 16.5, 16.6	Executor must make available for sale to approved buyer as soon as practicable. Heir will have right to inherit or purchase from estate, subject to certain conditions of transfer. If heir is not acceptable to us, then estate will have an additional 6 months to sell to another approved buyer in compliance with all conditions for approval.
q.	Non-competition covenants during the term of the franchise	Section 10.2	You cannot directly or indirectly operate a competing business, meaning a shop that predominantly sells gelato, ice cream, or other frozen dairy or other frozen desserts.
r.	Non-competition covenants after the franchise is terminated or expires	Section 10.3	No competing business following termination for 2 years at your original Gelato Shop location or within a 10-mile radius of our other franchises, company units or your original Gelato Shop location.

	Provision	Section in Franchise Agreement	Summary
s.	Modification of the agreement	Section 23.3	Modifications of franchise agreement must be mutually agreed to and written; we may unilaterally revise Confidential Operations Manual, change its marks, and reduce scope of non-competition covenants.
t.	Integration/merger clause	Section 23.2	Only the terms of the franchise agreement and other written agreements are binding (subject to state law). Any representations or promises outside the disclosure document and franchise agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Articles XX, XXI, XXII	All disputes must be mediated, and if not resolved, are subject to mandatory mediation and, if the dispute remains unresolved, binding arbitration, except for injunctive relief to protect the marks or proprietary information.
v.	Choice of forum	Section 22.1	Mediation, arbitration and litigation must be held in Baltimore, Maryland (subject to applicable law). However, we may seek injunctive relief anywhere (subject to applicable law).
w.	Choice of law	Section 22.3	Maryland law governs the franchise agreement (subject to applicable law).
x.	Waiver	Sections 10.8, 21.1, 22.5, 22.7	You waive rights to punitive damages, class claim treatment, and trial by jury; we need not post a bond to obtain injunctive relief.

Item 18.
PUBLIC FIGURES

We do not currently use any public figures to promote our franchise.

Item 19.
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the 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 information concerns the performance of four (4) Pitango Gelato Gelato Shops operated by companies owned by Noah Dan, founder of the concept and an owner and

Manager of us. We have not included the Adams Morgan location in D.C., also operated by Noah Dan, because it sells sandwiches and salads (in addition to gelato and coffee), which is not representative of the System being offered under this disclosure document. It is important to note that, through the end of 2019, these locations had been in operation for between 6 and 12 years. Your individual results may differ from these, because these locations have a level of community recognition and history materially different from that of a new franchisee. There is no assurance that you'll sell as much.

The locations controlled by Mr. Dan are exempt from paying royalty or brand building fees pursuant to our license agreement with Pitango IP, LLC, the trademark owner, but under franchise disclosure rules those costs are shown below since you would be required to pay them.

	2019				
	Low	High	Median	Average	# and % of Gelato Shops Exceeding Average
Gross Sales	$287,286*	$791,402	$674,613	$606,979	2 (50%)
Cost of Goods Sold (excluding labor)	$67,945*	$171,648	$143,995	$131,896	2 (50%)
Cost of Labor	$79,912*	$205,571	$182,953	$162,848	2 (50%)
Rent	$60,600*	$91,479	$83,889	$81,190	2 (50%)
Royalty (5% of Gross Sales)	$14,364.30*	$39,570.10	$33,730.65	$30,348.95	N/A
Brand Building Fee (1.5% of Gross Sales)	$4,309.29*	$11,871.03	$10,119.20	$9,104.69	N/A

*Gelato Shop was not open for the entire year - amounts represent 1/1/19- 11/3/2019.

	2020**				
	Low	High	Median	Average	# and % of Gelato Shops Exceeding Average
Gross Sales	$116,367**	$367,630	$190,005	$216,002	2 (50%)
Cost of Goods Sold (excluding labor)	$31,647	$83,874	$47,485	$52,623	1 (20%)
Cost of Labor	$52,382	$121,629	$73,794	$80,399	2 (50%)
Rent	$26,772	$95,122	$54,813	$57,880	2 (50%)
Royalty (5% of Gross Sales)	$5,818	$18,381	$9,500	$10,800	N/A
Brand Building Fee (1.5% of Gross Sales)	$1,746	$5,514	$2,850	$3,240	N/A

**All Gelato Shops were closed from March 16, 2020, through April 30, 2020, due to health and safety measures in response to the COVID-19 pandemic. Beginning in May 2020 and continuing through the end of 2020, three of the Gelato Shops intermittently opened and closed according to changing state and local rules and guidelines. The fourth Gelato Shop, located in downtown Washington, DC, was mostly closed throughout 2020, as it is located in a business and tourist area that has had very little activity since the COVID-19 pandemic began. That is the "Low" shop for year 2020.

	2021***				
	Low	High	Median	Average	# and % of Gelato Shops Exceeding Average
Gross Sales	$155,544***	$434,799	$322,626	$308,898	2 (50%)
Cost of Goods Sold (excluding labor)	$20,317	$99,931	$66,608	$63,366	2 (50%)
Cost of Labor	$29,089	$125,281	$95,711	$79,974	2 (50%)
Rent	$50,427	$92,364	$88,293	$69,776	2 (50%)
Royalty (5% of Gross Sales)	$7,777	$21,740	$16,131	$15,582	2 (50%)
Brand Building Fee (1.5% of Gross Sales)	$2,333	$6,522	$4,839	$4,675	2 (50%)

***The COVID-19 pandemic continued to interrupt the business operations of the Gelato Shops due to labor shortages and multiple employees taking sick leave due to COVID-19 cases. As in 2020, the Gelato Shop located in downtown Washington, DC, was closed for 237 days (65% of the year) in 2021 and is the “Low” shop for year 2021.

Gross Sales means total sales of the business less discounts made available to employees and loyal customers (such as buy ten get one free deals).

Written substantiation for this Financial Performance Representation will be made available to you upon reasonable request.

Some Gelato Shops have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.

Other than the preceding financial performance representation, Pitango Gelato 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, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Dinah Bengur at 509 South Exeter Street, Suite 214, Baltimore, Maryland 21202, 202-746-8656, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20.
OUTLETS AND FRANCHISEE INFORMATION

Systemwide Outlet Summary
For Years 2019 to 2021

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Company Owned	2019	5	4	-1
	2020	4	5	+1
	2021	5	5	0
Total Outlets	2019	5	4	-1
	2020	4	5	+1
	2021	5	5	0

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2019 to 2021

None.

Status of Franchised Outlets
For Years 2019 to 2021

None.

Status of Company-Owned Outlets
For Years 2019 to 2021

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reaquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
D.C.	2019	3	0	0	1	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
MD	2019	1	0	0	0	0	1
	2020	1	1	0	0	0	2
	2021	2	0	0	0	0	2
VA	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
Totals	2019	5	0	0	1	0	4
	2020	4	5	0	0	0	5
	2021	5	0	0	0	0	5

PROJECTED OPENINGS
AS OF DECEMBER 31, 2021

STATE	FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPEN	PROJECTED NEW FRANCHISED OUTLET IN THE NEXT FISCAL YEAR	PROJECTED NEW COMPANY OWNED OUTLETS IN NEXT FISCAL YEAR
MD	0	0	1
VA	0	1	0
TOTALS	0	1	2

There are no franchisees who have had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the issuance date of 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 (3) fiscal years, no franchisees have signed provisions restricting their ability to speak openly about their experience with Pitango Gelato.

There are no trademark-specific franchisee organizations associated with the franchise system.

Item 21.
FINANCIAL STATEMENTS

Attached to the Disclosure Document as **Exhibit B** are Pitango Gelato's audited financial statements as of December 31, 2019, December 31, 2020, and December 31, 2021. Our fiscal year end is December 31.

Item 22.
CONTRACTS

Exhibit C to this disclosure document is a copy of the franchise agreement, with its Exhibits.

Exhibit D to this disclosure document is a sample copy of the mutual general release, the execution of which is required in the event of certain circumstances as specified in the franchise agreement.

Item 23.
RECEIPTS

The last two pages of this disclosure document are receipts acknowledging your receipt of this disclosure document with an issuance date of March 23, 2022. Please sign both versions, return the second one to Pitango Gelato, and keep the duplicate copy for your records.

EXHIBIT A TO FRANCHISE DISCLOSURE DOCUMENT

STATE AGENCIES EXHIBIT
LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

Our agent for service of process is ATA Corporate Services, LLC, 1201 N. Market Street, Suite 2300, Wilmington, Delaware 19801.

We may decide to register this offering circular as a "franchise" in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in those states:

CALIFORNIA
California Commissioner of Business Oversight
Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(213) 576-7505
(866) 275-2677

HAWAII
Commissioner of Securities of the State of Hawaii
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS
Illinois Attorney General
Franchise Division
500 South Second Street
Springfield, Illinois 62706
(217) 782-1090

INDIANA
Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

MARYLAND
Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

MICHIGAN
Michigan Department of Commerce,
Corporations and Securities Bureau
6546 Mercantile Way
Lansing, Michigan 48910
(517) 334-6212

MINNESOTA
Minnesota Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101
(612) 296-4026

NEW YORK
Attn: New York Secretary of State
New York Department of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, NY 12231-0001
(518) 473-2492

NORTH DAKOTA
North Dakota Securities Commissioner
State Capitol
600 East Boulevard Avenue, 5th Floor
Bismarck, North Dakota 58505-0510

OREGON
Director of Oregon Department of
Insurance and Finance
700 Summer Street, N.E.
Suite 120
Salem, Oregon 97310
(503) 378-4387

RHODE ISLAND
John O. Pastore
Department of Business Regulation
Division of Securities
Building 69-1
1511 Pontiac Avenue
Cranston, RI 02920-4407
(401) 222-3048

SOUTH DAKOTA
Director of South Dakota Division of Securities
445 East Capitol Avenue
Pierre, South Dakota 57501
(605) 773-4823

VIRGINIA
Clerk of the State Corporation
Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
(804) 371-9733

WASHINGTON
Securities Administrator
Washington State Department of
Financial Institutions
P.O. Box 9033
Olympia, Washington 98507-9033
(360) 902-8760

WISCONSIN
Wisconsin Commissioner of
Securities
345 W. Washington Ave., 4th Floor
Box 1768
Madison, Wisconsin 53703
(608) 261-9555

EXHIBIT B TO FRANCHISE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

PITANGO GELATO FRANCHISE CO., LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2021

PITANGO GELATO FRANCHISE CO., LLC

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ACCOUNTANTS & AUDITORS

Joel Glauser, P.C.

IRS PROBLEM?... Consider It Solved!

CORPORATE OFFICE
4753 Street Road
Trevose, PA 19053
(215) 953-2020
(215) 322-8454 Fax

SOUTH JERSEY OFFICE
1999 Marlton Pike #7
Cherry Hill, NJ 08003
(856) 489-8553
(856) 489-9553 Fax

BRIAN L. GLAUSER, C.P.A., M.S
JERRY GLAUSER, B.S
HOWARD HARTLEY, B.S
DAVID EICHENLAUB, EA
PAUL SCARCIA, B.S
KENNETH CAPPS, B.S

INDEPENDENT AUDITOR'S REPORT

To the Partners
Pitango Gelato Franchise Co., LLC

We have audited the accompanying balance sheet of Pitango Gelato Franchise Co., LLC (a Delaware Limited Liability Company), which comprise the balance sheet as of December 31, 2021, and the related statements of operations and changes in partners' capital and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

MEMBERS OF PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • ENROLLED TO PRACTICE BEFORE INTERNAL REVENUE SERVICE
NATIONAL ASSOCIATION OF ENROLLED AGENTS, PENNSYLVANIA SOCIETY OF PUBLIC ACCOUNTS, PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTS

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pitango Gelato Franchise Co., LLC as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Brian Glauser, CPA
Trevose, Pennsylvania
March 23, 2022

PITANGO GELATO FRANCHISE CO., L L C
(A Limited Liability Company)
(A Development Stage Company)
BALANCE SHEET
DECEMBER 31, 2021

ASSETS

Current Assets		
Cash & Cash Equivalents	$	406
Other Assets		
Intangible Assets, net of accumulated amortization		77,125
Total Assets	$	77,531

LIABILITIES AND PARTNERS' CAPITAL

Total Liabilities		-
Total partners' capital		77,531
Total Liabilities and Partners' Capital	$	77,531

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

PITANGO GELATO FRANCHISE CO., L L C
(A Limited Liability Company)
(A Development Stage Company)
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

Revenue:	$ -
Operating expenses:	
Amortization	5,341
Bank Service Charges	42
Other Taxes and fees	515
Total operating expenses	5,898
Net income (loss)	$ (5,898)

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

PITANGO GELATO FRANCHISE CO., L L C
(A Limited Liability Company)
(A Development Stage Company)
STATEMENT OF CHANGES IN PARTNERS' CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021

Partners' capital - beginning of year	$	75,929
Partners' Contributions		7,500
Net Income (Loss) for the year ended December 31		(5,898)
Partners' Distributions		-
Partners' capital - end of year	$	77,531

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

PITANGO GELATO FRANCHISE CO., L L C
(A Limited Liability Company)
(A Development Stage Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
NET INCOME / (LOSS)	$ (5,898)
ADJUSTMENTS TO RECONCILE NET INCOME / (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES :	
Amortization	5,341
TOTAL ADJUSTMENTS	5,341
NET CASH USED BY OPERATING ACTIVITIES	(557)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of Intangible Assets	(8,067)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Partners' Contributions	7,500
Partners' (Distributions)	-
NET CASH PROVIDED IN FINANCING ACTIVITIES	7,500
NET (DECREASE) IN CASH	(1,124)
CASH AT BEGINNING OF YEAR	1,530
CASH AT END OF YEAR	$ 406

Note 1 – Summary of Significant Accounting Policies

This summary of significant accounting policies of Pitango Gelato Franchise Co., LLC is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity. The company maintains their books on the accrual method of accounting.

Operations:

Pitango Gelato Franchise Co., LLC is organized as a Delaware Limited Liability Company. The Company is formed for the object and purpose of, and the nature of the business to be conducted and promoted by the Company is to acquire the right to sell "Pitango" gelato, sorbet, and other "Pitango" products; acquire the right to use the intellectual property of Noah Dan and his Affiliates related to "Pitango Gelato" retail stores; own, open, operate, maintain, franchise, master franchise, subfranchise, acquire and sell "Pitango Gelato" retail stores; and engage in any other lawful business.

Management's Use of Estimates and Assumptions:

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions may effect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

The Company maintains its bank accounts at a commercial bank located in Maryland. Accounts at this institution are insured up to $250,000 by the Federal Deposit Insurance Corporation. The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. As of December 31, 2021, there are no uninsured balances of cash and cash equivalents.

Note 1 – Summary of Significant Accounting Policies (continued)

Intangible Assets, and Amortization:

Intangible assets acquired or developed internally are recorded at cost. Such costs are comprised of start up costs. The cost of an acquired intangible asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use. Subsequent expenditure on intangible assets is capitalized only if it is probable that it will increase the future economic benefits associated with the specific asset. Other expenditure is recognized in profit or loss a incurred.

After initial recognition, intangible assets are measured at cost less accumulated amortization and impairment losses, if any.

Intangible assets are amortized on a straight-line basis over their estimated useful lives, which do not exceed the contractural period, if any. The estimated useful lives, residual values, and amortization methods are reviewed at each year, and any changes in estimates are accounted for prospectively.

Amortization expense is included in the statement of operations within operating expenses.

Amortization for the year ended December 31, 2021 was $5,341. Costs, accumulated amortization and estimated useful lives as of December 31, 2021 are as follows:

Category	Estimated Useful Lives	
Start Up Costs	15 years	$87,511
Less: accumulated amortization		(10,386)
Intangible Assets, net of accumulated amortization		$77,125

Note 1 – Summary of Significant Accounting Policies (continued)

The following expenditures of Start Up Costs for the year ended December 31, 2021 paid to the following vendors were capitalized to Intangible Assets:

Vendor	Expenditure
ATA Corporate Services LLC	$ 150
Joel Glauser	5,000
Whiteford Taylor	2,927
Total Start Up Costs	$ 8,067

Income Taxes:

The Company is not subject to income taxes as the representative share of profit or loss is taxed to the partners' based on their individual income tax situations. The Federal and State tax returns of the Company for 2019 through 2021 are subject to examination by the taxing authorities, generally for three years after they were filed.

Advertising Costs:

The Company expenses the cost of advertising as incurred. There were no Advertising costs expensed for the year ended December 31, 2021.

Note 2 – Concentrations of Business and Credit Risks

Concentration of Credit Risk:

Actual losses have been within management's expectations and have not been material in any period.

For the year ended December 31, 2021, the Company received 100% of its capital contributions from two of the four partners.

Note 2 – Concentrations of Business and Credit Risks

For the year ended December 31, 2021, there were expenditures totaling $7,917 to two vendors over 98% of Intangible Assets.

Note 3 – Capital Structure

As of December 31, 2021, the Company is owned 35.77% by Dinah Bengur, 33.46% by Osman Bengur, 25% by Noah Dan, and 5.77% by Noah Bengur.

Note 4 – Subsequent Events

Subsequent events have been evaluated through March 23, 2022, which is the date the financial statements were available to be issued. Management has not revised any estimates during that period.

Note 5 – Contingent Liabilities

The Company may be subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the ultimate outcome of the claims, if any, will not have a material adverse effect on the Company's financial position.

Note 6 – Development Stage Operations

The Company was formed July 9, 2018. Operations since that time were devoted primarily to raising capital and incurring start up costs and administrative functions. The Company has four partners and partner percentages are described in note 3.

PITANGO GELATO FRANCHISE CO., LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2020

PITANGO GELATO FRANCHISE CO., LLC

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IRS PROBLEM?... Consider It Solved!

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KENNETH CAPPS, B.S.

INDEPENDENT AUDITOR'S REPORT

To the Partners
Pitango Gelato Franchise Co., LLC

We have audited the accompanying balance sheet of Pitango Gelato Franchise Co., LLC (a Delaware Limited Liability Company), which comprise the balance sheet as of December 31, 2020, and the related statements of operations and changes in partners' capital and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

MEMBERS OF PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • ENROLLED TO PRACTICE BEFORE INTERNAL REVENUE SERVICE
NATIONAL ASSOCIATION OF ENROLLED AGENTS, PENNSYLVANIA SOCIETY OF PUBLIC ACCOUNTS, PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTS

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pitango Gelato Franchise Co., LLC as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Brian Glauser, CPA

Brian Glauser, CPA
Trevose, Pennsylvania
February 25, 2021

PITANGO GELATO FRANCHISE CO., L L C
(A Limited Liability Company)
(A Development Stage Company)
BALANCE SHEET
DECEMBER 31, 2020

ASSETS

Current Assets		
Cash & Cash Equivalents	$	1,530
Other Assets		
Intangible Assets, net of accumulated amortization		74,399
Total Assets	$	75,929

LIABILITIES AND PARTNERS' CAPITAL

Total Liabilities		-
Total partners' capital		75,929
Total Liabilities and Partners' Capital	$	75,929

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

PITANGO GELATO FRANCHISE CO., L L C
(A Limited Liability Company)
(A Development Stage Company)
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

Revenue:	$ -
Operating expenses:	
Amortization	4,661
Bank Service Charges	45
Office	254
Other Taxes and fees	300
Total operating expenses	5,260
Net income (loss)	$ (5,260)

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

PITANGO GELATO FRANCHISE CO., L L C
(A Limited Liability Company)
(A Development Stage Company)
STATEMENT OF CHANGES IN PARTNERS' CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020

Partners' capital - beginning of year	$	68,689
Partners' Contributions		12,500
Net Income (Loss) for the year ended December 31		(5,260)
Partners' Distributions		-
Partners' capital - end of year	$	75,929

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

PITANGO GELATO FRANCHISE CO., L L C
(A Limited Liability Company)
(A Development Stage Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
NET INCOME / (LOSS)	$ (5,260)
ADJUSTMENTS TO RECONCILE NET INCOME / (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES :	
Amortization	4,661
TOTAL ADJUSTMENTS	4,661
NET CASH USED BY OPERATING ACTIVITIES	(599)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of Intangible Assets	(10,400)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Partners' Contributions	12,500
Partners' (Distributions)	-
NET CASH PROVIDED IN FINANCING ACTIVITIES	12,500
NET INCREASE IN CASH	1,501
CASH AT BEGINNING OF YEAR	29
CASH AT END OF YEAR	$ 1,530

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

Note 1 – Summary of Significant Accounting Policies

This summary of significant accounting policies of Pitango Gelato Franchise Co., LLC is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity. The company maintains their books on the accrual method of accounting.

Operations:

Pitango Gelato Franchise Co., LLC is organized as a Delaware Limited Liability Company. The Company is formed for the object and purpose of, and the nature of the business to be conducted and promoted by the Company is to acquire the right to sell "Pitango" gelato, sorbet, and other "Pitango" products; acquire the right to use the intellectual property of Noah Dan and his Affiliates related to "Pitango Gelato" retail stores; own, open, operate, maintain, franchise, master franchise, subfranchise, acquire and sell "Pitango Gelato" retail stores; and engage in any other lawful business.

Management's Use of Estimates and Assumptions:

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions may effect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

The Company maintains its bank accounts at a commercial bank located in Maryland. Accounts at this institution are insured up to $250,000 by the Federal Deposit Insurance Corporation. The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. As of December 31, 2020, there are no uninsured balances of cash and cash equivalents.

Note 1 – Summary of Significant Accounting Policies (continued)

Intangible Assets, and Amortization:

Intangible assets acquired or developed internally are recorded at cost. Such costs are comprised of start up costs. The cost of an acquired intangible asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use. Subsequent expenditure on intangible assets is capitalized only if it is probable that it will increase the future economic benefits associated with the specific asset. Other expenditure is recognized in profit or loss a incurred.

After initial recognition, intangible assets are measured at cost less accumulated amortization and impairment losses, if any.

Intangible assets are amortized on a straight-line basis over their estimated useful lives, which do not exceed the contractural period, if any. The estimated useful lives, residual values, and amortization methods are reviewed at each year, and any changes in estimates are accounted for prospectively.

Amortization expense is included in the statement of operations within operating expenses.

Amortization for the year ended December 31, 2020 was $4,661. Costs, accumulated amortization and estimated useful lives as of December 31, 2020 are as follows:

Category	Estimated Useful Lives	
Start Up Costs	15 years	$79,444
Less: accumulated amortization		(5,045)
Intangible Assets, net of accumulated amortization		$74,399

Note 1 – Summary of Significant Accounting Policies (continued)

The following expenditures of Start Up Costs for the year ended December 31, 2020 paid to the following vendors were capitalized to Intangible Assets:

Vendor	Expenditure
ATA Corporate Services LLC	$ 150
Joel Glauser	5,000
Whiteford Taylor	5,250
Total Start Up Costs	$ 10,400

Income Taxes:

The Company is not subject to income taxes as the representative share of profit or loss is taxed to the partners' based on their individual income tax situations. The Federal and State tax returns of the Company for 2019 through 2021 are subject to examination by the taxing authorities, generally for three years after they were filed.

Advertising Costs:

The Company expenses the cost of advertising as incurred. There were no Advertising costs expensed for the year ended December 31, 2020.

Note 2 – Concentrations of Business and Credit Risks

Concentration of Credit Risk:

Actual losses have been within management's expectations and have not been material in any period.

For the year ended December 31, 2020, the Company received 100% of its capital contributions from two of the four partners.

Note 2 – Concentrations of Business and Credit Risks

For the year ended December 31, 2020, there were expenditures to two vendors over 98% of Intangible Assets totaling $10,250.

Note 3 – Capital Structure

As of December 31, 2020, the Company is owned 35.77% by Dinah Bengur, 33.46% by Osman Bengur, 25% by Noah Dan, and 5.77% by Noah Bengur.

Note 4 – Subsequent Events

Subsequent events have been evaluated through February 25, 2021, which is the date the financial statements were available to be issued. Management has not revised any estimates during that period.

Note 5 – Contingent Liabilities

The Company may be subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the ultimate outcome of the claims, if any, will not have a material adverse effect on the Company's financial position.

Note 6 – Development Stage Operations

The Company was formed July 9, 2018. Operations since that time were devoted primarily to raising capital and incurring start up costs and administrative functions. The Company has four partners and partner percentages are described in note 3.

PITANGO GELATO FRANCHISE CO., LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2019

PITANGO GELATO FRANCHISE CO., LLC

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INDEPENDENT AUDITOR'S REPORT

To the Partners
Pitango Gelato Franchise Co., LLC

We have audited the accompanying balance sheet of Pitango Gelato Franchise Co., LLC (a Delaware Limited Liability Company), which comprise the balance sheet as of December 31, 2019, and the related statements of operations and changes in partners' capital and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

MEMBERS OF PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • ENROLLED TO PRACTICE BEFORE INTERNAL REVENUE SERVICE

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pitango Gelato Franchise Co., LLC as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Brian Glauser, CPA

Brian Glauser, CPA
Trevose, Pennsylvania
February 6, 2020

PITANGO GELATO FRANCHISE CO., L L C
(A Limited Liability Company)
(A Development Stage Company)
BALANCE SHEET
DECEMBER 31, 2019

ASSETS

Current Assets		
Cash & Cash Equivalents	$	29
Other Assets		
Intangible Assets, net of accumulated amortization		68,660
Total Assets	$	68,689

LIABILITIES AND PARTNERS' CAPITAL

Total Liabilities		-
Total partners' capital		68,689
Total Liabilities and Partners' Capital	$	68,689

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

PITANGO GELATO FRANCHISE CO., L L C
(A Limited Liability Company)
(A Development Stage Company)
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

Revenue:	$ -
Operating expenses:	
Amortization	384
Bank Service Charges	59
Other Taxes and fees	300
Total operating expenses	743
Net income (loss)	$ (743)

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

PITANGO GELATO FRANCHISE CO., L L C
(A Limited Liability Company)
(A Development Stage Company)
STATEMENT OF CHANGES IN PARTNERS' CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019

Partners' capital - beginning of year	$	432
Partners' Contributions		69,000
Net Income (Loss) for the year ended December 31		(743)
Partners' Distributions		-
Partners' capital - end of year	$	68,689

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

PITANGO GELATO FRANCHISE CO., L L C
(A Limited Liability Company)
(A Development Stage Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
NET INCOME / (LOSS)	$ (743)
ADJUSTMENTS TO RECONCILE NET INCOME / (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES :	
Amortization	384
TOTAL ADJUSTMENTS	384
NET CASH USED BY OPERATING ACTIVITIES	(359)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of Intangible Assets	(69,044)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Partners' Contributions	69,000
Partners' (Distributions)	-
NET CASH PROVIDED IN FINANCING ACTIVITIES	69,000
NET (DECREASE) IN CASH	(403)
CASH AT BEGINNING OF YEAR	432
CASH AT END OF YEAR	$ 29

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

Note 1 – Summary of Significant Accounting Policies

This summary of significant accounting policies of Pitango Gelato Franchise Co., LLC is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity. The company maintains their books on the accrual method of accounting.

Operations:

Pitango Gelato Franchise Co., LLC is organized as a Delaware Limited Liability Company. The Company is formed for the object and purpose of, and the nature of the business to be conducted and promoted by the Company is to acquire the right to sell "Pitango" gelato, sorbet, and other "Pitango" products; acquire the right to use the intellectual property of Noah Dan and his Affiliates related to "Pitango Gelato" retail stores; own, open, operate, maintain, franchise, master franchise, subfranchise, acquire and sell "Pitango Gelato" retail stores; and engage in any other lawful business.

Management's Use of Estimates and Assumptions:

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions may effect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

The Company maintains its bank accounts at a commercial bank located in Maryland. Accounts at this institution are insured up to $250,000 by the Federal Deposit Insurance Corporation. The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. As of December 31, 2019, there are no uninsured balances of cash and cash equivalents.

Note 1 – Summary of Significant Accounting Policies (continued)

Intangible Assets, and Amortization:

Intangible assets acquired or developed internally are recorded at cost. Such costs are comprised of start up costs. The cost of an acquired intangible asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use. Subsequent expenditure on intangible assets is capitalized only if it is probable that it will increase the future economic benefits associated with the specific asset. Other expenditure is recognized in profit or loss a incurred.

After initial recognition, intangible assets are measured at cost less accumulated amortization and impairment losses, if any.

Intangible assets are amortized on a straight-line basis over their estimated useful lives, which do not exceed the contractural period, if any. The estimated useful lives, residual values, and amortization methods are reviewed at each year, and any changes in estimates are accounted for prospectively.

Amortization expense is included in the statement of operations within operating expenses.

Amortization for the year ended December 31, 2019 was $384. Costs, accumulated amortization and estimated useful lives as of December 31, 2019 are as follows:

Category	Estimated Useful Lives	
Start Up Costs	15 years	$69,044
Less: accumulated amortization		(384)
Intangible Assets, net of accumulated amortization		$68,660

Note 1 – Summary of Significant Accounting Policies (continued)

The following expenditures of Start Up Costs for the year ended December 31, 2019 paid to the following vendors were capitalized to Intangible Assets:

Vendor	Expenditure
Saul Ewing	$ 43,934
ATA Corporate Services LLC	150
NCC Group	3,960
Whiteford Taylor	21,000
Total Start Up Costs	$ 69,044

Income Taxes:

The Company is not subject to income taxes as the representative share of profit or loss is taxed to the partners' based on their individual income tax situations. The Federal and State tax returns of the Company for 2018 through 2020 are subject to examination by the taxing authorities, generally for three years after they were filed.

Advertising Costs:

The Company expenses the cost of advertising as incurred. There were no Advertising costs expensed for the year ended December 31, 2019.

Note 2 – Concentrations of Business and Credit Risks

Concentration of Credit Risk:

Actual losses have been within management's expectations and have not been material in any period.

For the year ended December 31, 2019, the Company received 100% of its capital contributions from three of the four partners.

Note 2 – Concentrations of Business and Credit Risks

For the year ended December 31, 2019, there were expenditures to two vendors over 94% of Intangible Assets totaling $64,934.

Note 3 – Capital Structure

As of December 31, 2019, the Company is owned 35.77% by Dinah Bengur, 33.46% by Osman Bengur, 25% by Noah Dan, and 5.77% by Noah Bengur.

Note 4 – Subsequent Events

Subsequent events have been evaluated through February 5, 2020, which is the date the financial statements were available to be issued. Management has not revised any estimates during that period.

Note 5 – Contingent Liabilities

The Company may be subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the ultimate outcome of the claims, if any, will not have a material adverse effect on the Company's financial position.

Note 6 – Development Stage Operations

The Company was formed July 9, 2018. Operations since that time were devoted primarily to raising capital and incurring start up costs and administrative functions. The Company has four partners and partner percentages are described in note 3.

EXHIBIT C TO FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

PITANGO GELATO

FRANCHISE AGREEMENT

between

PITANGO GELATO FRANCHISE CO., LLC
Franchisor

and

[____________________]
Franchisee

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PITANGO GELATO
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this "**Franchise Agreement**") is made and entered into by and between PITANGO GELATO FRANCHISE CO., LLC, a Delaware limited liability company ("**Franchisor**"), and _______________, a ___________ ("**Franchisee**").

RECITALS

WHEREAS, Franchisor has acquired and owns a distinctive concept and system relating to the establishment and operation of a gelato and coffee shop that offers eat in and take away gelato, sorbet, espresso drinks and other beverages and sweets with Franchisor's proprietary recipes and specified ingredients and operating procedures (the "**System**").

WHEREAS, the distinguishing characteristics of the System, include, without limitation, (i) distinctive signage, decor, color scheme, and product displays; (ii) proprietary recipes; (iii) standards, specifications, and procedures for operations management and financial control; (iv) specialized training and assistance; and (v) advertising, promotional and marketing programs, methods and techniques; all of which may be changed, improved and further developed by Franchisor from time to time.

WHEREAS, Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems, and other indicia of origin, including the marks "Pitango", "Pitango Gelato" and such other trade names, service marks and trademarks as are now designated (and may hereafter be designated by Franchisor in writing) for use in connection with the System (the "**Marks**").

WHEREAS, Franchisor continues to develop and control the use of the Marks in order to (i) identify for the public the source of services and products marketed thereunder and under the System, and (ii) enhance public acceptance of, and demand for, the businesses operating under the System and the Marks (each of which is referred to as a "**Gelato Shop**").

WHEREAS, Franchisee understands and acknowledges the importance of maintaining high standards of quality, cleanliness, appearance and service and the necessity of operating the business franchised hereunder in conformity with Franchisor's standards and specifications.

WHEREAS, Franchisee desires to obtain a franchise from Franchisor to use the System in connection with the operation of a Gelato Shop within the Territory (as hereinafter defined) at the location specified on <u>Schedule B</u> attached hereto.

WHEREAS, capitalized terms used but not defined in these recitals, the preamble or the body of this Franchise Agreement shall have the meanings provide in the <u>Schedule A, Definitions</u> attached hereto.

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

ARTICLE I <u>GRANT</u>

1.1 In reliance upon the representations, warranties and covenants of Franchisee and its Controlling Principals as set forth herein, Franchisor hereby grants to Franchisee the right and license, and Franchisee hereby accepts the right and obligation, to operate a Gelato Shop within the Territory (as defined in Section 1.5 hereof), and only at the specific location identified (or to be identified) on Schedule B (the "**Approved Location**"), under the Marks and the System in accordance with all of the provisions of this Franchise Agreement and Franchisor's standards and specifications. Franchisee is not authorized to operate the Gelato Shop, or use the Marks to offer or sell any products or services, at or from any location other than the Approved Location. Franchisee may not relocate the Gelato Shop without the prior written consent of Franchisor.

1.2 Franchisor reserves the right to revise, modify, amend and/or change the System, or any part thereof, at any time and from time to time, provided that each Gelato Shop continues to serve gelato. Such revisions, modifications, amendments and/or changes may include new or different systems, products, programs, specifications, standards, controls, and other distinguishing elements or characteristics that Franchisor may make mandatory. Franchisee specifically acknowledges that certain revisions, modifications, amendments and/or changes to the System may require Franchisee to expend resources to adopt such revisions, modifications, amendments and/or changes, as determined by Franchisor in its reasonable business judgment.

1.3 Franchisee and the Controlling Principals have represented to Franchisor that they have entered into this Franchise Agreement with the intention of fully complying with the obligations to construct and operate a Gelato Shop in compliance with the System. Franchisee and the Controlling Principals understand and acknowledge that Franchisor has granted such rights in reliance on (i) the business skill, financial capacity and personal character of Franchisee and the Controlling Principals, (ii) the expectations of performance hereunder by Franchisee and the Controlling Principals, and (iii) the agreement and understanding that this Franchise Agreement and the rights and obligations hereunder may not be transferred except as otherwise expressly provided in Article XVI hereof.

1.4 Franchisee acknowledges and agrees that, except as otherwise expressly provided in Section 1.5 hereof, Franchisor, its Affiliates and its owners (each, a "**Pitango Company**" and, collectively, the "**Pitango Companies**") have and retain the right to develop, promote, construct, own, lease, acquire and/or operate, or authorize or otherwise license or franchise others to develop, promote, construct, own, lease, acquire and/or operate other business operations and concepts under the trade name "Pitango Gelato," including other Gelato Shops. Franchisee further acknowledges, accepts and agrees that Franchisor and the other Pitango Companies, or any of them, may exercise such right from time to time without notice to Franchisee, and Franchisee covenants that it shall not take any action, including any cause of action in a court of law or equity, that may interfere with the exercise of such right by any of the Pitango Companies.

1.5 Franchisor hereby assigns to Franchisee the geographic area (the "**Territory**") identified on Schedule B attached hereto. Subject to Sections 1.7 hereof and, provided that Franchisee and the Controlling Principals are in full compliance with all provisions of this Franchise Agreement and any other agreements with any of the Pitango Companies, neither Franchisor nor any of the Pitango Companies may establish (or authorize any other Person, other than Franchisee, to establish) a Gelato Shop within the Territory during the term of this Franchise Agreement, except that the Pitango Companies may establish (or authorize other Persons to establish) a Gelato Shop at Captive Audience Locations within the Territory.

1.6 If the parties have executed the Multi-Unit Development Rider, Franchisee may reserve a specified number of additional franchises to operate in reserved geographic areas. To exercise each additional franchise option pursuant to the Multi-Unit Development Rider: (i) Franchisee and its Controlling Principals must be in Good Standing, (ii) Franchisee must send Franchisor a notice of Franchisee's election to exercise each option within the time period agreed upon and set forth in the

Multi-Unit Development Rider and (iii) Franchisee must pay the additional initial fees as described in Section 4.2 hereof.

1.7 Franchisee acknowledges and agrees that the Pitango Companies operate Gelato Shops under the Marks. In addition, notwithstanding anything in this Franchise Agreement, Franchisor and one or more of the Pitango Companies retain the right to offer and sell (and may authorize others to offer and sell), in the Territory: (i) collateral products under the Marks, at or from any location, such as gift cards and gift certificates and (ii) any products or food and beverage services under any names and marks other than the Marks. The Pitango Companies also retain the right, within the Territory, to operate Gelato Shops within all Captive Audience Locations. Neither Franchisor, any other Pitango Company, nor any other franchisee may solicit the purchase of food or beverage products under the Marks by direct mail advertising or geo-targeted Internet advertising consumers in the Territory; provided, however, that franchisees operating outside of the Territory may broadcast advertisements that are viewed in the Territory, and it is always the consumer's choice which particular Gelato Shop to patronize.

ARTICLE II SITE SELECTION, PLANS AND CONSTRUCTION

2.1 Franchisee assumes all cost, liability, expense and responsibility for locating, acquiring and developing a site for the Gelato Shop within the Territory and for constructing and equipping the Gelato Shop at such site. Franchisee shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for the Gelato Shop unless the site is approved by Franchisor as set forth below. Franchisee acknowledges that (i) the location, selection, procurement and development of a site for the Gelato Shop is Franchisee's sole responsibility and (ii) Franchisor's consent to a prospective site or rendering of assistance in the selection of a site does not constitute a representation, promise, warranty or guarantee, express or implied, by Franchisor that the Gelato Shop operated at that site will be profitable or otherwise successful.

2.2 If the Approved Location has not been identified as of the Effective Date, (i) until an Approved Location is identified, other franchisees in the System, including the Pitango Companies, may conduct their advertising directly to customers in the Territory and (ii) Franchisee will initiate a diligent and continuous search for a location in the Territory for the Gelato Shop upon execution of this Franchise Agreement. Prior to acquiring by lease or purchase a site for the Gelato Shop, Franchisee will submit to Franchisor a description of the site containing the information specified by Franchisor from time to time in the Manual, including evidence satisfactory to Franchisor demonstrating that the site satisfies Franchisor's Gelato Shop requirements as provided in the Manual. Franchisor shall have thirty (30) days after receipt of such information and materials to approve or disapprove, in its sole discretion, the proposed site as the location for the Gelato Shop. No site may be used for the location of the Gelato Shop unless it is approved in writing by Franchisor.

2.3 If Franchisee will occupy the premises of the Gelato Shop pursuant to a lease, Franchisee must submit a copy of the lease to Franchisor for written approval prior to Franchisee's execution thereof and must furnish to Franchisor a copy of the executed lease within ten (10) days after execution thereof. No lease for the Gelato Shop premises shall be approved by Franchisor unless (i) provisions substantially similar to the provisions set forth in Exhibit 1 attached hereto are included in the lease, or (ii) Franchisee, Franchisor, and the lessor of the site execute a collateral assignment of lease, in substantially the form attached hereto as Exhibit 2. Franchisor shall have thirty (30) days following receipt of the lease to grant its approval or disapproval thereof. Franchisee acknowledges that Franchisor's or its representative's review of such lease is solely for the benefit of Franchisor and that any acceptance or rejection by Franchisor of such lease does not constitute a representation, warranty, or guarantee, express or implied, by Franchisor or its representative as to any of the terms or provisions of such lease or that such lease is in any way beneficial or detrimental to Franchisee.

2.4 After Franchisor approves a site for the Gelato Shop, Franchisee secures it by lease or acquisition, and the Gelato Shop is open for business, Franchisor will issue an amended Schedule B that designates the location of the site as the **"Approved Location"**, identifies the Opening Date and the approved initial General Manager of the Gelato Shop.

2.5 Franchisee is responsible for obtaining all zoning classifications and clearances that may be required by state or local laws, ordinances or regulations or that may be necessary as a result of any restrictive covenants relating to the Approved Location. Prior to beginning the construction or remodeling of the Gelato Shop, Franchisee must certify in writing to Franchisor that the insurance coverage specified in Article XII hereof is in full force and effect and that all required approvals, clearances, permits, licenses and certifications have been obtained. Upon request, Franchisee must provide to Franchisor additional copies of Franchisee's insurance policies and/or certificates of insurance and copies of all such approvals, clearances, permits, licenses and certifications.

2.6 Franchisee must develop the Gelato Shop in strict compliance with the System, the Manual and Franchisor's standards and specifications regarding use of the Marks, including, without limitation, Franchisor's layout and equipment specifications for Gelato Shops. Franchisee must obtain any architectural, engineering and design services it deems necessary for the construction of the Gelato Shop at its own expense from an architectural design firm. Franchisee must adapt layout plans and specifications for the Gelato Shop provided by Franchisor as necessary for the construction of the Gelato Shop at the Approved Location and shall submit its layout plans to Franchisor's designated representative for review. If Franchisor determines that any such plans are not consistent with the best interests of the System, Franchisor may prohibit the implementation of such plans, and in such event will notify Franchisee of any objection(s) within fifteen (15) days of receiving Franchisee's proposed plans. If Franchisor objects to any such plans within that period, Franchisor must provide Franchisee with a reasonably detailed list of changes necessary to make the plans acceptable. Franchisor or its representative, upon a resubmission of the plans with such changes, must notify Franchisee within fifteen (15) days of receiving the resubmitted plans whether the plans are acceptable.

2.7 Franchisee must commence and diligently and continuously pursue development of the Gelato Shop, in compliance with the approved plans as specified above, upon acquiring or leasing the Approved Location. During the time of construction or remodeling, Franchisee must provide Franchisor with such periodic reports regarding the progress of the construction or remodeling as Franchisor reasonably request. Franchisee must notify Franchisor 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, Franchisor or its representative may, at its option, conduct an inspection of the completed Gelato Shop. Franchisee acknowledges and agrees that it will not open the Gelato Shop for business without the written authorization of Franchisor and that authorization to open may be conditioned upon Franchisee's strict compliance with this Franchise Agreement.

2.8 Franchisor or its representative may make such on-site inspections of construction and remodeling as it may deem reasonably necessary to evaluate such progress and, without limitation, may require Franchisee to have work re-done if it does not comply with the approved plans.

2.9 Franchisee acknowledges that time is of the essence. Subject to Franchisee's compliance with the conditions stated below, Franchisee must open the Gelato Shop and commence business within twelve (12) months after the Effective Date, unless Franchisee obtains an extension of such time period from Franchisor in writing. Prior to opening the Gelato Shop for service to the general public, Franchisee must complete all exterior and interior preparations for the Gelato Shop, including installation of equipment, fixtures, furnishings and signs, pursuant to the plans and specifications approved by Franchisor, and comply with all other pre-opening obligations of Franchisee, including those pre-opening obligations described in Article VI hereof, to Franchisor's satisfaction. If Franchisee fails to comply with any of such obligations, Franchisor may prohibit Franchisee from opening the Gelato Shop and commencing business. Franchisee's failure to open the Gelato Shop and commence business in accordance with the foregoing shall be deemed a material event of default under this Franchise Agreement. Once Franchisor authorizes Franchisee to open at the Approved Location, then that place shall be the "**Premises**."

ARTICLE III TERM AND SUCCESSOR AGREEMENT

3.1 Unless sooner terminated as provided in 16.1 hereof, the term of this Franchise Agreement shall begin on the Effective Date and shall expire ten (10) years from the Effective Date.

3.2 Franchisee may, at its option, obtain a successor franchise agreement for up to two (2) additional ten (10) year terms, provided that all of the following conditions are satisfied prior to and at the time of any such renewal:

3.2.1 Franchisee gives Franchisor written notice of Franchisee's election to renew its franchise agreement not less than nine (9) months nor more than eighteen (18) months prior to the end of the term;

3.2.2 Franchisee presents satisfactory evidence that Franchisee has the right to remain in possession of the Premises, or obtains Franchisor's consent to a new site for the operation of the Gelato Shop, for the duration of the new ten (10) year term;

3.2.3 Franchisee repairs or replaces, at Franchisee's cost and expense, equipment, signs, interior and exterior decor items, fixtures, furnishings, supplies and other products and materials required for the operation of the Gelato Shop as Franchisor may reasonably require, and obtains, at Franchisee's cost and expense, any new or additional equipment, fixtures, supplies and other products and materials that may be reasonably required by Franchisor for Franchisee to offer and sell new menu items from the Gelato Shop and otherwise modernizes the Premises as reasonably required by Franchisor to reflect the then-current standards and image of the System as contained in the Manuals or as otherwise provided in writing by Franchisor;

3.2.4 Franchisee and its Controlling Principals are in Good Standing;

3.2.5 Franchisee shall have satisfied all monetary obligations owed by Franchisee and/or any of its Affiliates to Franchisor and/or any of the Pitango Companies under this Franchise Agreement or any other agreement between Franchisee or any of its Affiliates and Franchisor or any of the Pitango Companies, and shall have timely met those obligations throughout the terms thereof;

3.2.6 Franchisee executes Franchisor's then-current form of franchise agreement, which agreement shall supersede this Franchise Agreement in all respects, and the terms of which may differ from the terms of this Franchise Agreement, including, without limitation, a higher percentage royalty fee, advertising contribution and/or expenditure requirement, and which will be modified to reflect the fact that the Franchisee is renewing and not starting a new business;

3.2.7 Franchisee pays Franchisor, in lieu of an Initial Franchise Fee, a renewal fee equal to the greater of (i) twenty-five percent (25%) of Franchisor's then-current initial franchise fee being charged to new franchisees or (ii) Ten Thousand Dollars ($10,000);

3.2.8 Franchisee and the Controlling Principals execute a general release of any and all claims, actions, causes of action, damages, costs, losses, debt and expenses of any nature whatsoever, that the Franchisee and/or the Controlling Principals, or any of them, ever had, now has or hereinafter may have, against the Franchisor Parties in their corporate and individual capacities, in any way arising from or relating to any act, omission, transaction or event occurring before the effective date of the successor franchise agreement, including, without limitation, claims arising under this Franchise Agreement.

3.2.9 Franchisee, its General Manager and its other employees shall comply with Franchisor's then-current qualification and training requirements.

3.3 In the event that any of the conditions set forth in Section 3.2 have not been met, Franchisor will have no obligation to enter into a successor franchise agreement with Franchisee, it being understood that in such event Franchisee's successor agreement option will be deemed to have been waived by Franchisee, void, and of no force and effect.

3.4 If Franchisee continues to operate the Gelato Shop after the end of the term of this Franchise Agreement, and Franchisor accepts continuing fee payments from Franchisee and does not act to sever the business relationship between the parties, then the terms of this Agreement will continue to apply on a "month to month basis," meaning that either party may terminate the business relationship without cause on thirty (30) days' written notice to the other party and the post-termination obligations of the parties will apply from the effective date that the "month to month" relationship terminates.

ARTICLE IV <u>FEES</u>

4.1 Franchisee shall pay to Franchisor an initial franchise fee (the "**Initial Franchise Fee**") of Thirty Thousand Dollars ($30,000.00) upon execution of this Franchise Agreement by Franchisee. The parties agree that of the Initial Franchise Fee, Ten Thousand Dollars ($10,000) relates to the provision of the initial training under Article VI, Ten Thousand Dollars ($10,000) relates to the provision of support to Franchisee in its initial purchasing and store opening under Section 6.5.4 and Fifteen Thousand Dollars ($10,000) relates to the license to use the Mark and the Confidential Information in the operation of the Gelato Shop under Article I.

4.2 In addition to the Initial Franchise Fee, if Franchisee enters into the Multi-Unit Development Rider, on or before the Effective Date Franchisee must pay Franchisor a fee equal to Fifteen Thousand Dollars ($15,000) multiplied by the number of franchises reserved under the Multi-Unit Development Rider (the "**Multi-Unit Development Fee**"). The initial franchise fee for each additional franchise that Franchisee chooses to develop pursuant to the Multi-Unit Development Rider will be Twenty-Five Thousand Dollars ($25,000), with the first Fifteen Thousand Dollars ($15,000) credited from the Multi-Unit Development Fee and the balance of Ten Thousand Dollars ($10,000) due when Franchisee exercises its option to enter into a new franchise agreement for each additional Gelato Shop.

4.3 The amount of the Initial Franchise Fee and Multi-Unit Development Fee (or any portion thereof) when so paid shall be deemed fully earned and nonrefundable in consideration of the administrative and other expenses incurred by Franchisor in granting the franchise hereunder and for its lost or deferred opportunity to grant such franchise to any other party; provided, however, that at Franchisor's discretion Franchisor may terminate this Franchise Agreement under the following circumstances and, if it does then Franchisor must refund all or a portion of the Initial Franchise Fee in exchange for a mutual termination and release agreement:

4.3.1 Ten Thousand Dollars ($10,000) of the Initial Franchise Fee and one-third (1/3) of any Multi-Unit Development Fees, if Franchisor and Franchisee cannot agree on an Approved Location within nine (9) months of the Effective Date despite Franchisee's diligent attempts to identify an acceptable Approved Location; or

4.3.2 all of the Initial Franchise Fee and Multi-Unit Development Fees minus all commissions and fees that Franchisor have paid as a result of your franchise purchase (e.g., to brokers or consultants who introduced you to us or attorneys who assist us in preparing the franchise agreement and other documents), if Franchisor determines in its sole judgment during the initial training program described in Section 6.4 that Franchisee or Franchisee's General Manager is unqualified to operate the Gelato Shop.

4.4 During the term of this Franchise Agreement, Franchisee shall pay to Franchisor a continuing royalty fee of five percent (5%) of Aggregate Sales (the **"Royalty Fee"**). Such Royalty Fee will be due and payable on Wednesday of each week by electronic fund transfer ("**EFT**") as further described in Section 4.7 hereof and in the Manual.

4.5 Franchisee must submit to Franchisor weekly royalty reports itemizing the Aggregate Sales ("**Royalty Reports**") as further described in the Manual and any other reports required therein.

4.6 During the term of this Franchise Agreement, Franchisee shall pay to Franchisor a technology fee equal to Fifty Dollars ($50) per month (the "**Technology Fee**"), which cost may increase in connection with any increased costs imposed by Franchisor's existing or new technology providers, including cloud storage providers, or Franchisor's costs in implementing and maintaining new technology services. The Technology Fee must be paid at the same time and in the same manner as Royalty Fees are paid.

4.7 By executing this Franchise Agreement, Franchisee agrees that Franchisor has the right to withdraw funds from Franchisee's designated bank account by EFT in the amount of the Royalty Fee and any other fees required to be paid under this Franchise Agreement. Such withdrawals shall be drawn on the payment date for the amount of the Royalty Fee due with respect to Franchisee's Aggregate Sales for the relevant weekly period, as evidenced by the Royalty Report for the preceding week. If the Royalty Report has not been received within the time period required by this Franchise Agreement, then Franchisor may, at its option, process an EFT for the Royalty Fee for the subject period based on (i) information regarding Franchisee's Aggregate Sales for the subject period obtained by Franchisor in the manner contemplated by Section 7.4.5, or (ii) the most recent Royalty Report provided to Franchisor by Franchisee, provided that if a Royalty Report for the subject period is subsequently received and reflects (a) that the actual amount of the Royalty Fee due was more than the amount of the EFT received by Franchisor, then Franchisor may immediately withdraw additional funds through EFT from Franchisee's designated bank account for the difference; or (b) that the actual amount of the Royalty Fee due was less than the amount of the EFT received by Franchisor, then Franchisor must, at its option, either credit the excess amount to the payment of Franchisee's future royalty obligations or return such excess to Franchisee within thirty (30) days of Franchisor's receipt of the related Royalty Report. Franchisee must, upon execution of this Franchise Agreement or at any time and from time to time thereafter at Franchisor's request, execute such documents or forms as Franchisor determines are necessary for Franchisor to process EFTs from Franchisee's designated bank account for the payments due hereunder. Should any EFT not be honored by Franchisee's bank for any reason, Franchisee will be responsible for payment of the full amount of the attempted EFT plus service charges applied by Franchisor and/or the bank, if any. Franchisor may charge interest in accordance with Section 4.8 hereof and the Late Fee (hereinafter defined) for any Royalty Fees not received when due. Upon written notice to Franchisee, Franchisor may, in its sole discretion, require Franchisee to pay Royalty Fees by a method other than EFT.

4.8 Franchisee may not withhold payments due Franchisor under this Franchise Agreement on grounds of alleged nonperformance by Franchisor under this Franchise Agreement or any other Agreement between Franchisee or any of its Affiliates and Franchisor. Any payment or Royalty Report not received by Franchisor on or before the applicable due date shall be deemed overdue. Time is of the essence with respect to all payments to be made by Franchisee to Franchisor. All unpaid obligations under this Franchise 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, plus the amount of the Late Fee (hereinafter defined). However, no provision of this Franchise Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If any excess interest is provided for herein, or shall be adjudicated to be so provided herein, the provisions of this Section 4.8 shall govern and prevail, and neither Franchisee nor its Franchisee's Principals shall be obligated to pay the excess amount of such interest.

4.9 If any Royalty Fee (or portion thereof) or other required payments, or any Royalty Reports, are not received by Franchisor as and when required by this Article IV, Franchisee will pay to Franchisor, in addition to the overdue amount and any interest owed, a fee of Fifty Dollars ($50) (the **"Late Fee"**) for each overdue Royalty Fee and Royalty Report. This fee is reasonably related to Franchisor's costs resulting from the delay in payment of the Royalty Fee and/or receipt of any Royalty Report, is not a penalty, and is in addition to any other remedy available to Franchisor under this Franchise Agreement for Franchisee's failure to pay Royalty Fees and/or submit Royalty Reports in accordance with the terms of this Franchise Agreement.

4.10 Franchisee also shall pay other fees required by the terms of other sections of this Agreement, and unless otherwise stated herein Franchisee must pay that fee to Franchisor within ten (10) days of when Franchisor delivers the invoice.

ARTICLE V <u>FRANCHISOR'S OBLIGATIONS</u>

5.1 With regard to the Gelato Shop, Franchisor must:

5.1.1 If Franchisee has not yet secured an Approved Location, provide electronic access to Franchisor's written site selection guidelines

5.1.2 Provide evaluation of a proposed location as Franchisor may deem necessary, whether on its own initiative or in response to Franchisee's reasonable request for site evaluation; provided, however, that Franchisor is not required to provide an on-site evaluation for any proposed site, and Franchisor need not provide any form of evaluation prior to its receipt of all required information and materials concerning such site required to be submitted to Franchisor pursuant to the Manual.

5.1.3 Provide electronic access to Franchisor's sample layout and equipment plans and specifications for a Gelato Shop. Franchisee must independently, and at its sole cost and expense, have such plans and specifications adapted for construction of the Gelato Shop.

5.1.4 Provide electronic access to the Manuals, and updates thereto as made in Franchisor's reasonable business judgment.

5.1.5 Visit the Gelato Shop and conduct evaluations of the products sold and services rendered therein from time to time as reasonably determined by Franchisor.

5.1.6 Provide, at a reasonable cost to Franchisee, such advertising and promotional materials and information that Franchisor may develop from time to time for use by System franchisees in marketing and conducting local advertising for the Gelato Shop

5.1.7 Facilitate the purchase of a gelato churner and display equipment from our designated supplier.

5.1.8 Facilitate the purchase of initial inventory from our approved suppliers.

5.1.9 Conduct an initial training program for Franchisee's initial General Manager and up to one (1) additional management or kitchen staff, and other training programs in accordance with the provisions of Article VI.

5.1.10 Provide administration of any advertising fund and/or advertising cooperative(s) that Franchisor might operate in accordance with Sections 8.3 and 8.4.

5.1.11 Ensure that Franchisee has access to a source of approved gelato and sorbet mixes, either from Pitango Gelato, LLC or from alternative suppliers who Franchisor may designate from time to time in the Manual.

5.2 Franchisor will provide Franchisee with telephonic assistance of up to four (4) hours in any given week to answer management questions at no charge to Franchisee and, for each hour or portion of an hour thereafter, Franchisee shall pay the hourly fee then being charged to franchisees under the System for telephonic assistance services. Franchisor's current hourly fee for telephonic assistance services is Forty-Five Dollars ($45) per hour. For the avoidance of doubt, any unused portion of the four (4) free hours of assistance will not carry over to subsequent weeks.

ARTICLE VI <u>AGREEMENTS, REPRESENTATIONS, WARRANTIES AND COVENANTS OF FRANCHISEE AND CONTROLLING PRINCIPALS</u>

6.1 Each of Franchisee and the Controlling Principals (as identified in Schedule B) jointly and severally, covenants and agrees that Franchisee must make all commercially reasonable efforts to operate the Gelato Shop so as to achieve optimum sales.

6.2 Franchisee and the Controlling Principals represent, warrant and covenant that:

6.2.1 Franchisee is not and will not at any time operate as a Disregarded Entity, unless its single owner is a business entity that is not itself a Disregarded Entity;

6.2.2 Franchisee is duly organized, validly existing and in good standing under the laws of the State where Franchisee was formed;

6.2.3 Franchisee is duly qualified and is authorized to do business in each jurisdiction in which its business activities require such qualification;

6.2.4 The execution, delivery and performance by Franchisee of this Franchise Agreement have been duly authorized by all necessary corporate or company action;

6.2.5 This Franchise Agreement constitutes the valid and binding obligation of Franchisee and each of the Controlling Principals, enforceable against Franchisee and each of the Controlling Principals in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization, and other similar laws now or hereafter in effect relating to or affecting creditors' rights generally, and the exercise of judicial discretion;

6.2.6 Franchisee's organizational documents will at all times provide that the activities of Franchisee are confined exclusively to the operation of one or more Gelato Shops, unless otherwise consented to in writing by Franchisor;

6.2.7 Copies of Franchisee's organizational documents, other governing documents, resolutions and consents authorizing entry into and performance of this Franchise Agreement, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of equity interests in Franchisee, have been furnished to Franchisor prior to the execution of this Franchise Agreement;

6.2.8 The ownership and profits interests in Franchisee as of the Effective Date are accurately and completely described in Schedule B to this Franchise Agreement. Franchisee will immediately provide a copy of the updated list of all owners to Franchisor upon the occurrence of any change of ownership and otherwise make its list of owners available to Franchisor upon request;

6.2.9 If Franchisee is a corporation, Franchisee shall maintain stop-transfer instructions on its records against the transfer of any of its equity securities, and each stock certificate representing stock of the corporation shall have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject to all restrictions imposed upon assignments by this Franchise Agreement; provided, however, that the requirements of this Article shall not apply to the transfer of equity securities of a Publicly-Held Corporation. If Franchisee is a partnership or limited liability company, it must have a partnership agreement or operating agreement which provides that ownership of an interest in such entity is held subject to all restrictions imposed upon assignments by this Franchise Agreement;

6.2.10 At Franchisor's request, Franchisee and/or each of the Controlling Principals, have provided Franchisor with the most recent financial statements of Franchisee and such Controlling Principals prior to the execution of this Franchise Agreement by Franchisee. Any such financial statements provided present fairly the financial position of Franchisee and each of the Controlling Principals, as applicable, at the dates indicated therein and with respect to Franchisee, the results of its operations and its cash flow for the years then ended. Franchisee agrees that it will at all times during the term of this Franchise Agreement maintain sufficient working capital to fulfill its obligations under this Franchise Agreement. Each of the financial statements provided by Franchisee must be certified by a Controlling Principal as true, complete and correct. No material liabilities, adverse claims, commitments or obligations of any nature exist as of the date of this Franchise Agreement, whether accrued, unliquidated, absolute, contingent or otherwise, that are not reflected as liabilities on the financial statements of Franchisee or the Controlling Principals;

6.2.11 The Controlling Principals and their spouses shall, (i) jointly and severally, guarantee Franchisee's performance of all of Franchisee's obligations, covenants and agreements hereunder pursuant to the terms and conditions of the personal guaranty in the form attached hereto as Exhibit 4 (the "**Personal Guaranty**"), (ii) notify Franchisor within ten (10) days after any change in the Persons who qualify as a Controlling Principal or the spouse of any Controlling Principal and (iii) shall otherwise bind themselves to the terms of this Franchise Agreement as stated herein;

6.2.12 Each individual who attends a training described in Article VI, and each General Manager, must execute and bind himself to the confidentiality and noncompetition covenants set forth in the Confidentiality Agreement and Ancillary Covenants Not to Compete in the form attached hereto as Exhibit 3 (as amended or revised from time to time, the "**Covenants**"); and

6.2.13 Franchisee and the Controlling Principals acknowledge and agree that the representations, warranties and covenants set forth in this Article VI are continuing obligations of Franchisee and the Controlling Principals, as applicable, and that any failure to comply with such representations, warranties and covenants shall constitute a material event of default under this Franchise Agreement. Franchisee and the Controlling Principals will cooperate with Franchisor in any efforts made by Franchisor to verify compliance with such representations, warranties and covenants.

6.3 Upon the execution of this Franchise Agreement, Franchisee will designate and retain a General Manager who must, during the entire period he serves as such, meet the following qualifications:

6.3.1 The General Manager must maintain a direct or indirect ownership or profits interest in Franchisee, which ownership or profits interest shall at no time constitute less than ten percent (10%) of the total ownership or profits interest in Franchisee then outstanding. Except as may otherwise be provided in this Franchise Agreement, or otherwise approved by Franchisor in writing, the General Manager's interest in Franchisee shall be and shall remain free of any pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest or purchase right or options.

6.3.2 The General Manager must devote his substantial full time and best efforts to the supervision and conduct of the Gelato Shop.

6.3.3 The General Manager must meet Franchisor's standards and criteria for such individual as set forth from time to time in the Manuals or otherwise in writing by Franchisor.

6.3.4 The General Manager must complete the training set forth in Section 6.4.

If, during the term of this Franchise Agreement, the General Manager is not able to continue to serve in the capacity of General Manager or no longer qualifies to act as such in accordance with this Article VI, Franchisee must immediately notify Franchisor and designate a replacement approved by Franchisor within thirty (30) thereafter, such replacement being subject to the same qualifications and restrictions listed above. Franchisee must provide for interim management of the activities contemplated under this Franchise Agreement until such replacement is so designated, such interim management to be conducted in accordance with this Franchise Agreement. Any failure to comply with the requirements of this Article shall be deemed a material event of default under this Franchise Agreement.

6.4 Franchisee agrees that it is necessary to the continued operation of the System and the Gelato Shop that Franchisee's General Manager receive such training as Franchisor may require, and accordingly agrees as follows:

6.4.1 Within sixty (60) days prior to the scheduled Opening Date, Franchisee's General Manager must complete, to Franchisor's satisfaction, Franchisor's initial training program. The initial training program for the General Manager will generally last three to four (3-4) weeks, depending on you General Manager's and other attendees' past experience in preparing gelato and coffee drinks. Franchisor must provide instructors and training materials for the initial training of the General Manager and up to one (1) additional management and/or kitchen staff at no additional charge to Franchisee. Franchisor may charge a reasonable fee for providing the initial training program to any additional or replacement managers, principals or other Gelato Shop personnel.

6.4.2 Franchisor shall determine, in its sole discretion, whether the General Manager has satisfactorily completed the initial training program. If the initial training program is not satisfactorily completed by the General Manager, or if Franchisor reasonably determines that the initial training program cannot be satisfactorily completed by any such individual, Franchisee must designate a replacement General Manager, who must complete the initial training program to Franchisor's satisfaction. Franchisor's current training fee for each replacement or successor General Manager and other Gelato Shop personnel is Five Thousand Dollars ($5,000), plus Franchisor's reasonable expenses incurred in connection with offering the initial training to any replacement or successor General Managers or other Gelato Shop personnel. Franchisee shall be responsible for any and all expenses incurred by Franchisee or Franchisee's General Manager and other Gelato Shop personnel in connection with any initial training program, including, without limitation, costs of travel, lodging, meals and wages.

6.4.3 In connection with the opening of the Gelato Shop, Franchisor must provide Franchisee with pre-opening assistance by trained representatives at Franchisee's Gelato Shop. The trained representatives of Franchisor will provide on-site pre-opening training, supervision, and assistance to Franchisee for a total of six (6) days, during the three (3) days immediately before the Opening Date and the three (3) days beginning on the Opening Date (the "**Pre-Opening Assistance**"). Franchisee will not be required to pay Franchisor's per diem fee for the Pre-Opening Assistance, and Franchisor will be responsible for its costs of travel, lodging and meals during the Pre-Opening Assistance.

6.4.4 Franchisee's General Manager must attend such additional mandatory training programs as Franchisor may offer from time to time. For all such programs, Franchisor will provide the instructors and training materials and Franchisor may charge a reasonable fee for such additional training programs. Franchisee shall be responsible for any and all expenses incurred by its personnel in connection with such additional mandatory or optional training.

6.4.5 Upon the reasonable request of Franchisee, or otherwise as Franchisor shall deem necessary, Franchisor must, during the term hereof, subject to the availability of personnel, provide Franchisee with additional trained representatives who shall provide remedial training and assistance to Franchisee's Gelato Shop personnel, either at the Premises or at an Affiliate of Franchisor, as determined in Franchisor's sole discretion. Without limiting the foregoing, Franchisor may require Franchisee to participate in additional training programs or measures in the event of Franchisee's violation of Franchisor's quality standards. For all such training and assistance provided by Franchisor, Franchisee shall pay the hourly fee then being charged to franchisees under the System for the services of such trained representatives, plus their costs of travel, lodging and meals. Franchisor's current hourly fee is Eighty-Five Dollars ($85) per hour per representative. Franchisee will be responsible for its staff members' costs of attendance for any such additional training, or alternatively, for Franchisor's representatives' costs of providing such additional training at Franchisee's Premises.

6.5 Franchisee must comply with all requirements of federal, state and local laws, rules, regulations, and orders applicable to the Gelato Shop's development and operation. Without limitation:

6.5.1 Franchisee is solely responsible for complying with all laws applicable to employment of people who work in the Gelato Shop, including those concerning wages and hours, non-discrimination, and labor relations.

6.5.2 Franchisee must inform each individual who works in the Gelato Shop of Franchisee's business entity name and the fact that it is that worker's employer.

6.5.3 Franchisee must process its payroll through a third-party service provider.

6.5.4 Franchisee acknowledges that the System does not include any personnel policies or procedures that Franchisor may make available for franchisees' optional use in the Manual or otherwise, and that Franchisee alone is responsible for determining to what extent, if any, it will utilize such suggestions in operating the Gelato Shop.

6.5.5 Without limiting the generality of the foregoing, Franchisee acknowledges that it will have sole and exclusive control over the compensation of any individual employed by or working in the Gelato Shop.

6.6 Franchisor has provided to Franchisee on loan a current copy of the Manual. The Manual will at all times remain solely the property of Franchisor. The Manual will be made available to Franchisee in digital, electronic or computerized form. To protect the reputation and goodwill of Franchisor and to maintain high standards of operation under Franchisor's Marks, Franchisee must throughout the term of this Franchise Agreement conduct its business in accordance with: (i) the Manual as it may from time to time be modified, amended or supplemented by Franchisor, (ii) other written directives that Franchisor may issue to Franchisee from time to time whether or not such directives are included in the Manual, and (iii) any other manuals and materials created or approved for use in the operation of the Gelato Shop.

6.6.1 Franchisee must at all times treat the Manual, any written directives of Franchisor, any other manuals and materials, and the information contained therein (the "**Confidential Materials**"), as confidential and must maintain such information as confidential in accordance with Article X. Franchisee may not at any time copy, duplicate, record or otherwise reproduce the Confidential Materials, in whole or in part, or otherwise make the same available to any Person other than as expressly permitted under the terms of this Franchise Agreement.

6.6.2 Franchisee must maintain the Confidential Materials at all times in accordance with requirements and directives set forth in the Manual and report the theft or loss of the Confidential Materials or any portion thereof to Franchisor immediately. Franchisee must return the Confidential Materials including printed versions of any portion thereof to Franchisor immediately upon request or upon termination or expiration of this Franchise Agreement.

6.6.3 All mandatory specifications and requirements in the Manual are hereby incorporated by reference into and supplement this Franchise Agreement, provided that such specification or requirement does not contradict any of the terms of this Franchise Agreement.

6.6.4 Franchisor may from time to time revise the contents of the Manual and Franchisee expressly agrees to comply with each new or changed specification or standard upon receipt of notice from Franchisor.

In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor at Franchisor's corporate office shall control.

ARTICLE VII <u>FRANCHISE OPERATIONS</u>

7.1 Franchisee acknowledges the importance of maintaining uniformity among all of the Gelato Shops and complying with all of Franchisor's standards and specifications relating to the operation of the Gelato Shop.

7.2 Franchisee must maintain the Gelato Shop in a high degree of sanitation, repair and condition, and in connection therewith must make such additions, alterations, repairs and replacements thereto as may be required for that purpose, including, without limitation, such periodic repainting and replacement of obsolete signs, furnishings, equipment and decor as Franchisor may reasonably direct from time to time. Franchisee also must obtain, at Franchisee's sole cost and expense, any new or additional equipment, fixtures, supplies and other products and materials that may be reasonably required by Franchisor for Franchisee to offer and sell new menu items from the Gelato Shop. Except as may be expressly provided in the Manuals, no material alterations, additions, or changes in the layout, equipment, signs, interior or exterior decor items, fixtures or furnishings may be made in or about the Gelato Shop or the Premises without the prior written approval of Franchisor. Without limiting the foregoing, Franchisee must upgrade at its expense the computer system used in the Gelato Shop every five (5) years from the Opening Date.

7.3 Franchisee must comply with all of Franchisor's standards and specifications relating to the purchase of all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment and other products used or offered for sale at the Gelato Shop, as well as services used to maintain the quality of the Gelato Shop. Franchisor may designate itself, an Affiliate or any third party as an approved or exclusive vendor of any category of ingredients, goods or services to Franchisee's Gelato Shop, and if so then Franchisee must purchase such goods or services solely from approved vendors. Franchisee is not permitted to propose alternative suppliers of any products for which Franchisor or Pitango Gelato, LLC has identified an approved or sole supplier. Franchisor may change the approved vendors from time to time as it deems appropriate using its reasonable business judgment.

7.4 To ensure that the highest degree of quality and service is maintained, Franchisee must operate the Gelato Shop in strict conformity with the methods, standards and specifications of Franchisor set forth in the Manual and otherwise prescribed by Franchisor in writing from time to time. In particular, and without limitation, Franchisee agrees

7.4.1 To sell or offer for sale all food and beverage items and retail products required by Franchisor in the methods, manners and styles of preparation and packaging prescribed by Franchisor.

7.4.2 To grant Franchisor and its agents the right to enter upon the Premises at any time for the purpose of conducting inspections; to cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents and without limiting Franchisor's other rights under this Franchise Agreement, to take such steps as may be necessary to immediately correct any deficiencies detected during any such inspections. If Franchisee's score for any inspection, based on a rubric set forth in the Manual, is (i) below eighty-five percent (85%), Franchisor may fine Franchisee One Thousand Dollars ($1,000) payable immediately upon billing or (ii) below seventy percent (70%), Franchisor may immediately terminate this Franchise Agreement. Also, if Franchisee scores below eighty-five percent (85%) in three consecutive inspections, Franchisor may immediately terminate this Franchise Agreement. Alternatively, should Franchisee, for any reason, fail to correct any deficiencies in the Premises' condition, equipment or layout, Franchisor shall have the right and authority (but not the obligation) to correct such deficiencies and to charge Franchisee for expenses incurred by Franchisor in so doing, together with a reasonable fee, which charges and fee must be paid by Franchisee immediately upon written demand therefor. Franchisor may require remedial training of Franchisee's staff following an inspection score of below eighty-five percent (85%), and if that occurs then Franchisee must pay to Franchisor upon demand the fees and expenses of such training.

7.4.3 To maintain at least a 4.0 out of 5 (or equivalent) rating on the most popular crowd-sourced business or restaurant review website identified from time to time in the Manual. In the event Franchisee's rating falls below 4.0 out of 5 (or equivalent), and Franchisee does not increase such rating to at least a 4.0 out of 5 (or equivalent) within six (6) months of notice from Franchisor, Franchisor may immediately terminate this Franchise Agreement.

7.4.4 To employ such minimum staff as may be prescribed in the Manuals or in writing by Franchisor, and to maintain a competent, conscientious, trained staff and take such steps as are necessary to ensure that Franchisee's employees preserve good customer relations and comply with such dress code, health, safety and hygiene standards as Franchisor may prescribe.

7.4.5 To install and maintain high speed telecommunications equipment and to obtain and maintain Internet access, or other means of electronic communication, as specified in the Manual from time to time and to permit Franchisor to remotely inspect and monitor electronically information concerning Franchisee's Gelato Shop, Aggregate Sales and such other information as may be contained or stored in such equipment and software at any time.

7.5 Franchisee agrees that, with respect to products required to be sold as part of the System, Franchisee must use only Franchisor's proprietary mixes and supplies purchase solely from Franchisor or the Pitango Companies, or another source designated by Franchisor for all of Franchisee's requirements for such products. Franchisee further agrees to purchase from a source designated by Franchisor for resale to Franchisee's customers merchandise identifying the System as Franchisor may require, such as memorabilia and promotional products, in amounts sufficient to satisfy Franchisee's customer demand.

7.6 All advertising and promotional materials, signs, and other printed packaging or other materials used in the Gelato Shop, as reasonably designated by Franchisor, must bear the Marks in the form, color, location and manner prescribed from time to time by Franchisor and must be purchased from an approved supplier if designated by Franchisor.

7.7 Franchisee must meet and maintain the highest health standards and ratings applicable to the operation of the Gelato Shop, as assigned or awarded by the local government where the Gelato Shop is located. Franchisee must furnish to Franchisor, within five (5) days after receipt thereof, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over the Gelato Shop. Without limiting the foregoing, Franchisee and all required personnel must obtain and maintain all necessary and required licenses and certificates for food service as may be required by applicable local rules and regulations.

7.8 Franchisee will promptly process and handle all consumer complaints connected with or relating to the Gelato Shop and promptly notify Franchisor by electronic mail of any of the following: (a) food related illnesses, (b) claims exceeding One Thousand Dollars ($1,000), and (c) any other material claims against or losses suffered by Franchisee, and take any further action required in the Manual.

7.9 Franchisor may receive and retain for its own benefit any and all discounts, volume rebates, administration fees, commissions, advertising allowances and such other incentives received from suppliers, manufacturers, distributors or other vendors of products and/or services provided to any Gelato Shop or otherwise in connection with the System, except that if and when a Fund is established in accordance with Section 8.3, all payments received from suppliers will be allocated to the Fund.

ARTICLE VIII ADVERTISING, PROMOTION AND RELATED FEES

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

8.1 Franchisor may establish and administer an advertising, marketing and promotional fund on behalf of the System (the "**Fund**") and designate a percentage of the Aggregate Sales of the Gelato Shop to be contributed to the Fund (the "**Brand Building Fee**"), and Franchisee agrees to contribute that amount at the same time and in the same manner as Royalty Fees are paid. The Brand Building Fee may not exceed one and one-half percent (1.5%) of the Aggregate Sales of the Gelato Shop during the term hereof; however, Franchisor also may require Franchisee to allocate to the Fund all or any portion of Franchisee's required contributions to a Cooperative as described in Section 8.2 provided that such amounts shall be credited towards Franchisee's Cooperative obligations. Franchisor must provide Franchisee with thirty (30) days' prior written notice of any change in the Brand Building Fee. Franchisee agrees that the Fund shall be maintained and administered by Franchisor or its designee in accordance with procedures and restrictions set forth in the Manual. In administering the Fund, Franchisor and its designees undertake no obligation to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contribution or to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising. All sums paid by franchisees to the Fund shall be separately accounted for by Franchisor and may be used to defray any of Franchisor's general operating expenses, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the Fund and advertising and marketing programs for franchisees and the System. Except as provided herein, the Fund and its earnings shall not otherwise inure to the benefit of Franchisor. The Fund is operated solely as a conduit for collecting and expending the Brand Building Fees as outlined above. Franchisor must prepare a statement of the operations of the Fund annually and make it available to Franchisee upon request. Although the Fund is intended to be of perpetual duration, Franchisor may terminate the Fund. The Fund will not be terminated, however, until all monies in the Fund have been expended for advertising or promotional purposes.

8.2 Franchisee agrees that in its sole discretion Franchisor may designate the standard metropolitan statistical area where you operate the Gelato Shop as a region for purposes of establishing an advertising cooperative ("**Cooperative**"). The members of the Cooperative for any area must, at a minimum, consist of all franchisees operating Gelato Shops located in such region. Each Cooperative will be organized and governed in a form and manner, and will commence operation on a date, determined in advance by Franchisor in its sole discretion, but subject to the provisions of this Section. Each Cooperative will be organized for the exclusive purposes of administering advertising programs within its members' region and developing, subject to Franchisor's approval pursuant to Section 8.3, advertising or promotional materials for use by its members or in placement with media on a regional basis. If, at the time of the execution of this Franchise Agreement, a Cooperative has been established for a geographic area that encompasses the Gelato Shop, or if any such Cooperative is established during the term of this Franchise Agreement, Franchisee must execute such documents as are required by Franchisor immediately upon the request of Franchisor and must become a member of the Cooperative pursuant to the terms of those documents. Franchisee must contribute to the Cooperative such amounts (the "**Cooperative Fee**") required by the documents governing the Cooperative; provided, however, Franchisee's Cooperative Fee may not exceed, in the aggregate with the Brand Building Fee, three and one-half percent (3.5%) of Franchisee's Aggregate Sales. No advertising or promotional plans or materials may be used by the Cooperative or furnished to its members without the prior consent of Franchisor or its representative obtained in accordance with the procedure set forth in Section 8.5.

8.3 All advertising and promotion by Franchisee in any medium must be conducted in a professional manner and conform to the standards and requirements of Franchisor as set forth in the Manuals. Franchisee must submit to Franchisor for its approval samples of all advertising and promotional plans and materials and public relations programs that Franchisee desires to use, including, without limitation, any materials in digital, electronic or computerized form, or in any form of media now or hereafter developed, that have not been either provided or previously approved by Franchisor. Franchisor must use commercially reasonable efforts to approve or disapprove such plans and materials within fifteen (15) business days of Franchisor's receipt thereof. Franchisee may not use any unapproved plans or materials until they have been approved by Franchisor, and must promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from Franchisor. At Franchisor's option, any advertising, marketing or sales concepts, programs or materials proposed or developed by Franchisee for the Gelato Shop and approved by Franchisor may be used in connection with other Gelato Shops without any compensation to Franchisee.

8.4 Franchisee may not advertise or use the Marks in any fashion on the Internet, or via other means of advertising through telecommunication, without the express written consent of Franchisor. Franchisor may require Franchisee to transfer to Franchisor any domain names, Internet accounts, websites, and social media accounts that Franchisee uses in an unapproved manner in conjunction with the name Pitango Gelato or any of the Marks, and Franchisee must sign any documents necessary for Franchisor to enforce this right and cooperate fully in transferring such Internet accounts to Franchisor.

8.5 With respect to the offer and sale of all food, beverage and non-food items, Franchisor may from time to time offer guidance to Franchisee with respect to selling prices for such goods and products, and to the extent permitted by applicable law, may establish maximum and/or minimum selling prices for such goods, products and services. Franchisee must adhere to all minimum and/or maximum selling prices established by Franchisor, but otherwise Franchisee may sell the products at any price that

Franchisee may determine. Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering such products or merchandise at the price recommended or required by Franchisor will enhance Franchisee's sales or profits.

8.6 If Franchisor requires, Franchisee must participate in the gift card program(s) that Franchisor specifies. For this purpose, Franchisee must purchase the materials needed to sell and process gift cards or stored value cards, which Franchisor may specify in writing in the Manuals or otherwise. Franchisee also agrees to pay such monthly and per-swipe transaction fees as may be required by the vendor of the gift card system. Franchisee must sell or honor gift cards only in accordance with Franchisor's written standards. Franchisee must account for all gift card sales, gift card redemptions, and other gift card transactions in the manner Franchisor specifies in the Manuals. Franchisee agrees not to sell, issue, or redeem gift certificates other than gift cards that Franchisor has approved in writing.

ARTICLE IX MARKS

9.1 Franchisor grants Franchisee the right to use the Marks during the term of this Franchise Agreement, as modified or replaced by Franchisor in accordance with Section 9.2.6 of this Franchise Agreement, solely for use in accordance with the System and related standards and specifications.

9.2 Franchisee expressly understands and acknowledges that:

9.2.1 As between Franchisor and Franchisee, Franchisor is the owner of all right, title and interest in and to the Marks and the goodwill associated with and symbolized by the Marks, whether or not existing as of the date of this Franchise Agreement. Franchisee agrees to provide Franchisor with all assignments, affidavits, documents, information and assistance Franchisor reasonably requests to fully vest in Franchisor all such rights, title and interest in and to the Marks, including all such items as are reasonably requested by Franchisor to register, maintain and enforce such rights in the Marks.

9.2.2 Neither Franchisee nor any Controlling Principal may take any action that prejudices or interferes with, or is reasonably likely to prejudice or interfere with, the validity of Franchisor's rights with respect to the Marks. Nothing in this Franchise Agreement shall be deemed to give Franchisee any right, title, or interest in or to any of the Marks, including Franchisor's service marks, trademarks, trade names, Trade Dress as defined in Section 9.4, logos, copyrights or proprietary materials, except the right to use the Marks and the System in accordance with the terms and conditions of this Franchise Agreement (including the Manual) for the operation of the Gelato Shop at or from the Approved Location and in approved advertising promoting the Gelato Shop.

9.2.3 Franchisee understands and agrees that any and all goodwill arising from Franchisee's use of the Marks and the System shall inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Franchise Agreement and the rights and license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the Marks. Notwithstanding the foregoing, Franchisee may transfer the Gelato Shop to an approved assignee provided that it does so in full compliance with Article XVI of this Agreement.

9.2.4 Franchisee must not contest the validity of or Franchisor's interest in the Marks or assist others to contest the validity of or Franchisor's interest in the Marks.

9.2.5 Franchisee acknowledges that any unauthorized use of the Marks, including the sale of any unapproved menu items or products, is an infringement of Franchisor's rights in the Marks.

9.2.6 Franchisor reserves the right to add and/or substitute different Marks for use in identifying the System and the Gelato Shop if the current Marks no longer can be used, or if Franchisor, in its sole discretion, determines that substitution of different Marks will be beneficial to the System. In such event, Franchisor may require Franchisee, at Franchisee's expense, to discontinue or modify Franchisee's use of any of the Marks and/or to use one or more additional or substitute Marks.

9.2.7 With respect to Franchisee's use of the Marks pursuant to this Franchise Agreement, Franchisee further agrees that:

9.2.7.1 Unless otherwise authorized or required by Franchisor, Franchisee must advertise the Gelato Shop only under the Mark "Pitango Gelato" or "Pitango" without prefix or suffix. Franchisee must not use the Marks as part of its corporate or other legal name. Franchisee must comply with any legal requirements in the state of the Approved Location to file and maintain a trade name or fictitious name registration, to properly inform the public of Franchisee's operation of the Gelato Shop.

9.2.7.2 During the term of this Franchise Agreement and any renewal hereof, Franchisee must identify itself as the owner of the Gelato Shop in conjunction with any use of the Marks, including the display of a notice of its ownership at a conspicuous location in the Premises.

9.2.7.3 Franchisee must not use the Marks to incur any obligation or indebtedness on behalf of Franchisor.

9.3 Franchisee must notify Franchisor immediately by telephone and thereafter in writing of any apparent infringement of or challenge to Franchisee's use of any Mark, and any claim by any Person of any rights in any Mark, and Franchisee and the Controlling Principals must not communicate with any Person other than Franchisor, its counsel and Franchisee's counsel in connection with any such infringement, challenge or claim. Franchisor has complete discretion to take such action as it deems appropriate in connection with the foregoing, and the right to control exclusively, or to delegate control to any of the Pitango Companies of, any settlement, litigation or Patent and Trademark Office proceeding arising out of any such alleged infringement, challenge or claim, or otherwise relating to any Mark. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any other Person in any litigation or other proceeding or to otherwise protect and maintain the interests of Franchisor or any other interested party in the Marks. Franchisor will indemnify Franchisee against and reimburse Franchisee for all losses, damages and expenses (excluding consequential and special damages) actually incurred by Franchisee as a result of any settlement, litigation proceeding (including any settlement amounts) arising out of a claim that Franchisee's use of any of the Marks infringes on a third party's intellectual property rights; provided that Franchisee's use of the Marks is in full compliance with this Franchise Agreement; and, provided further, that Franchisee and the Controlling Principals have otherwise fully complied with the provisions of this Section 9.3 (and any other applicable provisions of this Franchise Agreement) with respect to such settlement, litigation or proceeding.

9.4 Franchisee acknowledges and agrees that Franchisor is the owner of the Trade Dress that will be employed in the Gelato Shop (the "**Trade Dress**"), and that Franchisee may only use the Trade Dress in strict accordance with the terms of this Franchise Agreement. The Trade Dress, which is and will be protected under this Franchise Agreement as a component of the "Marks", consists of the overall visual image presented to customers, and which is exemplified by the "look and feel" of Pitango Gelato Shops. Franchisee may not assert the invalidity of or otherwise challenge or contest Franchisor's ownership of the Trade Dress, and may not challenge or assert in any way that the Trade Dress is not the unique, proprietary and distinctive concept and property of Franchisor.

ARTICLE X CONFIDENTIALITY AND NONCOMPETITION COVENANTS

10.1 Franchisee may use Confidential Information solely in furtherance of the development, openings and operation of the Gelato Shop. Except as otherwise provided in this Section 10.1, neither Franchisee nor any Controlling Principal may communicate or divulge to, or use for the benefit of, any Person other than Franchisee any Confidential Information. Franchisee and the Controlling Principals may divulge such Confidential Information only to Franchisee's principals and/or employees who must have access to it in order to develop, manage and/or operate the Gelato Shop in accordance with and subject to terms and conditions of this Franchise Agreement. Neither Franchisee nor the Controlling Principals may at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, nor otherwise disclose or make the same available to any Person, except as expressly provided for and permitted under this Franchise Agreement. The covenants in this Section 10.1 shall survive the expiration, termination or transfer of this Franchise Agreement or any interest herein, and shall be perpetually binding upon Franchisee and each of the Controlling Principals. The Manuals and all other Confidential Information shall at all times remain the sole property of Franchisor.

10.2 Franchisee specifically acknowledges that, pursuant to this Franchise Agreement, its agents receive valuable training, trade secrets and other Confidential Information that are beyond the present skills and experience of Franchisee, the Controlling Principals and Franchisee's managers and employees. Franchisee acknowledges that such specialized training and Confidential Information provide a competitive advantage and will be valuable to it in the development, management and/or operation of the Gelato Shop, and that gaining access to such specialized training and Confidential Information is, therefore, one reason why it is entering into this Franchise Agreement. In consideration for access to such specialized training, trade secrets and other Confidential Information as far as its right to utilize the Marks and sell Franchisor's distinctive products, Franchisee covenants that during the term of this Franchise Agreement, except as otherwise approved in writing by Franchisor, neither Franchisee, any of the Controlling Principals may, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any Person:

10.2.1 divert or attempt to divert any business, business opportunity, or customer of the Gelato Shop (or any other Pitango Gelato Shop) to any competitor of the Gelato Shop or the System or do or perform any other act that is materially injurious or prejudicial to the goodwill associated with the Marks and the System; or

10.2.2 whether as a director, officer, shareholder, member, partner, manager, employee, consultant, contractor, agent, representative or otherwise, participate in, advise, assist or make loans to, any business or activity located within the United States, its territories or commonwealths, which business or activity is of a character and concept similar to the Pitango Gelato Shops, including a business that derives more than thirty percent (30%) of its revenue from the sale of gelato, ice cream or other frozen dairy products or desserts (a "**Competitive Business**").

10.3 In consideration for the specialized training, Confidential Information and rights described in Section 10.2, Franchisee and each Controlling Principal covenants that for a continuous uninterrupted period commencing upon the expiration, termination of, or transfer of all of Franchisee's interest in, this Franchise Agreement (or, with respect to the Controlling Principal, commencing upon the earlier of: (1) the expiration, termination of, or transfer of all of Franchisee's interest in, this Franchise Agreement or (2) the time such person ceases to satisfy the definition of "Controlling Principals") and continuing for two (2) years thereafter, such Person may not, directly or indirectly, for themselves, or through, on behalf of or in conjunction with any Person:

10.3.1 divert or attempt to divert any business, business opportunity, or customer of the Gelato Shop (or any other Pitango Gelato Shop) to any Competitive Business, or do or perform any other act that is injurious or prejudicial to, or reasonably likely to be injurious or prejudicial to, the goodwill associated with the Marks and the System;

10.3.2 employ or solicit for employment any individual who is at the time, or was within the preceding ninety (90) days, employed in a managerial capacity by Franchisor, any of the Pitango Companies, or any of the System's franchisees, or otherwise directly or indirectly induce or attempt to induce any such individual to leave his employment or other business relationship with Franchisor, the Pitango Companies or the System's franchisees, or to otherwise terminate, reduce or change his/her/its employment or other business relationship with Franchisor, any of the Pitango Companies, or any of the System's franchisees; or

10.3.3 whether as a director, officer, shareholder, member, partner, manager, employee, consultant, contractor, agent, representative or otherwise, participate in, advise, assist or make loans to, any Competitive Business which is or is intended to be located within the Territory, at or within a ten (10) mile radius of the Approved Location or the location of any other Pitango Gelato Shop in existence or under construction as of the date hereof or as of the date of termination, expiration or transfer, as permitted by applicable law.

10.4 Sections 10.2.2 and 10.3.3 shall not apply to ownership of less than a two percent (2%) beneficial interest in the outstanding equity securities of any Publicly-Held Corporation.

10.5 The parties acknowledge and agree that each of the restrictive covenants contained in this Article X are reasonable as to time, geographical area, and scope of activity and do not impose a greater restraint than is necessary to protect the goodwill of the System and the business interests of Franchisor. The parties agree that each of the covenants contained in this Article X shall be construed as independent of any other covenant or provision of this Franchise Agreement. If all or any portion of a covenant set forth in this Article X is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee and the Controlling 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 Article X.

10.6 The existence of any claims that Franchisee may have against Franchisor, whether or not arising from this Franchise Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants in this Article X.

10.7 Neither Franchisee nor the Controlling Principals may implement any new product, recipe, process or improvement in the operation or promotion of the Gelato Shop unless Franchisee first submits to Franchisor a request for a test of such product, recipe, process or improvement. A decision to perform such testing shall be in Franchisor's sole discretion. If Franchisor engages in such testing, and approves Franchisee's request, Franchisee may adopt such product, recipe, process or improvement, subject to terms, conditions, and limitations imposed by Franchisor in connection with such approval. Franchisee and the Controlling Principals acknowledge that any such product, recipe, process or improvement will become the property of Franchisor and will constitute Confidential Information. Franchisor may use and/or disclose all such products, recipes, processes, and improvements to other franchisees as it deems appropriate, and Franchisee will be entitled to no compensation whatsoever in connection with any such use or disclosure.

10.8 Franchisee and the Controlling Principals hereby acknowledge and agree that, if any of the covenants set forth in Article X are breached, Franchisor may suffer immediate and irreparable harm for which monetary damages alone will not be a sufficient remedy. Accordingly, the Franchisee and the Controlling Principals hereby agree that, in addition to all other remedies Franchisor may have under this

Franchise Agreement, at law or in equity, Franchisor is entitled to seek injunctive relief, specific performance or any other form of equitable relief to remedy any such breach or threatened breach. Franchisee and the Controlling Principals agree to pay all expenses, court costs and attorneys' fees incurred by Franchisor in connection with the enforcement of any provision of this Article X, including obtaining injunctive relief or specific performance.

ARTICLE XI BOOKS AND RECORDS

11.1 During the term of this Franchise Agreement, and for at least five (5) years from the dates of their preparation (or such longer period as may be required by applicable law), Franchisee must maintain complete and accurate records and accounts, including records of all sales purchases, payroll check, bank statements, sales tax payments and returns, cash receipts and disbursements, journal and ledger adjustments, records of EFT transactions, and backup or archived records of information maintained on any computer system.

11.2 In addition to the remittance of the Royalty Reports required under Article IV, Franchisee must provide such other reports as may be required from time to time in the Manual and permit Franchisor's inspection and audit of Franchisee's books and records. If any required Royalty Fees or other payments to Franchisor are delinquent, or if an inspection reveals that such payments have been understated in any Royalty Report or other report to Franchisor, then Franchisee must immediately pay to Franchisor the amount overdue or understated upon demand with interest determined in accordance with the provisions of Section 4.8. If an inspection discloses that Franchisee understated Aggregate Sales by two percent (2%) or more, Franchisee must, in addition, reimburse Franchisor for all costs and expenses incurred in connection with such inspection (including, without limitation, reasonable accounting and attorneys' fees). These remedies shall be in addition to any other remedies Franchisor may have under this Franchise Agreement, at law or in equity. Franchisee understands and agrees that Franchisor's receipt and/or acceptance of any Royalty Report or other report furnished by Franchisee or any Royalty Fees or other payments paid by Franchisee (or the cashing of any royalty checks or processing of any EFT) does not preclude Franchisor from questioning the correctness thereof at any time and, if any inconsistencies or mistakes are discovered in such reports or payments, such inconsistencies or mistakes must immediately be rectified by Franchisee and the appropriate payment must immediately be made by Franchisee.

11.3 Franchisee hereby authorizes (and agrees to execute and deliver any other documents deemed necessary to effect such authorization) all banks, financial institutions, suppliers, and vendors with which Franchisee does business to disclose to Franchisor any requested financial information in their possession relating to Franchisee or the Gelato Shop. Franchisee authorizes Franchisor to disclose data from Franchisee's Royalty Reports and other reports, if Franchisor determines in its sole discretion that such disclosure is necessary or advisable, which disclosure may include disclosure to prospective or existing franchisees or other third parties.

11.4 Franchisee hereby appoints (and agrees to execute and deliver any other documents deemed necessary to effect such appointment) Franchisor its true and lawful attorney-in-fact with full power and authority, for the purpose of obtaining any and all returns and reports filed by Franchisee with any state and/or federal taxing authority. Franchisee must execute such forms required by taxing authorities from time to time to enable Franchisor to obtain such tax returns and reports. This power of attorney will survive the expiration or termination of this Franchise Agreement.

ARTICLE XII INSURANCE

12.1 Upon execution of this Franchise Agreement and a lease or purchase agreement for the Approved Location, Franchise must procure and maintain in full force and effect at all times during the remaining term of this Franchise Agreement at Franchisee's expense, an insurance policy or policies protecting Franchisee, Franchisor and the Franchisor Parties against any demand or claim with respect to personal injury, death, property damage, or any loss, liability or expense whatsoever arising or occurring upon the Premises or otherwise in connection with the Gelato Shop.

12.2 Such policy or policies must be written by a reputable carrier or carriers with an A.M. Best Company rating of at least A- and must include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified by Franchisor from time to time) and in accordance with Franchisor’s standards and specifications set forth in writing, each of the following:

12.2.1 “All Risks” coverage for the full cost of replacement of all improvements to and contents stored in the Premises with no coinsurance clause for the Premises.

12.2.2 Comprehensive General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability, food-borne illness liability and fire damage coverage, in the amount of $1,000,000 combined single limit, $2,000,000 annual aggregate.

12.2.3 Employment Practices Liability in the amount of $500,000 combined single limit.

12.2.4 Flood Insurance, if applicable to the location of the Premises and available, in the amount of $1,000,000.

12.2.5 Workers’ compensation insurance in amounts required under applicable law.

12.2.6 Umbrella coverage in the amount of $4,000,000 in the aggregate, which shall include all insured coverages required by this Section 12.2.

12.2.7 Such other insurance as may be required by the state or locality in which the Premises is located.

12.3 Franchisee’s obligation to obtain and maintain the insurance policies required under this Article XII in the amounts specified shall not be limited in any way by reason of any insurance that may be maintained by Franchisor, nor shall Franchisee’s maintenance of insurance relieve it of liability under the indemnity provisions set forth in Article XIII.

12.4 Each liability policy of any kind must contain an Additional Insured Endorsement naming Franchisor and its respective officers, directors, partners, members, Affiliates, subsidiaries, and employees as additional insureds. Additional insured status must include, without limitation, coverage for ongoing and completed operations. The additional insured endorsement form must be ISO CG 20-26 or any other form approved in writing by Franchisor that provides comparable coverage. Additional insured coverage must not be limited to vicarious liability and must extend to (and contain no endorsement limiting coverage for) the negligent acts, errors or omissions of Franchisor or other additional insureds.

12.5 Upon obtaining the required insurance coverages, but in any event no later than ten (10) days before the Opening Date, Franchisee must deliver to Franchisor Certificates of Insurance evidencing the existence and continuation of proper coverage with limits not less than those required hereunder. In addition, if requested by Franchisor, Franchisee must deliver to Franchisor a copy of the insurance policy or policies required hereunder. Further, all insurance policies required hereunder must expressly provide that no less than thirty (30) days’ prior written notice must be given to Franchisor in the event of a material alteration to or cancellation of the policies.

12.6 Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Franchise Agreement or otherwise by Franchisor’s standards and specifications, as such requirements may be revised from time to time by Franchisor in writing, Franchisor shall have the right and authority, but not the obligation, immediately to procure such insurance and to charge the cost thereof to Franchisee, which charges, together with a reasonable fee for Franchisor’s expenses in so acting, must be paid by

Franchisee immediately upon written demand therefor. The foregoing remedies shall be in addition to any other remedies Franchisor may have under this Franchise Agreement, at law or in equity.

ARTICLE XIII <u>INDEMNIFICATION</u>

13.1 Franchisee must at all times, indemnify and hold harmless to the fullest extent permitted by law Franchisor and all other Franchisor Parties from and against any and all Losses and Expenses incurred in connection with any Claim whatsoever arising or occurring upon the Premises or otherwise in connection with the Gelato Shop, including any of the following:

13.1.1 The infringement, alleged infringement, or any other violation or alleged violation by Franchisee of any patent, mark or copyright or other proprietary right owned or controlled by a third party (except for any infringement, alleged infringement, or any other violation or alleged violation for which Franchisor is obligated to indemnify Franchisee pursuant to Section 9.3 hereof);

13.1.2 The violation, breach or asserted violation or breach by Franchisee of any federal, state or local law, rule, regulation, order, directive or any applicable industry standard;

13.1.3 Libel, slander or any other form of defamation of Franchisor, the Pitango Companies, the System or any franchisee operating under the System, by Franchisee, its Affiliates and/or any of the Controlling Principals;

13.1.4 The violation or breach of any warranty, representation, agreement or obligation under this Franchise Agreement or any other agreement between Franchisee either Franchisor or any of the Pitango Companies, or any contract or agreement with a third party concerning or relating to the Gelato Shop; and

13.1.5 Acts, errors, or omissions of the Franchisee Parties in connection with the establishment or operation of the Gelato Shop or otherwise in connection with the Gelato Shop.

13.2 Franchisee must give Franchisor immediate written notice of any Claim. At the expense and risk of Franchisee, Franchisor may assume control of, and/or select counsel of its own choosing with respect to, the defense and/or settlement of any such Claim in which liability is asserted against Franchisor. Such an undertaking by Franchisor shall, in no manner or form, diminish the obligation of Franchisee and each of the Controlling Principals to indemnify Franchisor and all of the Franchisor Parties and to hold them harmless.

13.3 In order to protect Persons or property, or its reputation or goodwill, or the reputation or goodwill of others, Franchisor at any time and without notice, may consent or agree to settlements or take such other remedial or corrective action as it deems expedient with respect to the Claim if, in Franchisor's reasonable judgment, there are reasonable grounds to believe that any of the acts or circumstances enumerated in Sections 13.1.1, 13.1.2, 13.1.3 and 13.1.4 have occurred; or any act, error, or omission as described in Section 13.1.5 may result directly or indirectly in damage, injury, or harm to any Person or any property.

13.4 All Losses and Expenses incurred under this Article XIII shall be chargeable to and paid by Franchisee pursuant to the obligations of indemnity under this Article XIII, regardless of any actions, activity or defense undertaken by Franchisor or the subsequent success or failure of such actions, activity, or defense.

13.5 Neither Franchisor nor the Franchisor Parties assume any liability whatsoever for acts, errors, or omissions of any third party with whom Franchisee, any of its Affiliates, the Controlling

Principals or any other Franchisee Parties may contract, regardless of the purpose of such contract. Franchisee must hold harmless and indemnify Franchisor and the Franchisor Parties for all Losses and Expenses that result from or arise out of any acts, errors or omissions of Franchisee, without regard to the cause or causes thereof or the negligence of Franchisor or any Franchisor Party, whether such negligence be sole, joint or concurrent, or active or passive.

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

13.7 The terms of this Article XIII shall survive the termination or expiration of this Franchise Agreement or the Transfer of any interest herein.

ARTICLE XIV DEBTS AND TAXES; REGULATION

14.1 Each payment to be made to Franchisor hereunder must be made free and clear and without deduction for any Taxes.

14.2 Franchisee must promptly pay when due all Taxes levied or assessed, and all accounts and other indebtedness of every kind incurred by Franchisee, as a result of or in connection with the conduct of the Gelato Shop under this Franchise Agreement. Without limiting the provisions of Article XIII, Franchisee will be solely liable for the payment of all Taxes and must indemnify Franchisor 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 or not Taxes were correctly or legally asserted or not. Franchisee must submit to Franchisor a copy of all annual tax filings sent to federal, state and local tax authorities within thirty (30) days after such filing has been made with the taxing authority.

14.3 In in no event may Franchisee 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 or any improvements thereon.

14.4 Franchisee must notify Franchisor in writing immediately of the commencement of any action, suit or proceeding, or 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 Franchisee and/or the Gelato Shop.

ARTICLE XV RELATIONSHIP OF THE PARTIES

15.1 The parties agree that this Franchise Agreement does not create a fiduciary relationship between them, that Franchisee is an independent contractor, and that nothing herein is intended to make either party an agent, legal representative, partner, employee, joint employer or servant of the other for any purpose. Franchisor shall not have the power to hire or fire Franchisee’s employees, and except as expressly provided herein, Franchisor may not control or have access to Franchisee’s funds or the expenditures thereof, or in any other way exercise dominion or control over the Gelato Shop. Nothing in this Franchise Agreement authorizes Franchisee or any Controlling Principal to make any contract, agreement, warranty or representation on Franchisor’s behalf, or to incur any debt or obligation in Franchisor’s name, and Franchisor shall in no event assume liability for or be deemed liable under this Franchise Agreement or otherwise, as a result of any such action, or for any act or omission of Franchisee or any Controlling Principal or any claim or judgment arising therefrom.

15.2 During the term of this Franchise Agreement, Franchisee must hold itself out to the public as an independent contractor developing and operating the Gelato Shop pursuant to the rights granted by Franchisor. Franchisee must take such actions as may be necessary to that end, including, without limitation, exhibiting notices of that fact in a conspicuous place on the Premises and as further described in the Manuals.

ARTICLE XVI TRANSFER OF INTEREST

16.1 Franchisor may transfer or assign this Franchise Agreement and all or any part of its rights or obligations hereunder to any Person without Franchisee's consent. Specifically, and without limitation to the foregoing, Franchisor may sell its assets, and may sell or license the Marks or the System to a third party; may offer its securities privately or publicly; 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 foregoing assignments and dispositions, Franchisee expressly and specifically waives any claims, demands, or damages against Franchisor arising from or related to the transfer of the Marks (or any variation thereof) and/or the System from Franchisor to any other party. Nothing contained in this Franchise Agreement will require Franchisor to offer any services or products, whether or not bearing the Marks, to Franchisee if Franchisor assigns its rights in this Franchise Agreement.

16.2 Franchisee and the Controlling Principals acknowledge and understand that the rights and duties set forth in this Franchise Agreement are personal to Franchisee, and that Franchisor has granted the rights and license under this Franchise Agreement in reliance on the business skill, financial capacity and personal character of Franchisee and the Controlling Principals and with the expectation that the duties and obligations contained in this Franchise Agreement will be performed by Franchisee and the Controlling Principals signing this Franchise Agreement. Accordingly, neither Franchisee nor any Controlling Principal, nor any successor or assign of Franchisee or any Controlling Principal, may sell, assign, transfer, convey, gift, pledge, mortgage or otherwise encumber (each, a **"Transfer"**) any direct or indirect interest in this Franchise Agreement, in the Gelato Shop, in the assets of the Gelato Shop or in Franchisee (each, an **"Interest"**) without the prior written consent of Franchisor, which will not unreasonably be withheld or delayed. Any purported Transfer, by operation of law or otherwise, made in violation of this Franchise Agreement shall be null and void and shall constitute a material event of default under this Franchise Agreement.

16.2.1 If Franchisee or a Controlling Principal desires to Transfer all or part of an Interest, the transferor and the proposed transferee must apply to Franchisor for its consent and provide Franchisor written notice describing all the terms and conditions of the proposed transfer, including, without limitation, an explanation of how the proposed transferee will finance the purchase. Franchisor may, in its sole discretion, require compliance with any or all of the following as conditions of its consent to any such Transfer, each of which Franchisee acknowledges to be reasonable and necessary:

16.2.1.1 All of the accrued monetary obligations owed by Franchisee and/or any of its Affiliates to Franchisor and/or any of the Pitango Companies under this Franchise Agreement, or any other agreement between Franchisee or any of its Affiliates and Franchisor or any of the Pitango Companies, are satisfied at the time of Transfer;

16.2.1.2 Neither Franchisee nor any of its Affiliates is at the time of Transfer in default of any provision of this Franchise Agreement, or any other agreement between Franchisee or any of its Affiliates and Franchisor or any of the Pitango Companies, and Franchisee has substantially complied with all the terms and conditions of such agreements during the terms thereof;

16.2.1.3 Each transferor executes a general release of any and all claims, actions, causes of action, damages, costs, losses, debt and expenses of any nature whatsoever, that the transferor ever had, now has or hereinafter may has, against Franchisor, the other Franchisor Parties, or any of them, in their corporate and individual capacities, in any way arising from or relating to any act, omission, transaction or event occurring before the effective date of the Transfer;

16.2.1.4 The transferor demonstrates that the terms of the proposed transfer (including financing) will not prevent the Gelato Shop from operating in compliance with the Franchise Agreement and at or above the level of productivity at which it was operated by Franchisee;

16.2.1.5 If the transferee will become a Controlling Principal or the General Manager, the transferee meets the criteria considered by Franchisor when reviewing a prospective franchisee's application for a license;

16.2.1.6 The transferee enters into a written agreement, in a form satisfactory to Franchisor, assuming full, unconditional, joint and several liability for, and agreeing to perform from the date of the transfer, all of the Franchisee's obligations, covenants and agreements contained in this Franchise Agreement; and, if transferee is an entity, transferee's shareholders, members or partners, as the case may be, must execute such agreement as a principal of transferee and guarantee the payment and performance of all such obligations, covenants and agreements;

16.2.1.7 If the proposed Transfer is for a majority Interest and less than five (5) years remain in the term of this Franchise Agreement, then the transferee executes the standard form of franchise agreement then being offered to new System franchisees and other ancillary agreements as Franchisor may require for the Gelato Shop, which agreements shall supersede this Franchise Agreement and its ancillary documents in all respects and the terms of which agreements may differ from the terms of this Franchise Agreement, including, without limitation, a higher percentage royalty fee, advertising contribution or expenditure requirement; provided, however, that the transferee will not be required to pay any Initial Franchise Fee; and, if transferee is an entity, transferee's shareholders, members or partners, as the case may be, must execute such agreement as principals of transferee and guarantee the performance of all such obligations, covenants and agreements;

16.2.1.8 If the proposed Transfer is for a majority Interest, then the transferee, must renovate, modernize and upgrade the Gelato Shop to conform to the then-current standards and specifications of the System within a reasonable time period specified by Franchisor;

16.2.1.9 If the proposed Transfer will result in a change in management control over the Gelato Shop, the transferee's general manager completes any training programs then in effect for franchisees on such terms and conditions as Franchisor may reasonably require, at the transferee's expense as to travel, lodging and meals of such personnel;

16.2.1.10 The transferee pays to Franchisor a transfer fee (the "**Transfer Fee**") equal to the greater of (a) fifty percent (50%) of Franchisee's Initial Franchise Fee, (b) fifty percent (50%) of the Initial Franchise Fee then being charged to franchisees, or (c) such greater amount as reasonably determined by Franchisor to reimburse Franchisor for its costs and expenses (including, without limitation, legal and accounting fees) incurred in connection with the Transfer, One Thousand Dollars ($1,000) of which shall be due at the time of submitting the application for consent to transfer, and the remainder shall be due at the closing of such transfer; provided, however, that the transfer fee will be reduced in the event that the Transfer is for a minority Interest, as determined in Franchisor's reasonable discretion, and provided further, that no transfer fee will be charged if the proposed Transfer, or series of Transfers, is for no more than twenty percent (20%) of the Interest in Franchisee and control over Franchisee is not effected.

16.2.1.11 If Franchisee will finance all or any portion of the transferee's purchase, Franchisee must (i) subordinate its right to repayment from the transferee to Franchisor's right to be paid all amounts owed by the transferee to Franchisor; and (ii) subordinate any security interest(s) in transferee or its assets to Franchisor's right to be paid all amounts owed by the transferee to Franchisor.

16.2.2 Franchisee may not grant a security interest in this Franchise Agreement, in the Gelato Shop or in any of the assets used in the operation of the Gelato Shop without Franchisor's prior written consent. In connection with any security interest granted in compliance with this Section 16.2.2, the secured party must agree that in the event of any default by Franchisee under any documents related to the security interest, Franchisor will have the right and option, but not the obligation, to be substituted as obligor to the secured party and to cure any default of Franchisee.

16.3 Anything herein notwithstanding, if Franchisee or a Controlling Principal wishes to Transfer greater than fifteen percent (15%) of the Interests in the Franchisee or substantially all of the assets of Franchisee pursuant to any bona fide offer received from a third party other than another Controlling Principal (a "**Third Party Offer**") to purchase such Interest or assets (the "**Seller's Interest**"), then such proposed seller (the "**Seller**") must promptly notify Franchisor in writing (the "**Offer Notice**") of each such offer, including with such notice a copy of the Third Party Offer and such other information and documentation relating to the Third Party Offer as Franchisor may require. Franchisor shall have the right and option, but not the obligation, exercisable within thirty (30) days after receipt of the Offer Notice and such additional information and documentation as required by Franchisor (the "**Option Period**"), to elect to purchase the Seller's Interest in accordance with the terms of the Third Party Offer, subject to Section 16.3.2, below. Franchisor may exercise its option to purchase the Seller's Interest by delivering a written notice of acceptance (the "**Election Notice**") to the Seller on or before the thirtieth (30th) day following receipt of the Offer Notice. If Franchisor elects to purchase the Seller's Interest, unless otherwise agreed by the parties, closing on such purchase must occur within the later of (i) sixty (60) days from the date the Election Notice is delivered to Seller, (ii) thirty (30) days from the date Franchisor receives or obtains all necessary documentation, permits and approvals, and (iii) the closing date set forth in the Third Party Offer.

16.3.1 If Franchisor does not exercise its option prior to the expiration of the Option Period, Seller may Transfer the Seller's Interest to the third party in accordance with the terms of the Third Party Offer; provided all applicable requirements of Section 16.2.1 have been satisfied. Any material change in the terms of the Third Party Offer prior to closing shall constitute a new offer subject to a new right of first refusal by Franchisor. Failure of Franchisor to exercise the option afforded by this Section 16.3 shall not constitute a waiver of any other provision of this Franchise Agreement, including the requirements of Section 16.2, with respect to a proposed Transfer.

16.3.2 If the Third Party Offer provides for payment of consideration other than cash or involves certain intangible benefits, Franchisor may elect to purchase the Seller's Interest 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 Third Party Offer, then such amount must 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 must split the appraisal fees.

16.3.3 If Franchisor elects to purchase Seller's Interest pursuant to this Section 16.3, it may set off against any payment therefor: (i) all fees for any such independent appraiser due from Franchisee hereunder, and (ii) all amounts due from Franchisee and/or its Affiliates to Franchisor and/or any of the Pitango Companies.

16.4 Failure to comply with the provisions of this Article XVI prior to the Transfer of any Interest shall provide good cause for Franchisor to immediately terminate this Franchise Agreement.

16.5 Upon the death or Permanent Disability of any Controlling Principal (the "**Withdrawing Person**"), the Withdrawing Person's heirs or beneficiaries who wish to become a transferee of the Withdrawing Person's Interest will have one hundred twenty (120) days from the date of death or Permanent Disability to demonstrate to Franchisor's satisfaction that they meet all of the criteria that Franchisor requires of new franchisees at that time. If Franchisor approves the Withdrawing Person's heirs or beneficiaries as a transferee of the Withdrawing Person's Interest and such individuals meet all other conditions described in this Article XVI, Franchisor will waive the Transfer Fee in connection with an assignment of the franchise to such individual(s). If Franchisor advises the Withdrawing Person's heirs or beneficiaries in writing that Franchisor will not approve them as transferees of the franchise, or if Franchisor fails to approve or disapprove such an assignment within one hundred twenty (120) days following the date of death or Permanent Disability, the Withdrawing Person or his or her estate (as applicable) will then have six (6) months from the date of disapproval of the assignment or the end of the original one hundred twenty (120)-day period, whichever is first, to complete a Transfer to a qualified buyer in conformity with this Article XVI. If the Withdrawing Person's estate does not complete a Transfer within the specified period, the Franchise and this Agreement will automatically terminate at the end of such period unless Franchisor has granted a written extension of time.

16.6 Upon the death or Permanent Disability of any Controlling Principal, Franchisee must notify Franchisor of such death or Permanent Disability within five (5) days of its occurrence. Any transfer upon death or Permanent Disability shall be subject to the same terms and conditions as described in Section 16.2 for any inter vivos Transfer, except as specified in Section 15.5.

16.7 Franchisor's consent to a Transfer of any Interest shall not constitute a waiver of any claims that Franchisor may have against the transferor, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with this Franchise Agreement by the transferee(s).

16.8 If any Person holding an Interest other than a Controlling Principal, desires to Transfer all or part of such Interest, Franchisee must promptly notify Franchisor of such proposed Transfer in writing and must provide to Franchisor such information relevant thereto as Franchisor may reasonably request. In no event may any transferee of an Interest be a competitor of Franchisor, the System or any Gelato Shop operating under the System. Any transferee of an Interest will be deemed a Franchisee's Principal for purposes of this Franchise Agreement and as such must execute Franchisor's then current form of Covenants. Franchisor reserves the right to designate such transferee as a Controlling Principal.

16.9 Unless specifically agreed to by Franchisor in writing, no assignment or any other Transfer by Franchisee, with or without Franchisor's consent, during the term of this Franchise Agreement or any renewal period, will release Franchisee from any liability under the terms of this Franchise Agreement, nor will Franchisee be relieved of the obligations of satisfying or performing any of the terms, covenants and conditions of this Franchise Agreement.

ARTICLE XVII DEFAULT AND TERMINATION

17.1 Franchisee acknowledges and agrees that each of its obligations described in this Franchise Agreement is a material and essential obligation of Franchisee; that nonperformance of such obligations will adversely and substantially affect Franchisor and the System; and that the exercise by Franchisor of any or all of the rights and remedies set forth herein is appropriate and reasonable to protect the legitimate interests of Franchisor and the System.

17.2 Franchisee will be deemed to be in material default under this Franchise Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if: (i) Franchisee or any Controlling Principal makes a general assignment for the benefit of creditors; (ii) Franchisee or any Controlling Principal files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admits in writing its inability to pay its debts when due; (iii) Franchisee or any Controlling Principal is adjudicated as bankrupt or insolvent in proceedings filed against that Person under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state, or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or over its business or assets is filed and consented to by Franchisee; (iv) a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction for any reason other than the death of the Controlling Principal; or (v) Franchisee is dissolved.

17.3 Franchisee shall be deemed to be in material default under this Franchise Agreement and Franchisor may, at its option, terminate this Franchise Agreement and all rights granted hereunder without affording Franchisee any opportunity to cure (or additional opportunity to cure such default), effective immediately and automatically upon notice to Franchisee, if any of the following occurs:

17.3.1 Franchisee operates the Gelato Shop, or sells any products or services associated with the System from any location that has not been approved by Franchisor or for which Franchisor has withdrawn its approval.

17.3.2 Franchisee fails to open the Gelato Shop for business within one hundred eighty (180) days of signing the lease for or closing on the purchase of the Premises.

17.3.3 Franchisee sells or attempts to sell products or services in violation of Article VII.

17.3.4 Franchisee or any of the Controlling Principals breaches the confidentiality obligations set forth in Article X.

17.3.5 Franchisee at any time ceases to operate or abandons the Gelato Shop for seven (7) consecutive days, or loses the right to possession of the Premises; provided, however, that this provision shall not apply if, through no fault of Franchisee, such default is caused by an event of Force Majeure, Franchisee applies within thirty (30) days after such event for Franchisor's approval to relocate or reconstruct the Gelato Shop (which approval shall not be unreasonably withheld), and Franchisee diligently pursues such relocation or reconstruction to completion. Franchisor's approval may be conditioned upon the payment of an agreed minimum fee to Franchisor during the period in which the Gelato Shop is not in operation.

17.3.6 Franchisee, or any Controlling Principal is convicted of, or has entered a plea of nolo contendere to, a felony or a crime involving moral turpitude, or commits any other act that (if publicized) is reasonably likely to have a material adverse effect on the System, the Marks, the goodwill or reputation associated therewith, or Franchisor's interests therein, including, without limitation, acts of harassment or discrimination.

17.3.7 A material threat or danger to public health or safety results from the construction, maintenance and/or operation of the Gelato Shop.

17.3.8 Franchisee or any Controlling Principal purports to Transfer any rights or obligations under this Franchise Agreement or otherwise to Transfer any Interest to any third party without strict compliance with all applicable provisions of Article XVI hereof.

17.3.9 Franchisee fails, refuses, or neglects promptly to pay when due any monetary obligation owing to Franchisor or any of the Pitango Companies under this Franchise Agreement or any other agreement, including, without limitation, the Royalty Fees or product purchasers, or to submit the reports or other information required by Franchisor under this Franchise Agreement or the Manual, including, without limitation, the Royalty Reports, and does not cure such default within five (5) days following written notice thereof from Franchisor (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).

17.3.10 Franchisee knowingly maintains false books or records or submits any false Royalty Reports or other reports to Franchisor.

17.3.11 Franchisee or any of the Controlling Principals breaches in any material respect any of the representations, warranties, covenants or agreements set forth in Article VI.

17.3.12 Franchisee misuses or makes any unauthorized use of the Marks, including by disseminating advertisements that have not been authorized or approved by Franchisor.

17.3.13 Franchisee fails to pay when due any uncontested amounts owed to any approved supplier, and fails to pay such obligation within five (5) days of notice by Franchisor.

17.3.14 Franchisee fails to complete the initial training program within two hundred seventy (270) days from the Effective Date.

17.3.15 Any lien is attached to the Gelato Shop or its assets and is not released within ten days, or execution is levied against the Gelato Shop or Franchisee's other property.

17.3.16 Franchisee's score for any inspection is below seventy percent (70%), or Franchisee's inspection score is below eighty-five percent (85%) on three (3) consecutive occasions as provided in Section 7.4.2.

17.3.17 A final judgment against Franchisee remains unsatisfied or of record for thirty days or longer.

17.3.18 Franchisee and any of the Controlling Principals commit two (2) or more material defaults under this Franchise Agreement in 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 Franchisee after notice by Franchisor.

17.3.19 Franchisee, any of its Affiliates or any Controlling Principal commits a material default under any other agreement with Franchisor or any of the Pitango Companies and fails to cure said default within the cure period provided by that agreement.

17.4 Except as otherwise expressly provided in Sections 17.2 and 17.3 hereof, upon any default by Franchisee that is susceptible of being cured, Franchisor may terminate this Franchise Agreement by giving written notice of termination stating the nature of such default to Franchisee at least thirty (30) days prior to the effective date of termination. If any such default is not cured within the specified time, or such longer period as applicable law may require or Franchisor may permit, in its sole discretion, this Franchise Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of such period.

17.5 If Franchisor materially breaches this Franchise Agreement, Franchisee may terminate this Franchise Agreement for good cause if Franchisee (1) is not in material breach of its obligations hereunder, (2) serves a written notice of default on Franchisor stating the grounds of default, (3) provides Franchisor with a reasonable opportunity of not less than thirty (30) days to cure the default, or of ninety (90) days if the default cannot reasonably be cured within such thirty (30) days, and (4) if after receipt of such notice and elapse of the applicable cure period, Franchisor remains in breach of the obligations properly asserted by Franchisee in its written default notice.

17.6 The events of default and grounds for termination described in this 16.1 are in addition to any other grounds for termination contained elsewhere in this Franchise Agreement or otherwise. No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy permitted by law.

17.7 Franchisee shall have the one-time option to terminate this Franchise Agreement on the fifth (5th) anniversary of the Effective Date (the "**Early Termination Date**") by (i) providing notice to Franchisor that it is exercising its early termination option at least six (6) months, but not more than twelve months, before the Early Termination Date and (ii) paying the Early Termination Fee no later than sixty (60) days prior to the Early Termination Date.

ARTICLE XVIII POST-TERMINATION

Upon termination for any reason or expiration of this Franchise Agreement, all rights granted hereunder to Franchisee will immediately terminate, and:

18.1 Franchisee shall immediately cease to operate the Gelato Shop under this Franchise Agreement, and must not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

18.2 Franchisee must immediately and permanently cease to use, in all manners whatsoever, the Marks, all distinctive forms, slogans, signs, symbols, menus, and devices associated with the System, and all other Confidential Information.

18.3 Franchisee must take such action as may be necessary to cancel any assumed name or equivalent registration that contains any Mark and furnish Franchisor with evidence its compliance with this obligation within five (5) days after termination or expiration.

18.4 If Franchisee continues to operate or subsequently begins to operate any other business, Franchisee must not use any reproduction, counterfeit, copy or colorable imitation of the Marks, the System or the Manuals, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake, or deception, or that is likely to dilute Franchisor's rights in and to the System or the Marks.

18.5 Franchisee must pay all sums owing to Franchisor and/or the Pitango Companies. Such sums shall include, without limitation, all damages, costs and expenses, including attorneys' fees incurred by Franchisor and/or the Pitango Companies as a result of any default by Franchisee and/or any Controlling Principal, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, fixtures, and inventory owned by Franchisee and located on the Premises at the time of default.

18.6 Franchisee must pay to Franchisor and/or the Pitango Companies all damages, costs and expenses, including attorneys' fees, incurred by Franchisor and/or the Pitango Companies in connection with obtaining any remedy available to Franchisor and/or the Pitango Companies for any violation of this

Franchise Agreement and, subsequent to the termination or expiration of this Franchise Agreement or assignment of Franchisee's rights hereunder, in obtaining injunctive or other relief for the enforcement of any provisions of this Article XVIII.

18.7 Franchisee must immediately destroy any printed copies of or extracts from all Manuals and immediately return to Franchisor or destroy all Confidential Information, in Franchisee's possession or control, and all copies thereof (all of which are acknowledged to be Franchisor's property), and shall retain no copy or record (in any form whatsoever) of any of the foregoing.

18.8 Franchisee and the Controlling Principals must comply with the restrictions on Confidential Information contained in Article X and must also comply with the non-competition covenants contained in Article X. All Persons required to execute the Covenants pursuant to Article X also must comply with such Covenants.

18.9 Franchisee shall immediately return to Franchisor all advertising materials bearing the Marks or otherwise destroy and property dispose of such material.

18.10 By executing this Franchise Agreement, in partial consideration of the rights granted hereunder, Franchisee agrees that all right, title and interest in and to the signs used at the Gelato Shop are hereby assigned to Franchisor, and that upon termination or expiration of this Franchise Agreement, neither Franchisee nor any lien holder of Franchisee will have any further rights or interest therein.

18.11 At Franchisor's option, Franchisee must assign to Franchisor any interest that Franchisee has in any lease for the Premises and/or any equipment located on or at the Premises and used in connection with the operation of the Gelato Shop. Franchisor may exercise such option at any time or from time to time within thirty (30) days after the termination or expiration of this Franchise Agreement. If Franchisor does not elect to exercise its option to acquire the lease for the Premises or the owner of the Premises does not permit Franchisor to assume the lease, Franchisee at its sole cost and expense, must make such modifications or alterations to the Premises as are necessary to distinguish the appearance of the Premises from that of the Gelato Shop's operating under the System and make such additional changes as Franchisor may reasonably request. If Franchisee fails or refuses to comply with the de-identification requirements of this Section 18.11, Franchisor shall have the right to enter upon the Premises, 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 the expense of Franchisee, which expense Franchisee must pay upon demand.

18.12 Subject to Sections 18.9, 18.10 and 18.11, Franchisor shall have the option, to be exercised within thirty (30) days after termination or expiration of this Franchise Agreement, to purchase from Franchisee at fair market value any or all of the furnishings, equipment (including any computer hardware and software systems), signs, fixtures, supplies, and inventory of Franchisee related to the operation of the Gelato Shop. Unless otherwise agreed in writing, any purchase pursuant to this Section 18.12 will be a purchase of assets only and Franchisor will not be deemed to assume any liabilities or obligations with respect thereto. Franchisor shall have the right, immediately upon exercise of this option, to utilize the assets in the Premises to operate the Gelato Shop. If the parties cannot agree on the fair market value within thirty (30) days of Franchisor's exercise of its option, the fair market value will be determined by three appraisers chosen in the following manner: Franchisee shall select one and Franchisor shall select one, and the two appraisers so chosen shall select a third appraiser. The decision of the majority of the appraisers so chosen shall be conclusive. The cost of the third appraiser shall be shared equally by the parties. If Franchisor elects to exercise any option to purchase pursuant to this Section 18.12, Franchisor may set off against any payment therefore (i) all fees for any such independent appraiser due from Franchisee hereunder, and (ii) all amounts due from Franchisee and/or its Affiliates to Franchisor and/or any of the Pitango Companies.

18.13 If Franchisee or Franchisee's Affiliate owns the Premises, then, Franchisor shall have the option, to be exercised within thirty (30) days after termination or expiration of this Franchise Agreement, to lease the Premises including any building and improvements thereon, if applicable, for a fair market rent and other terms typical for a triple net commercial lease (a "**Market Lease**"). If the parties cannot agree on a Market Lease within thirty (30) days of Franchisor's exercise of its option, the terms of the Market Lease shall be determined by an independent, licensed real estate broker who spends the majority of his or her time on the sale and rental of commercial properties in the Territory and is mutually acceptable to each party acting in good faith.

18.14 With respect to the options described in Sections 18.11, 18.12 and 18.13, Franchisee must deliver to Franchisor in a form satisfactory to Franchisor, such warranties, deeds, releases of lien, bills of sale, assignments and such other documents and instruments that Franchisor deems necessary in order to perfect Franchisor's 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, Franchisee has not provided all warranties, deeds, releases of lien, bills of sale, assignments and such other documents and instruments, Franchisor may place the purchase price in escrow pending receipt thereof.

18.15 The time for closing of the purchase and sale of any property pursuant to Section 18.12 or lease of the Premises under Section 18.13 shall be a date not later than thirty (30) days after the purchase price or Market Lease is determined by the parties, or the appraisers, as the case may be, or such date Franchisor receives and obtains any and all necessary permits and approvals, whichever is later, unless the parties agree to designate another date. The time for closing on the assignment of any lease described in Section 18.11 shall be a date no later than ten (10) days after Franchisor's exercise of its option thereunder. Closing shall take place at Franchisor's corporate offices or at such other location as the parties may agree.

18.16 Franchisor may assign any and all of its options in this Article XVIII to any other party without the consent of Franchisee.

18.17 Franchisee, at the option of Franchisor, must cease using and assign to Franchisor all rights to the telephone numbers associated with the former franchise and any related advertisement or listing containing any of those numbers. Further, Franchisee, at the option of Franchisor, must cease using and assign to Franchisor all Internet listings, domain names, Internet accounts, advertising on the Internet, websites, email addresses and any and all other similar listings or usage that are associated with the Marks and the former franchise. If Franchisor exercises any such options, Franchisee must execute and deliver all forms and documents required by Franchisor and any third party provider of telephone service and/or Internet domain registries to transfer such assets to Franchisor and/or participate in any "live" or "real time" processes required to assign control over telephone numbers or Internet assets. To the extent permitted by applicable law, Franchisee hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as is necessary to complete the assignments described in this Section 18.17, which power of attorney will survive the expiration or termination of this Franchise Agreement.

18.18 Franchisee agrees to timely execute any legal document that may be necessary to effectuate the termination of this Franchise Agreement and to furnish to Franchisor, within thirty (30) days after the effective date of termination, written evidence satisfactory to Franchisor of Franchisee's compliance with the obligations set forth in Sections 18.1 through 18.9, above.

18.19 Other than as specifically set forth above, Franchisee will have no interest in the Gelato Shop upon termination or expiration of this Franchise Agreement.

ARTICLE XIX ALTERNATIVE REMEDIES

19.1 In addition to its right of termination under 16.1, in the event Franchisee or any Controlling Principal commits one (1) or more defaults as identified in Sections 17.2, 17.3 or 17.4 of this Franchise Agreement, the following non-exclusive alternative remedies will be available to Franchisor:

19.1.1 If Franchisor terminates this Franchise Agreement due to Franchisee's default, Franchisor may assess liquidated damages against Franchisee in an amount equal to (A) the average amount of the Royalty Fees payable on a monthly basis for the twenty-four month period prior to Franchisor's notice of termination *multiplied by* (B) thirty-six (36).

19.1.2 If Franchisee is in default under Section 17.3.3, 17.3.4, or 17.3.12, Franchisor may, in its sole and absolute discretion, charge Franchisee a Breach Fee in lieu of terminating this Franchise Agreement for each incident of default. Franchisee must pay the Breach Fee promptly when billed.

19.1.3 During any period in which Franchisee is in default under this Franchise Agreement, or Franchisee does not have a General Manager trained or certified to operate the Gelato Shop, Franchisor will have the right, but not the obligation, to send its representatives to the Premises to operate the Gelato Shop during the period of default and until such time as Franchisee or its Controlling Principals have satisfactorily completed remedial training required by Franchisor, or until Franchisor terminates this Franchise Agreement pursuant to 16.1, but in no event for more than ninety (90) days, renewable as necessary for up to one (1) year. Franchisee must permit Franchisor's representatives to enter the Premises for this purpose, fully comply with their directions concerning operation of the Gelato Shop, and take no action that would hinder their operation of the Gelato Shop. Franchisee will be obligated to reimburse Franchisor for its costs and expenses incurred in providing representatives to operate the Gelato Shop, including, without limitation, reasonable salaries and travel and lodging expenses, which amounts are due within fifteen (15) days of invoice delivery. Franchisee also will be responsible for all costs incurred for Franchisee's personnel to attend any required remedial training programs, including travel and lodging expenses and Franchisor's then-current training fee. Franchisor will additionally charge a weekly management fee of Two Thousand Dollars ($2,000), due on the Tuesday of each week, or part thereof, that Franchisor or its representatives operates the Gelato Shop. Franchisee agrees to indemnify and hold harmless Franchisor and any representative of Franchisor who may act hereunder respecting any acts and omissions, which Franchisor or its representatives may perform, or fail to perform, pursuant to this Section 19.1.2.

19.2 The remedies described in this Article XIX are in addition to any other remedies available to Franchisor under this Franchise Agreement or otherwise. No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law, equity this Franchise Agreement or any other agreement between Franchisor and Franchisee or any Controlling Principal.

ARTICLE XX MEDIATION

20.1 As a condition precedent to proceeding with arbitration under Article XXI hereof, except as stated below, the parties first must submit all controversies, disputes or claims arising out of or related to: (i) this Franchise Agreement or any other agreement between Franchisor and Franchisee or its Affiliates; (ii) the relationship of Franchisor and Franchisee; or, (iii) the validity of this Franchise Agreement or any other agreement between Franchisor and Franchisee or their related parties, or any provision of such agreements, to non-binding mediation in Baltimore, Maryland, or county and state in which the Franchisor then maintains its principal place of business. The mediator will be any mediator approved by the state trial court of general jurisdiction in the county and state in which the Franchisor then maintains its principal place of business who is mutually agreed to by the parties. All costs of mediation will be equally borne by the parties. A Controlling Principal with settlement authority must personally appear at mediation.

20.2 This Article XX mandating non-binding mediation will not apply with respect to any claim or dispute arising under this Franchise Agreement or any other agreement between the parties that concerns: (i) the failure to pay Ten Thousand Dollars ($10,000.00) or less of fees or other monetary obligation(s) of either party under said agreement(s); or (ii) the Marks, the enforcement of covenants not to compete, or obtaining temporary injunctive relief. If either party fails or refuses to timely cooperate with the scheduling or proceeding of the mediation, the other party may proceed with arbitration pursuant to Article XXI of this Agreement.

ARTICLE XXI ARBITRATION

21.1 Subject to the provisions contained in this Article XXI, the parties agree to submit any and all claims, controversies and disputes between the parties arising out of or relating to this Franchise Agreement (including all Schedules and Exhibits attached hereto) and/or the relationship created by this Franchise Agreement (each, a "**Dispute**") to binding arbitration in accordance with the Commercial Rule Arbitration Rules of, and administered by, the American Arbitration Association ("**AAA**") or a comparable organization if AAA ceases to exist. However, if such rules conflict in any way with the provisions of this Franchise Agreement then the terms of this Franchise Agreement shall control, and the arbitrator shall apply the Federal Rules of Evidence during the conduct of the hearing with respect to the admissibility of evidence. The arbitration shall be conducted in Baltimore, Maryland, by a single arbitrator experienced in the arbitration of disputes between franchisors and franchisees. Any arbitration will be conducted on an individual basis and not on a consolidated or class-wide basis. If the parties are unable to agree on an arbitrator within fifteen (15) days following delivery from either party of a notice of such party's desire to submit the Dispute to arbitration, the arbitrator shall be selected in accordance with the AAA's arbitrator selection process. The arbitrator shall apply Maryland law for purposes of arbitrating the Dispute. The arbitrator shall decide any disputes over whether any claim by either party must be arbitrated.

21.2 The costs and expenses of the arbitration, including compensation and expenses of the arbitrator (excluding the attorneys' fees and other professional fees incurred by either party), shall be borne by the parties equally; provided, that the arbitrator may award arbitration costs and fees to the prevailing party, if any, as well as reimbursements pursuant to Section 21.10 of this Agreement.

21.3 Notwithstanding anything herein, the mandatory arbitration provision of this Article XXI shall not apply to (i) disputes relating to actions to obtain possession of the Premises, (ii) actions by either party for temporary or preliminary injunctive relief, (iii) actions by Franchisor for non-payment of Ten Thousand Dollars ($10,000) or less in monies due, and (iv) actions, which under applicable law, are not permitted to be arbitrated.

21.4 Only Disputes involving Franchisee, any of its Controlling Principals or any of its guarantors may be brought under this Article XXI. No claim for or on behalf of any other franchisee or other party may be brought by Franchisee or the Controlling Principals hereunder.

21.5 The parties recognize, and any arbitrator is affirmatively advised, that certain provisions of this Franchise Agreement describe Franchisor's right to take (or refrain from taking) certain actions in the exercise of its business judgment based on Franchisor's assessment of the overall best interests of the System. Where Franchisor has exercised the discretion described in the prior sentence, and has done so in a manner consistent with the obligations of corporate directors under the business judgment rule and with this Franchise Agreement, then the arbitrator may not substitute his or her judgment of the appropriate course of conduct for the judgment so exercised by Franchisor.

21.6 Both parties waive, to the greatest extent permitted by law, its right to seek or be awarded punitive or exemplary damages by an arbitrator, except that Franchisor may seek and obtain an award against Franchisee of trebled damages for trademark infringement should Franchisee continue to use the Marks after termination of the Franchise Agreement.

21.7 The foregoing provisions notwithstanding, if any court finds that the punitive damages limitation or class action waiver contained in this Article XXI is unconscionable or otherwise unenforceable, then either party may require a dispute otherwise subject to this Article XXI to be decided by a court in accordance with the terms of this Franchise Agreement without first submitting the dispute to arbitration.

21.8 **FRANCHISEE, THE CONTROLLING PRINCIPALS AND FRANCHISOR ACKNOWLEDGE THAT THE PARTIES' AGREEMENT REGARDING GOVERNING LAW AND FORUM SET FORTH IN THIS ARTICLE XXI PROVIDE EACH OF THE PARTIES WITH THE MUTUAL BENEFIT OF UNIFORM INTERPRETATION OF THIS FRANCHISE AGREEMENT AND DISPUTES ARISING OUT OF THIS FRANCHISE AGREEMENT OR THE PARTIES' RELATIONSHIP CREATED BY THIS FRANCHISE AGREEMENT. EACH OF FRANCHISEE, THE CONTROLLING PRINCIPALS AND FRANCHISOR FURTHER ACKNOWLEDGE THE RECEIPT AND SUFFICIENCY OF MUTUAL CONSIDERATION FOR SUCH BENEFIT AND THAT EACH PARTY'S AGREEMENT TO COMPLY WITH THE PROVISIONS OF THIS ARTICLE XXI HAVE BEEN NEGOTIATED FOR IN GOOD FAITH AND ARE PART OF THE BENEFIT OF THE BARGAIN REFLECTED BY THIS FRANCHISE AGREEMENT.**

21.9 **THE PARTIES HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY EITHER OF THEM AGAINST THE OTHER WITH RESPECT TO ANY AND ALL MATTERS ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS FRANCHISE AGREEMENT.** This waiver is a material inducement for Franchisor to enter into this Franchise Agreement.

21.10 A party that is successful in enforcing its rights under this Franchise Agreement through commencement of an action in arbitration shall be entitled to an award of its costs (including charges for investigation and preparation filing fees, expert witness, the arbitrator and the arbitration administrator) and reasonable attorneys' fees incurred in such arbitration.

21.11 This arbitration provision is deemed to be self-executing and will remain in full force and effect after expiration or termination of this Franchise Agreement. If either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding said failure to appear.

21.12 The provisions in this Article XXI are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Franchise Agreement. Furthermore, this Article XXI will be construed as independent of any other covenant or provision of this Franchise Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court is respectfully requested to modify or interpret such provisions to the minimum extent necessary to comply with applicable law, subject to Section 21.7 hereof.

ARTICLE XXII GENERAL DISPUTE RESOLUTION PROVISIONS

22.1 **WITH RESPECT TO ANY AND ALL DISPUTES, FRANCHISOR, FRANCHISEE AND ALL CONTROLLING PRINCIPALS HEREBY IRREVOCABLY SUBMIT THEMSELVES TO THE JURISDICTION OF**

THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MARYLAND OR ANY MARYLAND STATE COURT HAVING JURISDICTION OVER THE SUBJECT MATTER OF THE DISPUTE. EACH PARTY HEREBY CONSENTS TO THE EXERCISE OF PERSONAL JURISDICTION BY ANY SUCH COURT WITH RESPECT TO ANY SUCH PROCEEDING.

22.2 **EACH PARTY KNOWINGLY AND VOLUNTARILY WAIVES ANY AND ALL RIGHTS TO A JURY TRIAL IN ANY PROCEEDING INVOLVING ANY DISPUTE ARISING UNDER OR RELATING TO THIS FRANCHISE AGREEMENT.**

22.3 **FRANCHISEE AND THE CONTROLLING PRINCIPALS ACKNOWLEDGE AND UNDERSTAND THAT FRANCHISOR MAY GRANT NUMEROUS FRANCHISES THROUGHOUT THE UNITED STATES ON TERMS AND CONDITIONS SIMILAR TO THOSE SET FORTH IN THIS FRANCHISE AGREEMENT, AND THAT IT IS OF MUTUAL BENEFIT TO FRANCHISEE, THE CONTROLLING PRINCIPALS AND FRANCHISOR THAT SUCH TERMS AND CONDITIONS BE UNIFORMLY INTERPRETED. ACCORDINGLY, THE PARTIES HEREBY AGREE THAT, UNLESS THE LAW OF THE STATE WHERE THE APPROVED LOCATION IS SITUATED DOES NOT PERMIT ENFORCEMENT OF THIS PROVISION, THIS FRANCHISE AGREEMENT AND ALL OTHER ISSUES CONCERNING THE RELATIONSHIP BETWEEN FRANCHISOR AND FRANCHISEE, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MARYLAND. HOWEVER, THE LEGALITY OR ENFORCEABILITY OF SECTION 8.5 (PRICING) SHALL BE GOVERNED BY THE LAW OF THE STATE WHERE THE GELATO SHOP IS LOCATED.**

22.4 **FRANCHISEE, THE CONTROLLING PRINCIPALS AND FRANCHISOR ACKNOWLEDGE THAT THE PARTIES' AGREEMENT REGARDING GOVERNING LAW, JURISDICTION AND VENUE SET FORTH IN SECTIONS 22.1 AND 22.3 HEREOF PROVIDE EACH OF THE PARTIES WITH THE MUTUAL BENEFIT OF UNIFORM INTERPRETATION OF THIS FRANCHISE AGREEMENT AND ANY DISPUTE ARISING OUT OF THIS FRANCHISE AGREEMENT OR THE PARTIES' RELATIONSHIP CREATED HEREBY. EACH OF FRANCHISEE, THE CONTROLLING PRINCIPALS AND FRANCHISOR FURTHER ACKNOWLEDGES THE RECEIPT AND SUFFICIENCY OF MUTUAL CONSIDERATION FOR SUCH BENEFIT AND THAT EACH PARTY'S AGREEMENT REGARDING GOVERNING LAW, JURISDICTION AND VENUE HAVE BEEN NEGOTIATED FOR IN GOOD FAITH AND ARE PART OF THE BENEFIT OF THE BARGAIN REFLECTED BY THIS FRANCHISE AGREEMENT.**

22.5 **BOTH PARTIES WAIVE, TO THE GREATEST EXTENT PERMITTED BY LAW, THE RIGHT TO SEEK OR BE AWARDED PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, OR CONSEQUENTIAL DAMAGES, ARISING OUT OF ANY CAUSE WHATSOEVER (WHETHER SUCH CAUSE BE BASED IN CONTRACT, NEGLIGENCE, STRICT LIABILITY, OTHER TORT OR OTHERWISE). EXCEPT THAT FRANCHISOR MAY SEEK AND OBTAIN AN AWARD AGAINST FRANCHISEE OF TREBLED DAMAGES FOR TRADEMARK INFRINGEMENT SHOULD FRANCHISEE CONTINUE TO USE THE MARKS AFTER TERMINATION OF THE FRANCHISE AGREEMENT. IN THE EVENT OF A DISPUTE, EACH PARTY AND ITS PRINCIPALS SHALL, EXCEPT AS OTHERWISE PROVIDED HEREIN AND IN SECTION 22.6, BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED.** In no event shall Franchisee be entitled to make, nor shall Franchisee make, any claim, and Franchisee hereby waives any claim for, money damages, nor shall Franchisee claim any money damages by way of set-off, counterclaim or defense, based upon any claim or assertion by Franchisee that Franchisor has unreasonably withheld or unreasonably delayed any consent or approval to a proposed act by Franchisee under any of the terms of this Franchise Agreement. Franchisee's sole remedy for any such claim shall be an action or proceeding to enforce any such provisions, or for specific performance, or declaratory judgment.

22.6 In the event that any proceeding is filed by one party against the other party to enforce or defend any of the covenants or conditions hereto, the party in whose favor final judgment shall be entered shall be entitled to recover from the other reasonable attorneys' fees and related litigation expenses, to be set and ordered by the court in which the judgment is entered. In addition, any party that obtains a judgment in any such case (including for recovery of litigation costs) shall be entitled to recovery of its post-judgment collection costs.

22.7 Any litigation or other dispute resolution proceedings between or among Franchisee or its Controlling Principals and Franchisor or any Franchisor Party will be conducted on an individual basis and not on a consolidated or class-wide basis.

ARTICLE XXIII MISCELLANEOUS

23.1 **Notice**.

23.1.1 Any and all notices, requests, demands and other communications required or permitted under this Franchise Agreement must be in writing and shall be deemed to have been duly given if hand-delivered, delivered by delivery service that provides evidence of delivery, mailed by certified or registered mail, postage pre-paid, first class mail, sent by facsimile or by email with delivery receipt to Franchisee at the notice contact information identified in Schedule B, and to Franchisor as follows:

If to Franchisor:	Pitango Gelato Franchise Co., LLC 509 South Exeter Street, Suite 214 Baltimore, Maryland 21202 Facsimile: 410-605-0161 Attention: Dinah Bengur, President
With a copy to:	David L. Cahn, Esq. Whiteford, Taylor & Preston, LLP Seven Saint Paul Street Baltimore, Maryland 21202-1636 Facsimile: 410-234-2312

A notice shall be effective when delivered, if delivered personally or by delivery service, upon receipt of written verification of successful facsimile or electronic mail transmission, or three (3) business days after being mailed.

23.1.2 Notwithstanding Section 23.1.1 above, Franchisor may provide Franchisee with routine information, the Manuals and other System requirements and programs, such as the quality assurance program, by regular mail or by email, the Internet, an intranet, or other electronic means, and Franchisee may send regularly required reports and routine approved requests electronically in compliance with as the provisions of the Manual.

23.2 **Entire Agreement**. This Franchise Agreement (including all Schedules and Exhibits attached hereto) and the agreements and documents referred to herein and all agreements executed simultaneously herewith, contain the entire, full and complete agreement and understanding among the Franchisee, the Controlling Principals and Franchisor with respect to the subject matter hereof, including, without limitation, the Gelato Shop, and supersede all prior and contemporaneous agreements, understandings, negotiations and discussions of the parties, whether oral or written; however, nothing in this Franchise Agreement or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document. In addition, Franchisor may unilaterally modify the Manual in its reasonable business judgment and Franchisee must comply with such updated standards, specifications or requirements.

23.3 **Amendment; Waiver**. Except as otherwise expressly provided in this Franchise Agreement, no amendment, modification or waiver of this Franchise Agreement shall be binding unless executed in writing by both parties hereto, or in the case of a waiver, by the party granting such waiver. No waiver of any provision of this Franchise Agreement shall constitute a waiver of any other provision of this Franchise Agreement, whether or not similar, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided in writing. No failure of a party to exercise any power reserved to it by this Franchise Agreement, or to insist upon strict compliance by the other party with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of such party's right thereafter to demand exact compliance with any of the terms herein. Waiver by a party of any particular default by the other party shall not affect or impair such party's rights with respect to any subsequent default of the same, similar, or different nature; nor shall any delay, forbearance, or omission of a party to exercise any power or right arising out of any breach or default by the other party of any of the terms, provisions, or covenants hereof, affect or impair such party's right to exercise the same.

23.4 **Franchisor Consent**. Whenever this Franchise Agreement requires the prior approval or consent of Franchisor, Franchisee must make a timely written request to Franchisor, and such approval or consent must be obtained in writing. Franchisor makes no warranties or guarantees upon which Franchisee may rely and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any consent, waiver, approval, advice, or suggestion to Franchisee in connection with this Franchise Agreement, or by reason of any delay in acting on or its denial of any request therefore.

23.5 **Force Majeure**. If a Force Majeure event occurs, then, in addition to payments required under Section 19.1.2, Franchisee must continue to pay to Franchisor any and all amounts that it became obligated to pay prior to the occurrence of any Force Majeure event, and the Franchisor Parties shall continue to be indemnified and held harmless by Franchisee in accordance with Article XIII hereof. Except as provided in the immediately preceding sentence and Section 19.1.2, and subject to full compliance with the requirements of this Section 23.5, no party hereto may be held liable for a failure to comply with any terms and conditions of this Franchise Agreement when such failure is caused by an event of Force Majeure. Upon the occurrence of any Force Majeure event, the party affected thereby must give prompt written notice thereof to the other parties, together with a description of the event, the duration for which the party reasonably expects its ability to comply with the provisions of this Franchise Agreement to be affected thereby and a commercially reasonable plan for resuming operation under this Franchise Agreement, which the party must 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.

23.6 **Captions**. All captions in this Franchise Agreement are intended solely for the convenience of the parties, and none shall be deemed to limit, modify or affect the meaning or construction of any provision hereof nor shall such captions otherwise be given any legal effect.

23.7 **Survival; No Merger**. Any obligation of Franchisee or the Controlling Principals that contemplates performance of such obligation after termination or expiration of this Franchise Agreement, or after the Transfer of any Interest by Franchisee or any Controlling Principal, shall be deemed to survive such termination or expiration of this Franchise Agreement or Transfer of such Interest. In addition, a party's right to recovery of attorneys' fees and collection costs shall not be merged or extinguished due to receiving a judgment under this contract, but rather shall be a continuing right of indemnity.

23.8 **Severability**. If any provision or part of any provision of this Franchise Agreement shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions or the remaining part of any effective provisions of this Franchise Agreement, and this Franchise Agreement shall be construed as if such invalid, illegal or unenforceable provision or part thereof had never been contained herein, but only to the extent of that such invalid, illegal or unenforceable provision or part thereof must be severed or modified to the extent necessary to make such provisions, or part thereof, valid, legal and enforceable.

23.9 **Interpretation**. All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable. All references to "including" shall be construed as meaning "including, but not limited to."

23.10 **Remedies**. All rights and remedies of the parties to this Franchise Agreement shall be cumulative and not alternative, and shall be in addition to and not exclusive of any other rights or remedies that are provided for herein or that may be available at law or in equity. The rights and remedies of the parties to this Franchise 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 or termination of this Franchise Agreement, or exercise of Franchisor's rights pursuant to 16.1 hereof, shall not discharge or release Franchisee or any of the Controlling Principals from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration or termination of this Franchise Agreement, or Franchisor's exercise of its rights pursuant to 16.1 of this Franchise Agreement.

23.11 **Third Party Beneficiaries**. Except as otherwise expressly provided in this Franchise Agreement, nothing in this Franchise Agreement is intended, nor shall be deemed, to confer upon any individual or entity other than Franchisee, Franchisor and the Franchisor Parties any rights or remedies under or as a result of this Franchise Agreement.

23.12 **Counterparts**. This Franchise Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same agreement. This Franchise Agreement may be executed and delivered by digital transmission with the same force and effect as if it were executed and delivered by the parties in the presence of one another.

23.13 **Business Judgment.** Franchisee understands and agrees that Franchisor may operate and change the System and its business in any manner that is not expressly and specifically prohibited by this Franchise Agreement. Whenever Franchisor has expressly reserved in this Franchise Agreement or is deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, except as otherwise expressly and specifically provided in this Franchise Agreement, Franchisor may make such decision or exercise its right and/or discretion on the basis of Franchisor's judgment of what is in Franchisor's best interests, including without limitation Franchisor's judgment of what is in the best interests of the franchise network, at the time Franchisor's decision is made or its right or discretion is exercised, without regard to whether: (1) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by Franchisor; (2) Franchisor's decision or the action taken promotes Franchisor's financial or other individual interest; (3) Franchisor's decision or the action it takes applies differently to Franchisee and one or more other franchisees or Franchisor's company-owned or Affiliate-owned operations; or (4) Franchisor's decision or the exercise of its right or discretion is adverse to Franchisee's interests. In the absence of an applicable statute, Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of Franchisor's right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Franchise Agreement, Franchisor and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Franchise Agreement and that this Franchise Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

ARTICLE XXIV ACKNOWLEDGMENTS

24.1 **FRANCHISEE AND THE CONTROLLING PRINCIPALS ACKNOWLEDGE THAT THEY HAVE CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS VENTURE CONTEMPLATED BY THIS FRANCHISE AGREEMENT AND RECOGNIZE THAT THE SUCCESS OF THIS BUSINESS VENTURE INVOLVES SUBSTANTIAL BUSINESS RISKS AND WILL LARGELY DEPEND UPON THE ABILITY OF FRANCHISEE AND THE CONTROLLING PRINCIPALS. FRANCHISOR EXPRESSLY DISCLAIMS MAKING, AND FRANCHISEE AND THE CONTROLLING PRINCIPALS ACKNOWLEDGE THAT THEY HAVE NOT RECEIVED OR RELIED ON, ANY REPRESENTATION, WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS FRANCHISE AGREEMENT. NO REPRESENTATIONS OR PROMISES OF ANY KIND HAVE BEEN MADE BY FRANCHISOR TO INDUCE FRANCHISEE TO SIGN THIS FRANCHISE AGREEMENT EXCEPT THOSE SPECIFICALLY STATED HEREIN AND IN THE FRANCHISE DISCLOSURE DOCUMENT. FRANCHISEE UNDERSTANDS THAT FRANCHISOR IS NOT A FIDUCIARY AND HAS NO SPECIAL RESPONSIBILITIES BEYOND THE NORMAL RESPONSIBILITIES OF A SELLER IN A BUSINESS TRANSACTION.**

24.2 **FRANCHISEE AND THE CONTROLLING PRINCIPALS ACKNOWLEDGE THAT THEY HAVE RECEIVED, READ AND UNDERSTAND THIS FRANCHISE AGREEMENT AND THE SCHEDULES AND EXHIBITS ATTACHED HERETO AND THAT FRANCHISOR HAS AFFORDED FRANCHISEE AND THE CONTROLLING PRINCIPALS SUFFICIENT TIME AND OPPORTUNITY TO CONSULT WITH ADVISORS SELECTED BY THEM ABOUT THE POTENTIAL BENEFITS AND RISKS OF ENTERING INTO THIS FRANCHISE AGREEMENT.**

24.3 **FRANCHISEE HAS COMPLETED THE "FRANCHISEE DISCLOSURE QUESTIONNAIRE" ATTACHED AS EXHIBIT 6 HERETO AND ACKNOWLEDGES THAT FRANCHISOR HAS RELIED UPON FRANCHISEE'S TRUTHFUL AND COMPLETE ANSWERS TO SAID QUESTIONNAIRE IN DECIDING WHETHER TO EXECUTE THIS FRANCHISE AGREEMENT.**

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Franchise Agreement as of the Effective Date.

ATTEST/WITNESS:

____
Name:
Title:

FRANCHISEE:

By: ______________________________
Name:
Title:

Date: ____________________________

____
Name:
Title:

FRANCHISOR:

Pitango Gelato Franchise Co., LLC

By: ______________________________
Name:
Title:

Date: ____________________________

SCHEDULE A

DEFINITIONS

The following capitalized terms shall have the meanings indicated. Capitalized terms used but not defined in this Schedule of Definitions shall have the meanings indicated elsewhere in the Franchise Agreement, its preamble or recitals:

"**Affiliate**" means a business entity that is controlling, controlled by, or under common control with any other business entity.

"**Aggregate Sales**" means total monthly gross revenues due to operation or ownership of the Gelato Shop, whether for cash or credit and including the proceeds received from any business interruption insurance claims, less monthly sales taxes included thereon, less the monthly dollar value of complimentary meals and beverages, including, without limitation, those provided for house errors, employees, management, other Gelato Shops, school promotion, and advertising and promotional programs (collectively, "**Comps**"); provided, however, that the total amount of the reduction for Comps for any calendar month may not exceed three percent (3%) of the dollar amount of total gross revenue, net of sales taxes, for that month. All Royalty Reports must demonstrate Franchisee's calculation of Aggregate Sales. Franchisee must include in Aggregate Sales the entire amount of all gift cards/gift certificates redeemed upon their redemption for purposes of determining the Royalty Fees to be paid upon the redemption of any gift card/gift certificate. In the event of a cash shortage, the amount of Aggregate Sales shall be determined based on the records of the electronic cash register system utilized at the Gelato Shop and any cash shortage shall not be considered in the determination. Aggregate Sales exclude:

(i) Sums representing sales taxes collected directly from customers, based upon present or future laws of federal, state or local governments, collected by Franchisee in the operation of the Gelato Shop, provided that such taxes are actually transmitted to the appropriate taxing authority; and

(ii) Proceeds from isolated sales of trade fixtures not constituting any part of Franchisee's products and services offered for resale at the Gelato Shop nor having any material effect upon the ongoing operation of the Gelato Shop as required under this Franchise Agreement.

Franchisor may authorize certain other items to be excluded from Aggregate Sales. Any exclusion may be revoked or withdrawn at any time by Franchisor in its sole discretion. Franchisee may not enter into any barter or counter-trade sales transactions with respect to the Gelato Shop without Franchisor's prior written consent. If Franchisor gives such written consent, Franchisee must record all such barter and counter-trade sales and include them in the reported Aggregate Sales of the Gelato Shop.

"**Breach Fee**" means an amount equal to (i) in the case of a default under Section 17.3.3 or 17.3.4, Ten Thousand Dollars ($10,000), (ii) in the case of a default under Section 17.3.12, Five Thousand Dollars ($5,000) or (iii) in the case of a default under more than one of Section 17.3.3, 17.3.4 and 17.3.12, the aggregate amount of each such default.

"**Captive Audience Locations**" means any of the following: airports, train stations, venues that people pay money to visit (such as stadiums, arenas, theme parks and museums), or workplaces with restricted access and on-site meal service, such as military bases, college campuses and large corporate campuses.

"**Claim**" means and includes 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).

“**Confidential Information**” means all confidential and proprietary information relating to the System and/or concerning the methods of developing or operating the Gelato Shop that are communicated to Franchisee and/or the Controlling Principals or of which Franchisee and/or the Controlling Principals become apprised in connection with the Gelato Shop or otherwise in connection with the operation of the Gelato Shop under the terms of this Franchise Agreement, including the Confidential Materials, all trade secrets (as that term is defined under the Maryland Uniform Trade Secrets Act, codified at Title 11, Subtitle 12 of the Maryland Code, Commercial Law Article), the contents of the Manual, all operational and sales methods and techniques that are not readily apparent to an individual patronizing the Gelato Shop for the first time, recipes, data regarding suppliers of goods and services, and any other information and materials that Franchisor provides to Franchisee in connection with this Franchise Agreement.

“**Controlling Principals**” means and includes each Person who hold at least a fifteen percent (15%) ownership interest in Franchisee and/or any entity that directly or indirectly controls Franchisee. The Controlling Principals as of the Effective Date are identified on Schedule B.

“**Disregarded Entity**” means an entity “disregarded as an entity separate from its owner” within the meaning of Section 301.7701-3 of the U.S. Treasury Regulations.

“**Early Termination Fee**” means the amount equal to the quotient obtained by dividing the total amount of all Royalty Fees payable by Franchisee for two (2) calendar years immediately preceding the Early Termination Date *by* two (2).

“**Effective Date**” means the date on which both Franchisor and Franchisee have signed this Franchise Agreement.

“**Force Majeure**” means acts of God, strikes, lockouts or other industrial disturbances, war, riot, epidemic, fire or other catastrophe beyond a party’s control, which cannot be overcome by use of normal commercial measures.

“**Franchise Disclosure Document**” means the franchise disclosure document provided to Franchisee by Franchisor prior to execution of this Franchise Agreement.

“**Franchisee Parties**” means Franchisee, its Affiliates, successors or assigns, or any of the Controlling Principals and/or the directors, officers, shareholders, members, partners, managers, agents, representatives, independent contractors, servants and employees of Franchisee and/or its Affiliates.

“**Franchisor Parties**” means, collectively, Franchisor, the Pitango Companies, their successors and assigns, and the directors, officers, shareholders, members, partners, managers, agents, representatives, independent contractors, servants and employees of each of them.

“**General Manager**” means the individual who will be responsible for the daily operation of the Gelato Shop.

“**Good Standing**” means that such Person is not in default of any provision of this Franchise Agreement or any other agreement between such Person and (i) Franchisor, (ii) Franchisor’s Affiliates or (iii) any of the Pitango Companies, and such Person has substantially and timely complied with all the terms and conditions of such agreements during the terms thereof.

“**Losses and Expenses**” means and include, without limitation, all losses, damages (including consequential, compensatory and exemplary damages), fines, charges, costs, expenses, lost profits, legal fees, court costs, settlement amounts and judgments. Without in any way limiting the foregoing, Losses and Expenses include compensation for damages to Franchisor’s reputation and goodwill, to its ability to obtain or maintain financing, for its costs for advertising material and media time/space purchased in response to the covered claim, and any and all expenses of refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

"**Manuals**" means Franchisor's Operating Manual containing the official operating standards, specifications and procedures prescribed by Franchisor from time to time for the operation of a Gelato Shop, and such other written materials as Franchisor shall develop for Franchisee's use in operating the Gelato Shop, all as may be revised, amended and/or supplemented from time to time.

"**Multi-Unit Development Rider**" means the agreement attached hereto as Exhibit 5.

"**Opening Date**" means the day on which Franchisee first serves coffee, gelato or other authorized foodstuffs to members of the general public. Private ribbon cutting or invitation-only "soft opens" do not constitute the opening of the Gelato Shop to the public.

"Permanent Disability" means any physical, emotional or mental injury, illness or incapacity that prevents an individual from performing the obligations set forth in this Franchise Agreement or in the Personal Guaranty made part of this Franchise Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent Disability shall be determined by a licensed practicing physician selected by Franchisor at Franchisor's expense. If the individual refuses to submit to an examination, then such individual automatically shall be deemed Permanently Disabled as of the date of such refusal.

"**Person**" means any individual, corporation, limited liability company, trust, joint venture, association, company, limited or general partnership, unincorporated organization, governmental unit or authority or any other entity.

"**Publicly-Held Corporation**" means a corporation registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or a corporation subject to the requirements of Section 15(d) of such Act.

"**Taxes**" means any present or future taxes, levies, imposts, duties or other charges of whatsoever 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 Gelato Shop, the payment of monies, or the exercise of rights granted pursuant to this Franchise Agreement, except for taxes imposed on or measured by Franchisor's net income.

SCHEDULE B

APPROVED LOCATION, OPENING DATE, STATEMENT OF OWNERSHIP INTERESTS, FRANCHISEE'S PRINCIPALS AND CONTROLLING PRINCIPALS

Franchisee's Contact Information ________________________

____

____

Attention: _______________

Facsimile: _______________

Email: ____________________

Approved Location:

Territory:

Opening Date:

Initial General Manager:

Controlling Principals (and their spouses):

Franchisee's Principals (and their spouses):

Statement of Ownership Interest (by percentages or shares owned):

EXHIBIT 1

LEASE PROVISIONS

1. Tenant may assign its interest in the Lease and all rights and obligations under the Lease at any time to Pitango Gelato Franchise Co., LLC (the "**Franchisor**") without Landlord's consent. Tenant may not otherwise assign the Lease or renew or extend the Lease's term without first obtaining the written consent of Franchisor. Following its assumption of the Lease for any reason, Franchisor may thereafter assign the Lease and all rights and obligations under the Lease to another franchisee approved by Landlord, which approval Landlord must not be unreasonably withhold, condition or delay. In the event of any such assignment by Franchisor, Franchisor shall have no further obligations under the Lease.

2. In the event of the expiration or termination for any reason whatsoever of the franchise agreement dated __________, 20__ between Tenant and Franchisor (the "**Franchise Agreement**") prior to the expiration or termination of the Lease, at the option of Franchisor, Tenant's rights under this Lease shall be assigned to Franchisor, such option to be exercisable by Franchisor upon giving Landlord and Tenant notice in writing within fifteen (15) days following the expiration or termination of the Franchise Agreement. Tenant and Landlord acknowledge and agree that such notice from Franchisor shall, without further act or formality, operate as an effective assignment of Tenant's rights under this Lease to Franchisor and the assumption by Franchisor of the covenants and obligations required to be observed or performed by Tenant under the Lease.

3. In the event of any default by Tenant under the Lease, Landlord must give written notice to Franchisor concurrently with the giving of such notice of default to Tenant and Franchisor shall have, after the expiration of the period during which Tenant may cure such default, an additional period of fifteen (15) days to cure any such default and assume the Lease. However, if such default or a termination arises by reason of the bankruptcy or insolvency of Tenant or the appointment of a receiver or similar custodian over Tenant's assets, Franchisor may assume this Lease or sign a new lease with Landlord upon payment of any arrears of rent or other amounts payable to Landlord pursuant to this Lease to the date of the bankruptcy or of the aforesaid appointment and, in the event of any such assumption by Franchisor, Tenant shall cease to have any further rights under this Lease.

4. During the term of the Franchise Agreement, the Leased Premises may be used only for the operation of the Gelato Shop, and Landlord hereby consents to Tenant's use of the Marks and signs, decor items, color schemes and related components of the System (as those terms are defined in the Franchise Agreement). Landlord acknowledges that the Franchise Agreement contains a right on the part of Franchisor, in the event of expiration or termination of the Franchise Agreement for any reason, to enter the Leased Premises and to make any alterations as described in the Franchise Agreement. Landlord and Tenant hereby agree to permit entry by Franchisor to the Leased 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. Landlord further acknowledges that such entry by Franchisor shall not constitute an assignment of the Lease nor a subletting of the Leased Premises. Landlord will not be responsible for any expenses or damages resulting from Franchisor's conduct of such aforesaid activities.

5. Landlord and Tenant may not make any material modifications to the Lease without Franchisor's prior written consent, which consent Franchisor must not unreasonably withhold, condition or delay.

EXHIBIT 2

COLLATERAL ASSIGNMENT OF LEASE

This COLLATERAL ASSIGNMENT OF LEASE (this "**Assignment**") is entered into this ____ day of _________, 20__ by and between _________________, a _________ ___________ ("**Franchisee**"), and Pitango Gelato Franchise Co., LLC, a Delaware limited liability company ("**Franchisor**").

RECITALS

WHEREAS, Franchisor and Franchisee are parties to that certain Franchise Agreement dated __________, 20__ (the "**Franchise Agreement**"), whereby Franchisor granted to Franchisee the right and license to operate a gelato shop (the "**Gelato Shop**") using Franchisor's Marks and the System (as those terms are defined in the Franchise Agreement).

WHEREAS, Franchisee and ________________ ("**Landlord**") are parties to that certain [Lease Agreement] dated ____________, 20__, a copy of which is attached hereto as Exhibit 1 and incorporated herein (the "**Lease**"), whereby Franchisee, as tenant or lessee thereunder, leases from Landlord those premises located at _____________________, which premises are more fully identified in the Lease (the "**Leased Premises**").

WHEREAS, in consideration of, and as a condition to, Franchisor granting to Franchisee the right and license to operate the Gelato Shop on and from the Leased Premises in accordance with the terms of the Franchise Agreement, and as security for Franchisee's obligations under the Franchise Agreement, Franchisee agreed to make a collateral assignment of Franchisee's interest in, to and under the Lease.

WHEREAS, Franchisee is willing to assign all of its rights, title and interest in, to and under the Lease (including all deposits paid by or for the benefit of Franchisee) to Franchisor, which collateral assignment may be exercised upon the occurrence of the termination or expiration of the Franchise Agreement for any reason or upon Franchisee's uncured default under the Lease.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Franchisee and Franchisor hereby agree as follows:

1. **Collateral Assignment.** Franchisee hereby unconditionally and irrevocably assigns, transfers and conveys unto Franchisor any and all of its right, title and interest as tenant or lessee in, to and under the Lease in trust to secure to Franchisor the payment and performance of all of Franchisee's obligations under the Franchise Agreement, fully intending that Franchisor shall have all rights, powers, privileges and interests, and shall be entitled to all benefits, as the tenant or lessee under the Lease, to the same degree and extent as though the Lease had been made between the Landlord and Franchisor.

2. **Triggering Event.**

2.1 Franchisor hereby agrees that it will not enforce or exercise, or seek to enforce or exercise, any of the rights, powers and privileges of the tenant or lessee under the Lease except (i) upon the occurrence of termination or expiration of the Franchise Agreement for any reason, or (ii) upon Franchisee's uncured default under the Lease or this Assignment (each, a "**Triggering Event**").

2.2 Unless and until a Triggering Event has occurred and Franchisor has delivered written notice to Franchisee of Franchisor's intention to enforce its rights under this Assignment ("**Election Notice**"), as between Franchisee and Franchisor, Franchisee may continue to exercise all rights, powers and privileges, and to otherwise enjoy all other benefits, as tenant or lessee under the Lease.

2.3 In the event of Franchisee's default under the Lease, Franchisor shall have the right, but not the obligation, until such default is cured, to cure such default, and take any action, including taking possession of the Leased Premises, to preserve Franchisee's rights under the Lease and Franchisor's rights under this Assignment and the Franchise Agreement. Under the terms of the Lease, Franchisee and Landlord have granted to Franchisor the right of access to the Leased Premises for this purpose if such action is deemed necessary by Franchisor.

2.4 Upon delivery of an Election Notice to Franchisee, and dispatch of a copy of said notice to the Landlord, it shall be conclusively presumed by the parties hereto and the Landlord that Franchisee is no longer entitled to the use or occupancy of the Leased Premises and that all of Franchisee's rights, title and interest in and to the Lease have in all respects terminated and are by the terms of this Assignment assigned to Franchisor and assumed by Franchisor. Immediately following delivery of such Election Notice, Franchisee must vacate the Leased Premises. The Landlord shall have no obligation to inquire any further into the matter, and Franchisee hereby expressly authorizes and requests the Landlord to act in accordance with the terms of this Assignment. Franchisee and Franchisor hereby agree that under no circumstance will either party assert any claim or cause of action against the Landlord for Landlord's reliance on, or compliance with, the terms of this Assignment.

2.5 In the event of Franchisee's failure or refusal to vacate the Leased Premises immediately following a Triggering Event and delivery of an Election Notice, Franchisor is hereby specifically authorized to use any lawful methods to enter upon and remove Franchisee and Franchisee's personal property from the Leased Premises by summary proceedings or otherwise, without liability to Franchisee or Landlord. Franchisee shall be responsible for the payment of reasonable attorneys' fees and court costs incurred by Franchisor in connection with the prosecution of any action against Franchisee under this Agreement. The parties specifically agree that the remedies granted herein to Franchisor are in addition to and not in substitution of any or all other remedies available at law or equity.

3. **Lease Obligations.** The parties hereby acknowledge and agree that this Assignment is executed only as collateral security for Franchisee's obligations under the Franchise Agreement, and the execution and delivery hereof shall not subject Franchisor to any liability under the Lease, or in any way affect or modify the liability of Franchisee under the Lease. Franchisee hereby agrees that (i) all obligations and liabilities of Franchisee under the Lease shall be and remain enforceable against Franchisee, (ii) Franchisor shall not be obligated to perform or discharge any obligation, duty or liability as tenant or lessee under the Lease by reason of this Assignment, and (iii) this Assignment and Franchisor's performance hereunder or under the Lease shall not release Franchisee from any liability or obligation under the Lease. If Franchisor exercises any rights, powers or privileges under the Lease pursuant to this Assignment, Franchisee shall continue to be fully liable and responsible for all undischarged obligations or liabilities of Franchisee under the Lease.

4. **Representations and Warranties of Franchisee.** Franchisee hereby represents and warrants to Franchisor that:

4.1 as of the date hereof, neither Franchisee nor (to the knowledge of Franchisee) Landlord is in default of any provision of the Lease; and

4.2 Franchisee has not executed any prior assignment of the Lease nor has it performed any acts or executed any other instrument which might prevent or limit Franchisor from exercising its rights under any of the provisions of the Lease or this Assignment.

5. **Covenants of Franchisee.** Franchisee hereby covenants and agrees as follows:

5.1 Franchisee must deliver prompt written notice to Franchisor of any default by Franchisee or Landlord under the Lease; and

5.2 Franchisee may not do, or suffer to be done, any of the following acts without obtaining the prior written consent of Franchisor: (i) cancel the Lease; (ii) surrender the Lease; (iii) assign the Lease or any interest therein; (iv) execute or grant any amendment or modification of the Lease, (v) assign any deposit paid by or for the benefit of Franchisee under the Lease; or (vi) fail to perform any obligation of Franchisee in accordance with the provisions of the Lease. Any of said acts, if done or suffered to be done without Franchisor's prior written consent, shall constitute a default hereunder.

6. **Notices.** Any notice or other communication required or permitted hereunder must be in writing and shall be given in accordance with the applicable provisions of the Franchise Agreement.

7. **Dispute Resolution.** Any and all disputes arising under or in connection with this Assignment shall be resolved in accordance with the arbitration and other dispute resolution provisions of the Franchise Agreement.

8. **Remedies.** All rights and remedies of Franchisor hereunder shall be cumulative and not alternative, and shall be in addition to and not exclusive of any other rights or remedies that may be available to Franchisor under this Assignment or the Franchise Agreement, at law or in equity.

9. **Indemnification.** Franchisee shall, at all times, indemnify and hold harmless Franchisor from and against any and all claims, liabilities, losses, damages, costs and expenses (including attorneys' fees and court costs) arising out of or relating to (i) the violation or breach by Franchisee of any representation, warranty, covenant, agreement or obligation under this Assignment or the Lease, (ii) the period prior to Franchisor taking possession of the Leased Premises pursuant hereto, or (iii) Franchisee's use and occupancy of the Leased Premises.

10. **Miscellaneous.**

10.1 Entire Agreement. This Assignment (together with the Franchise Agreement) constitutes the entire agreement between the parties with respect to the subject matter hereof, and supersedes any and all prior and contemporaneous agreements, understandings, negotiations, and discussions of the parties, whether oral or written.

10.2 Amendment; Waiver. No amendment, modification or waiver of this Assignment shall be binding unless executed in writing by both parties hereto, or in the case of a waiver, by the party granting such waiver. No waiver of any provision of this Assignment shall constitute a waiver of any other provision of this Assignment, whether or not similar, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided in writing. No failure of Franchisor to exercise any right under this Assignment, or to insist upon Franchisee's strict compliance with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's right thereafter to demand exact compliance with any of the terms herein.

10.3 Severability. If any provision or part of any provision of this Assignment shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions or the remaining part of any effective provisions of this Assignment, and this Assignment shall be construed as if such invalid, illegal or unenforceable provision or part thereof had never been contained herein, but only to the extent of its invalidity, illegality or unenforceability, and such invalid, illegal or unenforceable provision or part thereof shall be modified to the extent necessary to make such provisions, or part thereof, valid, legal and enforceable.

10.4 Waiver of Jury Trial. **THE PARTIES KNOWINGLY AND VOLUNTARILY WAIVE ANY AND ALL RIGHTS TO A JURY TRIAL IN ANY PROCEEDING INVOLVING ANY DISPUTE OR MATTER ARISING UNDER THIS ASSIGNMENT.**

10.5 Counterparts. This Assignment may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same agreement. This Assignment may be executed and delivered by electronic signature or by electronic transmission with the same force and effect as if it were executed and delivered by the parties in the presence of one another.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be executed as of the date first above written.

ATTEST/WITNESS:

____
Name:
Title:

FRANCHISEE:

By: ____________________**(SEAL)**
Name:
Title:

FRANCHISOR:

Pitango Gelato Franchise Co., LLC

____
Name:
Title:

By: ____________________**(SEAL)**
Name:
Title:

ACKNOWLEDGED:

LANDLORD

By: ________________________**(SEAL)**
Name:
Title:

ACKNOWLEDGEMENT

STATE OF ________________ §
§
COUNTY OF ______________ §

BEFORE ME, the undersigned, on this day personally appeared ______________, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he is the __________ of _______________ (the "**Franchisee**"), that he is fully authorized to execute the foregoing instrument on behalf of such entity, and that he executed the same as his free act and deed in the capacity and for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ____ day of ______, 20__.

____
Notary Public, State of __________________

My commission expires:

____________________________ ____
Notary's printed name

EXHIBIT 3

CONFIDENTIALITY AGREEMENT AND
ANCILLARY COVENANTS NOT TO COMPETE

This **CONFIDENTIALITY AGREEMENT AND ANCILLARY COVENANTS NOT TO COMPETE** (the "**Agreement**") is entered into this ____ day of _________, 20__ by and among _____________, a person who resides at _________________________________ ("**Individual**"); _______________, a __________ _________ with a principal place of business at _________________________________ ("**Franchisee**"); and Pitango Gelato Franchise Co., LLC, a Delaware limited liability company with a principal place of business at 509 South Exeter Street, Suite 214, Baltimore, Maryland 21202 ("**Franchisor**").

RECITALS

WHEREAS, Franchisor has acquired and owns a unique and distinctive concept and system ("**System**") relating to the establishment and operation of a gelato and coffee shop (each, a "**Gelato Shop**") that offers take away gelato, sorbet, espresso drinks and other beverages and sweets with Franchisor's proprietary recipes and specified ingredients and operating procedures.

WHEREAS, the distinguishing characteristics of the System, include, without limitation, (i) distinctive exterior and interior design, decor, color scheme, and furnishings; (ii) proprietary products and ingredients; (iii) proprietary recipes and menu items, uniform standards, specifications, and procedures for operations; (iv) quality and uniformity of products and services offered; (v) procedures for management and financial control; (vi) training and assistance; and (vii) advertising and promotional programs; all of which may be changed, improved and further developed by Franchisor from time to time.

WHEREAS, Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the mark "Pitango Gelato" and such other trade names, service marks and trademarks as are now designated (and may hereafter be designated by Franchisor) for use in connection with the System (the "**Marks**").

WHEREAS, Franchisor deems all information relating to the System and/or concerning the methods of operation of a Gelato Shop under the System, including, without limitation, the contents of Franchisor's manual(s), all information, knowledge, know-how, techniques, methods and materials used in or related to the System, all operational, sales and marketing methods and techniques, and any and all other information that Franchisor provides to its franchisees in connection with its franchise agreements to be confidential and proprietary (the "**Confidential Information**").

WHEREAS, the Marks and the Confidential Information provide economic advantages to Franchisor and the Confidential Information is not generally known to, and is not readily ascertainable by proper means by Franchisor's competitors or the general public who could obtain economic value from knowledge and use of the Confidential Information.

WHEREAS, Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Confidential Information.

WHEREAS, pursuant to the terms of that certain Franchise Agreement dated _________, 20__ by and between Franchisor and Franchisee (the "**Franchise Agreement**"), Franchisor has granted Franchisee the limited right to operate a Gelato Shop ("**Franchisee's Gelato Shop**") using the System, the Marks and the Confidential Information for the period identified in the Franchise Agreement.

WHEREAS, Franchisor and Franchisee acknowledge the importance and necessity of restricting access to and the use and dissemination of the Confidential Information in order to protect the business interests of Franchisor, Franchisee and other franchisees and area developers under the System.

WHEREAS, it is necessary for certain owners, managers and employees of Franchisee to be granted access to some or all of the Confidential Information in connection with the management and operation of Franchisee's Gelato Shop.

WHEREAS, for purposes of protecting the Confidential Information and the System against unfair competition, Franchisee has agreed to obtain, and the Franchise Agreement requires Franchisee to obtain, from such owners, managers and employees of Franchisee who are granted access to some or all of the Confidential Information, written agreements prohibiting, among other things, the unauthorized use and/or disclosure of any Confidential Information.

WHEREAS, Individual is and desires to remain, or desires to become, related to, associated with or employed by Franchisee, and in connection with such association or employment, desires and requires access to the Confidential Information in order to effectively fulfill his/her/its obligations and duties to Franchisee.

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

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. **Recitals.** The Recitals are a substantive part of this Agreement and are hereby incorporated herein by reference.

2. **Confidentiality.** In consideration for disclosure of Confidential Information to Individual, and in order to protect the goodwill and unique qualities of the System and the confidentiality and value of the Confidential Information, including Franchisor's trade secrets (as that term is defined under the Maryland Uniform Trade Secrets Act, codified at Title 11, Subtitle 12 of the Maryland Code, Commercial Law Article), Individual hereby acknowledges and/or covenants and agrees as follows:

2.1 all manuals are made available by Franchisor to Franchisee for limited purposes only and remain the property of Franchisor and may not be reproduced or shared, in whole or in part, without Franchisor's written consent.

2.2 Individual will receive any and all Confidential Information in confidence, and will use the same only in the course of his/her/its employment or association or relationship with Franchisee, and then only in connection with the development, management and/or operation of Franchisee's Gelato Shop for so long as Franchisee is licensed by Franchisor to use the System.

2.3 Except as otherwise expressly provided under this Agreement, Individual will not, during the term of his/its employment or association with Franchisee, or at any time thereafter, communicate or divulge to, or use for the benefit of, any other person or entity other than Franchisee or its principals any Confidential Information.

2.4 Individual will communicate or disclose Confidential Information only to those employees or principals of Franchisee who must have access to such information in order to fulfill his/its duties and obligations to Franchisee in connection with the development, management and/or operation of Franchisee's Gelato Shop under the System, and then, only to the limited extent necessary to permit such employee or principal to fulfill such duties and obligations.

2.5 Individual will not, at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, nor otherwise disclose or make the same available to any person, except as expressly provided and permitted under this Agreement.

2.6 Individual will surrender to Franchisee or Franchisor, or delete and/or destroy any and all materials (including all copies thereof) containing any Confidential Information, upon request, or upon termination of the Individual's employment or association with Franchisee, or upon conclusion of the use for which such information or material may have been furnished to Individual.

2.7 Individual will not at any time, directly or indirectly, do any act or omit to do any act that will, or is reasonably likely to, be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.

Provided, however, that as required by the U.S. Defend Trade Secrets Act, 18 U.S.C § 1833(b)(1), Individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

3. **Non-Competition.** In consideration for (i) Individual's employment or association, or continued employment or association, with Franchisee, and (ii) disclosure of Confidential Information to Individual, and in order to protect the goodwill and unique qualities of the System and the confidentiality and value of the Confidential Information, including Franchisor's and Franchisee's trade secrets, Individual acknowledges and/or covenants and agrees as follows:

3.1 Individual will not, at any time during the term of its relationship, employment or association with Franchisee, either directly or indirectly, for itself or through, on behalf of or in conjunction with any person or entity:

3.1.1 divert or attempt to divert any business, business opportunity, or customer of Franchisee's Gelato Shop (or any other Gelato Shop) to any business or activity that is of a character and concept similar to the Gelato Shops, including, without limitation, a business that derives more than thirty percent (30%) of its revenue from the sale of gelato, ice cream or other frozen dairy products or desserts (either of which is a "**Competitive Business**"), or do or perform any other act that is injurious or prejudicial to, or reasonably likely to be injurious or prejudicial to, the goodwill associated with the System or the Confidential Information.

3.1.2 whether as a director, officer, shareholder, member, partner, manager, employee, consultant, contractor, agent, representative or otherwise, participate in, advise, assist or make loans to, any Competitive Business located within the United States, its territories or commonwealths, or elsewhere worldwide where Franchisor conducts its business or otherwise has the right to grant licenses and franchises to use the System and the Marks.

3.2 Individual will not, for a period of twenty-four (24) months following the earlier of (i) termination of the Franchise Agreement, or (ii) termination of Individual's relationship with Franchisee by which Individual obtained access to any Confidential Information, either directly or indirectly, for itself or through, on behalf of or in conjunction with any person or entity:

3.2.1 divert or attempt to divert any business, business opportunity, or customer of Franchisee's (or any other Gelato Shop) to any Competitive Business or other third party, or do or perform any other act that is injurious or prejudicial to, or reasonably likely to be injurious or prejudicial to, the goodwill associated with the System or the Confidential Information.

3.2.2 employ or seek to employ any person who is at the time, or was within the preceding ninety (90) days, employed in a managerial capacity by Franchisor or any of its Affiliates, by Franchisee or any of its

Affiliates, or by any of the System's franchisees, or otherwise directly or indirectly induce or attempt to induce any person to leave that person's employment or other business relationship with Franchisor or its affiliates, the Franchisee or its affiliates or any of the System's franchisees, or to otherwise terminate, reduce or change his/her/its employment or other business relationship with Franchisor or any of its affiliates, the Franchisee or any of its affiliates, or any of the System's franchisees.

3.2.3 whether as a director, officer, shareholder, member, partner, manager, employee, consultant, contractor, agent, representative or otherwise, participate in, advise, assist or make loans to, any business or activity which is a Competitive Business and is or is intended to be located at or within a ten (10) mile radius around Franchisee's Gelato Shop's physical location, or within a five (5) mile radius around any Gelato Shop in existence or under construction as of the date hereof or as of the date of termination, as permitted by applicable law.

3.3 Sections 33.1.2 and 3.2.3 will not apply to ownership of less than a two percent (2%) beneficial interest in the outstanding equity securities of any publicly-held corporation.

4. **Acknowledgment.** Individual acknowledges and agrees that each of the restrictive covenants contained in Section 2 and Section 3 of this Agreement are reasonable as to time, geographical area, and scope of activity and does not impose a greater restraint than is necessary to protect the goodwill of the System and the business interests of Franchisor and Franchisee. The parties agree that each of these covenants will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant set forth in Section 2 or Section 3 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor and/or Franchisee is a party, the parties hereto 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 Section 2, or Section 3, as the case may be.

5. **Remedies.** Individual hereby acknowledges and agrees that if he/she/it breaches any of the covenants set forth in Section 2 or Section 3 of this Agreement, Franchisor and/or Franchisee may suffer immediate and irreparable harm for which monetary damages alone will not be a sufficient remedy. Accordingly, Individual hereby agree that, in addition to all other remedies Franchisor and/or Franchisee may have under this Agreement, at law or in equity, Franchisor and/or Franchisee will be entitled to seek injunctive relief, specific performance or any other form of equitable relief to remedy any such breach or threatened breach. Individual agrees to pay all expenses, court costs and reasonable attorneys' fees incurred by Franchisor and/or Franchisee in connection with the enforcement of any provision of Section 2 and/or Section 3, including obtaining injunctive relief or specific performance.

6. **Indemnification. INDIVIDUAL WILL, AT ALL TIMES, INDEMNIFY AND HOLD HARMLESS TO THE FULLEST EXTENT PERMITTED BY LAW FRANCHISOR AND/OR FRANCHISEE FROM AND AGAINST ANY AND ALL LOSSES, DAMAGES (INCLUDING, CONSEQUENTIAL, COMPENSATORY AND EXEMPLARY DAMAGES), FINES, CHARGES, COSTS, EXPENSES, LEGAL FEES, COURT COSTS, SETTLEMENT AMOUNTS AND JUDGMENTS ARISING OUT OF OR RESULTING FROM INDIVIDUAL'S BREACH OF ANY OF HIS/HER/ITS COVENANTS, AGREEMENTS OR OBLIGATIONS UNDER THIS AGREEMENT.**

[The remainder of this page is intentionally left blank.]

7. Miscellaneous.

7.1 Notices. Any and all notices, requests, demands and other communications required or permitted to be given under this Agreement will be in writing and will be deemed to have been duly given if hand-delivered, delivered by delivery service that provides evidence of delivery, or mailed by certified or registered mail, postage pre-paid, to the respective party at its address as listed on the first page, or to such other address as a party will designate in writing to the other parties. A notice will be effective when delivered, if delivered personally or by delivery service, or three (3) business days after being mailed.

7.2 Entire Agreement. This Agreement (together with the Franchise Agreement) constitutes the entire agreement among the parties with respect to the subject matter hereof, and supersedes any and all prior and contemporaneous agreements, understandings, negotiations, and discussions of the parties, whether oral or written.

7.3 Amendment; Waiver. No amendment, modification or waiver of this Agreement will be binding unless consented to in writing by all parties, or in the case of a waiver, by the party granting such waiver. No waiver of any provision of this Agreement will constitute a waiver of any other provision of this Agreement, whether or not similar, nor will such waiver constitute a continuing waiver unless otherwise expressly provided in writing. Any failure by Franchisor or Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Individual will not operate or be construed as a waiver of or consent to that breach or any subsequent breach.

7.4 Severability. If any provision or part of any provision of this Agreement is for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions or the remaining part of any effective provisions of this Agreement, and this Agreement will be construed as if such invalid, illegal or unenforceable provision or part thereof had never been contained herein, but only to the extent of its invalidity, illegality or unenforceability, and such invalid, illegal or unenforceable provision or part thereof will be modified to the extent necessary to make such provisions, or part thereof, valid, legal and enforceable.

7.5 Applicable Law. This Agreement will be governed by and construed in accordance with the laws of the state where Franchisee’s Gelato Shop is located, without regard to principles of conflicts of laws.

7.6 Jurisdiction; Venue; Waiver of Jury Trial. Any suit involving any dispute or matter arising under this Agreement may only be brought in the United States District Court for the District of Maryland or any Maryland State Court sitting in Baltimore City having jurisdiction over the subject matter of the dispute or matter. The parties hereby consent to the exercise of personal jurisdiction by any such court with respect to any such proceeding. **THE PARTIES HERETO KNOWINGLY AND VOLUNTARILY WAIVE ANY AND ALL RIGHTS TO A JURY TRIAL IN ANY PROCEEDING INVOLVING ANY DISPUTE OR MATTER ARISING UNDER THIS AGREEMENT.**

7.7 Assignment. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and will inure to the benefit of its affiliates, successors and assigns. The respective rights and obligations of Franchisee and Individual hereunder may not be assigned by Franchisee or Individual, without the prior written consent of Franchisor.

8. Role of Franchisor. Franchisor has permitted Franchisee to provide Individual with access to the Confidential Information so that Individual can perform his or her duties in the operation of the Gelato Shop. **INDIVIDUAL EXPRESSLY ACKNOWLEDGES AND AGREES THAT INDIVIDUAL WORKS SOLELY FOR FRANCHISEE; FRANCHISOR IS NOT INDIVIDUAL’S DIRECT OR INDIRECT EMPLOYER, OR “JOINT EMPLOYER;” INDIVIDUAL HAS NO BUSINESS OR EMPLOYMENT RELATIONSHIP WITH FRANCHISOR;**

AND FRANCHISOR IS EXECUTING THIS AGREEMENT SOLELY TO PROTECT ITS PROPRIETARY INTEREST IN THE CONFIDENTIAL INFORMATION.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the day and year first above written.

ATTEST/WITNESS:

____
Name:
Title:

____
Name:
Title:

____
Name:
Title:

INDIVIDUAL

____
Name:

FRANCHISEE

By: ______________________
Name:
Title:

FRANCHISOR

Pitango Gelato Franchise Co., LLC

By: ______________________
Name:
Title:

EXHIBIT 4

PERSONAL GUARANTY

THIS PERSONAL GUARANTY (this "**Guaranty**") is executed by ________________, who resides at ____ (the "**Guarantor**"), in favor of Pitango Gelato Franchise Co., LLC, a Delaware limited liability company ("**Franchisor**").

RECITALS

WHEREAS, Franchisor and __________________ ("**Franchisee**") are parties to that certain Franchise Agreement dated ________, 20__, which is incorporated herein (the "**Franchise Agreement**"), whereby Franchisor granted to Franchisee the right and license to operate a Pitango gelato shop at ________________ (the "**Gelato Shop**"), under the Marks and the System (as those terms are defined in the Franchise Agreement).

WHEREAS, the Guarantor stands to benefit from Franchisee's operation of the Gelato Shop in accordance with the terms of the Franchise Agreement.

WHEREAS, as an inducement to Franchisor to enter into the Franchise Agreement, Guarantor, who is a Controlling Principal (as that term is defined in the Franchise Agreement), agreed to guarantee all of Franchisee's payment and performance obligations under the Franchise Agreement.

NOW, THEREFORE, in consideration of Franchisor entering into the Franchise Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Guarantor hereby provides the following guaranty to Franchisor, its successors and assigns.

1. **Recitals.** The foregoing recitals are hereby made part of this Guaranty.

2. **Guaranty and Assumption of Obligations.** Guarantor hereby unconditionally and irrevocably agrees to be personally bound by each and every provision in the Agreement as if Guarantor were substituted as the Franchisee therein, and to be personally liable for all breaches and defaults under the Agreement not timely satisfied by Franchisee, except that Guarantor shall not be personally obligated to manage the Gelato Shop. Guarantor's assumption of the obligations of the Franchisee includes, but is not limited to, restrictions on assignment of ownership interests in the Franchisee and compliance with the covenants not to compete, confidentiality and non-disclosure; however, as required by the U.S. Defend Trade Secrets Act, 18 U.S.C § 1833(b)(1), Guarantor shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Guarantor hereby acknowledges and/or agrees as follows:

2.1 The obligations of Guarantor hereunder shall be direct, immediate and primary, and this Guaranty is one of payment and performance (and not merely collection). The liability of Guarantor hereunder is absolute, unconditional and not subject to any recoupment, setoff, reduction or defense, without regard to the liability of any other person. Franchisor may pursue its rights against the Guarantor without first exhausting its remedies against Franchisee and without joining any other guarantor, and the Guarantor hereby specifically waives any obligation of Franchisor to proceed against Franchisee or any other individual or entity.

2.2 This Guaranty shall continue to be effective, or be reinstated, as the case may be, if at any time payment of any of the Obligations is rescinded or must otherwise be restored or returned by Franchisor upon the insolvency, bankruptcy or reorganization of Franchisee or the Guarantor, all as though such payment had not been made.

2.3 If more than one individual or entity has executed this Guaranty as a Guarantor hereunder, the liability of each such guarantor shall be joint, several and primary.

2.4 Without affecting the obligations of Guarantor, Franchisor may, without notice to the Guarantor, waive, renew, extend, modify, amend or release any indebtedness or obligation of Franchisee or settle, adjust or compromise any claims that Franchisor may have against Franchisee.

2.5 No failure or delay on the part of Franchisor to insist upon the strict performance of any term, condition, covenant, or agreement of this Guaranty or of the Franchise Agreement, or to exercise any right, power, or remedy upon a breach hereof or thereof, shall constitute a waiver of any such term, condition, covenant, or agreement or of any such breach, or preclude Franchisor from exercising any such right, power or remedy at a later time or times. By accepting payment after the due date of any amount payable under this Guaranty or the terms of the Franchise Agreement, Franchisor shall not be deemed to waive the right either to require prompt payment when due of any amount payable hereunder or under the Franchise Agreement, or to declare an event of default for the failure to effect such prompt payment of any such amount.

2.6 All rights and remedies of Franchisor under this Guaranty shall be cumulative and concurrent and shall be in addition to and not exclusive of any other rights or remedies available to Franchisor under this Guaranty, the Franchise Agreement or otherwise existing at law or in equity.

2.7 No course of dealing between Franchisor and Guarantor shall be effective to amend, modify or change any provision of this Guaranty and Franchisor shall have the right at all times to enforce such provisions in strict accordance with the terms hereof, notwithstanding any conduct or custom on the part of Franchisor in refraining from so doing at any time or times.

2.8 No waiver under this Guaranty shall be deemed to be made by Franchisor unless in writing and signed, and any waiver shall apply only with respect to the specific instance involved.

2.9 The obligations of Guarantor under this Guaranty shall not be reduced, limited, terminated, discharged, impaired or otherwise affected by (i) any assignment of the Franchise Agreement unless Franchisee is released in connection therewith from its obligations under the Franchise Agreement pursuant to the terms thereof, (ii) the voluntary or involuntary liquidation, sale or other disposition of all or any portion of Franchisee's assets, or the receivership, insolvency, bankruptcy, reorganization or similar proceedings affecting Franchisee or its assets or the release or discharge of Franchisee from any of its obligations under the Franchise Agreement, or (iii) any change of circumstances, whether or not foreseeable, and whether or not any such change does or might vary the risk of the Guarantor hereunder.

2.10 The execution and delivery of this Guaranty by the Guarantor, as a Controlling Principal, are made and given in partial consideration of, and as a condition to, Franchisor entering into the Franchise Agreement, and that Franchisor would not have entered into the Franchise Agreement without the execution and delivery of this Guaranty.

3. **Death of Guarantor.** Upon receipt by Franchisor of notice of the death of the Guarantor, the Guarantor's estate will be bound by the terms of this Guaranty, but only for defaults and obligations under the Franchise Agreement existing at the time of death, and in such event, the obligations of all other guarantors shall continue in full force and effect.

4. **Waivers by Guarantor.** Guarantor waives: (a) acceptance and notice of acceptance by Franchisor of these undertakings; (b) notice of demand for payment for any indebtedness or nonperformance of any obligation guaranteed; (c) protest and notice of default to any party as to any indebtedness or nonperformance of any obligation guaranteed; (d) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability; (e) any other notices and legal or equitable defenses to which he or she may be entitled; and (f) any modification, waiver or changes to the Franchise Agreement to which this guaranty is attached, or to any related agreements.

5. **Remedies Upon Triggering Event.** Upon the occurrence of any event constituting an event of default under the Franchise Agreement by Franchisee, and following the expiration of any applicable cure period, Guarantor shall immediately perform each obligation of Franchisee and pay to Franchisor all amounts due and payable to Franchisor under the Franchise Agreement and all costs and expenses, including reasonable attorneys' fees and court costs, incurred by Franchisor, its affiliates or any of their respective successors or assigns in attempting to (a) remedy any defaults hereunder, (b) collect any amounts due hereunder, or (c) otherwise enforce and rights and obligations hereunder.

6. **Duration.** Subject to Section 7 hereof, this Guaranty shall be continuing, absolute and unconditional, and shall be binding upon Guarantor until the later of (i) termination of the Franchise Agreement; and (ii) payment in full of all amounts payable to Franchisor under the Franchise Agreement.

7. **Termination.** This Guaranty may be terminated only by a written unconditional release executed and delivered by Franchisor to Guarantor.

8. **Representations and Warranties.** Guarantor hereby represents and warrants to Franchisor that:

8.1 Guarantor has reviewed the Franchise Agreement.

8.2 This Guaranty constitutes the valid and legally binding obligation of Guarantor (joint and several with each other guarantor, if more than one), and is fully enforceable against Guarantor.

8.3 There are no actions or proceedings pending or, to Guarantor's knowledge, threatened before any court or administrative agency which would adversely affect the financial condition of Guarantor or the authority of Guarantor to enter into, or the validity or enforceability of, this Guaranty.

8.4 There is no provision of any agreement, contract, or law, binding on Guarantor or affecting any of his property, which would conflict with or in any way prevent the execution, delivery and performance of the terms of this Guaranty, or which would be breached or violated as a result of the execution, delivery or performance of this Guaranty.

8.5 The Guarantor has a direct and financial interest in the Franchisee, and the acceptance by the Guarantor of the obligations hereunder will result in direct financial benefits to Guarantor.

8.6 There is no matter or fact that Guarantor has not disclosed in writing to Franchisor that materially affects, or could be reasonably likely to materially affect, the property or financial condition of Guarantor or the ability of Guarantor to perform his obligations hereunder.

9. **Miscellaneous.**

9.1 Notices. Any and all notices, requests, demands and other communications required or permitted to be given to the Guarantor shall be in writing and shall be deemed to have been duly given if hand-delivered, delivered by delivery service that provides evidence of delivery, or mailed by certified or registered mail, postage pre-paid, to the Guarantor at the address as identified on the first page of this Agreement, or such other address as the Guarantor designates in writing to Franchisor. A notice shall be effective when delivered personally or by delivery service, or three (3) business days after being mailed.

9.2 Entire Agreement. This Guaranty (together with the Franchise Agreement) constitutes the entire agreement between the parties with respect to the subject matter hereof, and supersedes any and all prior and contemporaneous agreements, understandings, negotiations, and discussions of the parties, whether oral or written.

9.3 Amendment; Waiver. No amendment, modification or waiver of this Guaranty shall be binding unless consented to in writing by Franchisor. No waiver of any provision of this Guaranty shall constitute a waiver of any other provision of this Guaranty, whether or not similar, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided in writing.

9.4 Severability. If any provision or part of any provision of this Guaranty shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions or the remaining part of any effective provisions of this Guaranty, and this Guaranty shall be construed as if such invalid, illegal or unenforceable provision or part thereof had never been contained herein, but only to the extent of its invalidity, illegality or unenforceability, and such invalid, illegal or unenforceable provision or part thereof shall be modified to the extent necessary to make such provisions, or part thereof, valid, legal and enforceable.

9.5 Applicable Law. This Guaranty shall be governed by and construed in accordance with the laws of the State of Maryland, without regard to principles of conflicts of laws.

9.6 Jurisdiction; Venue; Waiver of Jury Trial. Any suit involving any dispute or matter arising under this Guaranty may only be brought in the United States District Court for the District of Maryland or any Maryland State Court sitting in Baltimore City having jurisdiction over the subject matter of the dispute or matter. Guarantor hereby consents to the exercise of personal jurisdiction by any such court with respect to any such proceeding. **GUARANTOR KNOWINGLY AND VOLUNTARILY WAIVES ANY AND ALL RIGHTS TO A JURY TRIAL IN ANY PROCEEDING INVOLVING ANY DISPUTE OR MATTER ARISING UNDER THIS GUARANTY.**

[Signatures appear on the following page.]

IN WITNESS WHEREOF Guarantor has executed this Guaranty as of the day and year first above written.

GUARANTOR:

______________________________(SEAL)
Name:

ACKNOWLEDGMENT

State of _________________________)
) ss
County of________________________)

On this ____ day of _____________, 20____ before me personally came _________________, known to me to be the same person whose name is signed to the foregoing Guaranty, and acknowledged the execution thereof for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

________________________________ (NOTARIAL SEAL)
Notary Public
My Commission expires:

EXHIBIT 5

FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know, **Pitango Gelato Franchising Co., LLC** and you are preparing to enter into a Franchise Agreement for the operation of a **Pitango Gelato™** franchise. In this Franchisee Disclosure Questionnaire, **Pitango Gelato Franchising Co., LLC** will be referred to as "we" or "us." The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we did not authorize and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed the **Pitango Gelato™** Franchise Agreement and each exhibit, addendum and schedule attached to it?

Yes ___ No ___

2. Do you understand all of the information contained in the Franchise Agreement and each exhibit and schedule attached to it?

Yes ___ No ___

If "No", what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary.)

____

____

____

____

3. Have you received and personally reviewed our Franchise Disclosure Document that we provided to you?

Yes ___ No ___

4. Do you understand all of the information contained in the Disclosure Document?

Yes ___ No ___

If "No", what parts of the Disclosure Document do you not understand? (Attach additional pages, if necessary.)

____

____

____

____

____

5. Have you discussed the benefits and risks of operating a **Pitango Gelato™** Franchise with an attorney, accountant or other professional advisor?

Yes ___ No ___

6. Do you understand that the success or failure of your business will depend in large part upon your skills and abilities; competition from other businesses; general market demand for gelato and other frozen dairy treats and desserts; and other economic and business factors?

Yes ___ No ___

7. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of a **Pitango Gelato™** franchise that we, any of our owners, or our franchisees operate and that is contrary to, or different from, the information contained in the Disclosure Document?

Yes ___ No ___

8. Has any employee or other person speaking on our behalf made any statement or promise concerning a **Pitango Gelato™** franchise that is contrary to, or different from, the information contained in the Disclosure Document?

Yes ___ No ___

9. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a **Pitango Gelato™** franchise?

Yes ___ No ___

10. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document?

Yes ___ No ___

11. If you have answered "Yes" to any of questions 7 through 10, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to each of such questions, please leave the following lines blank.

____

____

____

____

____

____

12. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and such dealings are solely between you and us?

Yes ___ No ___

You understand that your answers are important to us and that we will rely on them.

By signing this Franchisee Disclosure Questionnaire, you are representing that you have responded truthfully to the above questions.

____
Name of Franchisee/Applicant

Date: ________________, 20___

____
Signature

____
Name and Title of Person Signing

EXHIBIT 6

MULTI-UNIT DEVELOPMENT RIDER

THIS MULTI-UNIT DEVELOPMENT RIDER (this "**Rider**") to the Pitango Gelato™ Franchise Agreement is entered into by Pitango Gelato Franchise Co., Inc. ("**Franchisor**") and ____________________ ("**Franchisee**").

Franchisor and Franchisee have entered into a Pitango Gelato™ Franchise Agreement (the "**Franchise Agreement**") for the establishment and operation of a Pitango Gelato™ business in the territory set forth in Schedule A to the Franchise Agreement. Franchisee desires to obtain the option to grow its business by opening additional gelato shops in one or more additional geographic areas, each of which is referred to hereafter as an "**Additional Gelato Shop**". Franchisor is willing to grant Franchisee such expansion options, subject to the terms and conditions of this Rider.

In consideration of the covenants and agreements set forth below, the receipt and sufficiency of which are acknowledged, the parties, intending to be legally bound, agree as follows:

1. **DEFINITIONS AND CONSTRUCTION.** The definitions of each term that is defined in the main body of the Franchise Agreement or in any other exhibit thereto are incorporated herein by reference. Articles 13 through 24 of the Franchise Agreement are specifically incorporated herein.

2. **DEVELOPMENT.**

2.1. **Grant of Options**. Franchisor grants to Franchisee the exclusive options (the "**Options**" and, each, an "**Option**") to develop Additional Gelato Shops in the territories described in Appendix A (collectively, the "**Development Area**"), but solely in conformance with the requirements of this Rider.

2.2. **Right to Exercise the Option**. Franchisee may not exercise an Option unless:

2.2.1. Franchisee and its Affiliates are not in default of any provision of the Franchise Agreement or any other agreement between such Person and Franchisor or any of the Pitango Companies, and such Person has substantially and timely complied with all the terms and conditions of such agreements during the terms thereof;

2.2.2. Franchisee exercises the Option, and all previous Options, in accordance with the schedule set forth and agreed to in Appendix A (the "**Development Schedule**") provided that after the Opening Date, Franchisor has issued an updated Appendix A identifying the applicable development deadlines; and

2.2.3. paid the remaining balance of the Multi-Unit Development Fee, which shall be Ten Thousand Dollars ($10,000).

2.3. **Development Schedule and Term**.

2.3.1. Franchisee must exercise the Option for each Additional Gelato Shop in accordance with the Development Schedule. The term of this Rider shall expire one hundred and eighty (180) days after the deadline for exercising the final Option granted herein.

2.3.2. Franchisee may obtain one (1) extension of ninety (90) days of any applicable Development Schedule deadline if, no later than thirty (30) days before the applicable deadline, Franchisee submits a request for such an extension, which the Franchisor may grant in its sole discretion, and, if granted, Franchisee pays Franchisor an extension fee of One Thousand Dollars ($1,000). An extension fee shall not be required with regard to a delay caused by an event of Force Majeure.

2.3.3. If Franchisee fails to exercise the Options in conformity with the Development Schedule, Franchisor may, in its sole discretion, by written notice to Franchisee terminate this Rider and thereby withdraw any unexercised Options, after which the geographic areas therefor will no longer be part of the Development Area and Franchisor may include any such geographic area in the exclusive territory of other Pitango Gelato™ franchisees.

2.4. **Multi-Unit Fee**. In consideration of the option rights granted herein, upon execution of the Franchise Agreement Franchisee has paid the Multi-Unit Development Fee to Franchisor, which amount is non-refundable except as specifically provided for in the Franchise Agreement. The Multi-Unit Development Fee has been fully earned by Franchisor for administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the rights granted Franchisee herein.

3. EXCLUSIVE RIGHTS.

3.1. Provided that Franchisee and its Controlling Principals are in full compliance with all provisions of this Rider and are otherwise in Good Standing, neither Franchisor nor any of the Pitango Companies shall establish (or authorize any other person or entity, other than Franchisee, to establish) a Pitango Gelato™ gelato shop within the Development Area during the term of the Rider.

3.2. This Rider is not a franchise agreement and does not grant Franchisee rights to operate a Pitango Gelato™ gelato shop or use the System, nor does this Rider give Franchisee any right to license others to operate a Pitango Gelato™ gelato shop or use the System.

4. METHOD OF EXERCISING OPTIONS. To exercise any of its Options granted herein, Franchisee must send to Franchisor (a) written notice stating the reserved territory specified in Appendix A that Franchisee has decided to acquire and (b) the remaining balance of the Multi-Unit Development Fee. Franchisor must review the notice and documentation provided and, within twenty (20) days of receipt of such items, notify Franchisee whether expansion into the specified territory has been granted. If the expansion is denied, then Franchisor shall provide a written explanation of why Franchisee has not satisfied the requirements specified in Section 2 of the Rider and shall return the additional Ten Thousand Dollar ($10,000) payment to Franchisee. If the expansion is granted, then Franchisor shall send to Franchisee a franchise agreement for the additional territory purchased, which will be the then-current form of franchise agreement used in the System, and may contain terms that are materially different from those in the Franchise Agreement, and Franchisee must sign that franchise agreement and return it to Franchisor within 30 days of delivery.

5. TRANSFER OF RIGHTS UNDER THIS RIDER. Franchisee specifically acknowledges that it is only permitted to Transfer its rights under this Rider if it also is transferring its rights under the Franchise Agreement, and then only to a purchaser who is an approved Transferee.

6. TERMINATION.

6.1. **Termination without Cure Period**. In addition to the grounds for termination stated elsewhere in this Rider, Franchisor may terminate this Rider, and the rights granted by this Rider, upon notice to Franchisee without opportunity to cure if:

6.1.1 To the extent permitted by federal bankruptcy law (11 U.S.C. Section 101, et. seq.) or other applicable law, Franchisee or its Controlling Principals files a petition in bankruptcy, an arrangement for the benefit of creditors or a petition for reorganization; there is filed against Franchisee a petition in bankruptcy, an arrangement for the benefit of creditors or petition for reorganization, which is not dismissed within sixty (60) days of the filing; Franchisee makes an assignment for the benefit of creditors; or a receiver or trustee is appointed for Franchisee and not dismissed within sixty (60) days of the appointment;

6.1.2 Any Transfer that requires Franchisor's prior written consent, occurs without Franchisee having obtained Franchisor's prior written consent;

6.1.3 Franchisee or any of its Controlling Principles is convicted of or pleads no contest to a felony or any other crime or offense that is likely to adversely affect the reputation of the the System or the goodwill associated with the Marks;

6.1.4 Franchisee or any of its Affiliates remain in default beyond the applicable cure period under the Franchise Agreement or any other agreement with Franchisor or the Pitango Companies; or

6.1.5 If Franchisee defaults on two (2) or more occasions within a twelve (12) month period under this Rider or the Franchise Agreement, regardless of whether Franchisee has cured the prior defaults.

6.2 **Termination Following Expiration of Cure Period**.

6.2.1 If any default capable of being cured under this Rider or the Franchise Agreement is not cured within the time provided in accordance with the Franchise Agreement, this Rider shall terminate without further notice to Franchisee effective immediately upon expiration of that time, unless Franchisor notifies Franchisee otherwise in writing.

6.2.2 Notwithstanding the provisions of preceding Section 6.2.1., if Franchisee defaults in the payment of any monies owed to Franchisor when such monies become due and payable and Franchisee fails to pay such monies within ten (10) days after receiving written notice of default, then this Rider will terminate effective immediately upon expiration of that time, unless Franchisor notifies Franchisee otherwise in writing.

7. EFFECT OF TERMINATION. Upon termination or expiration of this Rider:

7.1 The rights granted Franchisee in the Development Area shall terminate and Franchisor shall have the right to operate or license others to operate a Pitango Gelato™ gelato shop anywhere in the Development Area, subject to the provisions of the Franchise Agreement;

7.2 Franchisee shall continue to abide by the restrictions contained in Article X of the Franchise Agreement and shall not, directly or indirectly, take any action that violates those restrictions; and

7.3 Franchisee will not, except with respect to the Franchise which is then open and operating pursuant to an effective Franchise Agreement: (1) operate or do business under any name or in any manner that might tend to give the general public the impression that Franchisee is connected in any way with Franchisor or has any right to use the System or the Marks; (2) make use or avail itself of any of the materials or information furnished or disclosed by Franchisor under this Rider or the Franchise Agreement or disclose or reveal any such materials or information or any portion thereof to anyone else;

or (3) assist anyone not licensed by Franchisor to develop or operate a business substantially similar to the Pitango Gelato™ business.

8. APPROVALS AND WAIVERS. No waiver by any party of any provision of this Rider shall be deemed a waiver of any other provision of this Rider or of any subsequent breach by any other party of the same or another provision. Any party's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of the other party's consent to or approval of any subsequent act.

9. ENTIRE AGREEMENT/AMENDMENT. This Rider contains the entire agreement between the parties pertaining to Franchisee's rights to develop and expand its business beyond the geographic area contemplated by Schedule A of the Franchise Agreement, and supersedes all prior or contemporaneous negotiations, discussions, or understandings on that subject. There are no representations, inducements, promises, agreements, arrangements or undertakings, oral or written, between the parties relating to the matters covered by this Rider except as stated herein. No agreement of any kind relating to the matters covered by this Rider will be binding upon either party unless and until it has been agreed to in writing and signed by Franchisor and Franchisee. No amendment, modification or discharge of this Rider, and no waiver hereunder, shall be valid or binding unless set forth in writing and duly executed by Franchisor and Franchisee. Nothing in this Rider is intended to disclaim the representations made in the Franchise Disclosure Document.

[Signatures appear on the following page.]

IN WITNESS TO THE PROVISIONS OF THIS RIDER, the undersigned have signed this Rider on the date set forth below.

ATTEST/WITNESS:

____
Name:
Title:

FRANCHISEE:

By: ___________________________
Name:
Title:

Date: ___________________________

FRANCHISOR:

Pitango Gelato Franchise Co., LLC

____
Name:
Title:

By: ___________________________
Name:
Title:

Date: ___________________________

APPENDIX A: DEVELOPMENT INFORMATION

1. Total number of Additional Gelato Shops reserved: __________________

2. Total Multi-Unit Development Fee Required: $____

3. Territories reserved under the Rider:

   (A) ____

   (B) ____

   (C) ____

   (D) ____

   (E) ____

4. Opening Date:____

5. Deadline to exercise first Option (12 months following Opening Date): ______________________

6. Deadline to exercise each additional Option (9 months following each preceding option deadline):

   (A) ____

   (B) ____

   (C) ____

   (D) ____

10292649v10

EXHIBIT D TO FRANCHISE DISCLOSURE DOCUMENT

[SAMPLE] GENERAL MUTUAL RELEASE

This GENERAL MUTUAL RELEASE is made and executed by [NAME OF FRANCHISEE] (“**you**”), as of________________________________ (“**Effective Date**”).

WHEREAS, you entered into a franchise agreement dated ________________ (the “**Agreement**”) with Pitango Gelato Franchise Co., LLC (“**Franchisor**”), and [describe facts].

NOW, THEREFORE, in consideration of the promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties hereto agree as follows:

Each party for itself and each of its past and present heirs, executors, administrators, representatives, successors and assigns, in their corporate and individual capacities (collectively “**Releasor**”), hereby release and forever discharge the other and each of the other’s predecessors, successors, affiliates, subsidiaries, assigns, officers, directors, shareholders, agents and employees, and their respective heirs, executors, administrators, representatives, successors and assigns, in their corporate and individual capacities (collectively “**Releasees**”), from, in respect of, and in relation to, any and all claims, demands, causes of action (whether founded in contract, tort, statute, or other source of law), suits, debts, obligations, sums of money, acts, omissions or refusals to act, damages, judgments, and demands, of any kind whatsoever, joint or several, known or unknown, which against Releasees the Releasor ever had, now has or which Releasors hereinafter can, will or may have, for, related to or arising out of the Agreement, through the Effective Date, except for the obligations preserved in the next paragraph.

This general mutual release is without prejudice to all parties’ continuing obligations as listed in Article X of the Agreement (relating to non-competition) or to Franchisor’s rights pursuant to Articles XX - XXIII of the Agreement (relating to dispute resolution). Further, to the extent provided by Maryland law, the general mutual release shall not apply to any claims that arise under the Maryland Franchise Law. If the Maryland Franchise Law permits any party to this general mutual release to pursue claims that arise under the Maryland Franchise Law, then this general mutual release shall not bar claims by the party against which such claims are pursued.

	___[FRANCHISEE ENTITY_________: by:
_____________________________ [name, title] __________________	_____________________________ [name, title]

STATE OF §
§
COUNTY OF §

I hereby certify that before me, a notary public, personally appeared ___________, who made oath in due form of law that s/he was executing the foregoing General Mutual Release for the purposes therein contained, and demonstrated his/her authority to execute the foregoing as officer or member of __[FRANCHISEE ENTITY]____.

As witness, my hand and Notarial Seal on ___________________, 20

____
Notary Public

My Commission Expires:

EXHIBIT E TO FRANCHISE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES

None.

EXHIBIT F TO FRANCHISE DISCLOSURE DOCUMENT

STATE SPECIFIC ADDENDA

ADDENDUM REQUIRED BY THE COMMONWEALTH OF VIRGINIA

The following is added to the page titled "Special Risks to Consider About *This* Franchise"

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from $350,500 to $547,800. This amount exceeds the franchisor's partners' capital as of December 31, 2020, which is $75,929.

EXHIBIT G TO FRANCHISE DISCLOSURE DOCUMENT

STATE EFFECTIVE DATES

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

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

State	Effective Date
Virginia	Pending

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

RECEIPT

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all Agreements carefully.

If Pitango Gelato Franchise Co., LLC ("Pitango Gelato") offers you a Franchise, Pitango Gelato must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, Pitango Gelato or an affiliate in connection with the proposed franchise sale.

If Pitango Gelato does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of Federal and State Law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state administrator listed in Exhibit A.

See Exhibit A for our Resident Agents authorized to receive service of process.

The franchise seller is Dinah Bengur. Her phone number is 202-746-8656. ATA Corporate Services, LLC, whose address is 1201 N. Market Street, Suite 2300, Wilmington, Delaware 19801, is Pitango Gelato's agent for service of process in its state of organization, Delaware.

I have received a disclosure document dated March 23, 2022. This Disclosure Document included the following exhibits:

A. State Agencies Exhibit
B. Financial Statements
C. Franchise Agreement
D. Sample General Release
E. List of Franchisees
F. State Law Addendum
G. State Effective Dates
H. Receipt

Date________________

Franchisee__________________________

Individually and, if applicable, as an officer, partner, member or manager of, and on behalf of

____

a ________________________ corporation

a _______________ limited liability company

Keep this copy for your records

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Return this copy to Pitango Gelato Franchise Co., LLC, 509 South Exeter Street, Suite 214, Baltimore, Maryland 21202.

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