



TM

FRANCHISE DISCLOSURE DOCUMENT

Pastito USA,
E-mail: info@Pastito.us
www.Pastito.us

The franchisor is **Pastito Franchise Corp.** ("we", "us", "our" or "**Pastito**"). We develop and offer under the "Pastito" and related trademarks and service marks franchises for the operation of a quick service restaurant business offering fresh Mediterranean vegetarian food, including hummus and falafel, to the general public.

The total investment necessary to begin operation of a Pastito franchise ranges from \$120,250-\$447,000 for a start-up franchisee. This includes \$30,000 for franchise fee and approximately \$5,000 for design fees – Conversion of a restaurant to a Pastito franchise are the same as a standard franchise but there may be savings on buildout.

The disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all 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.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Goren Tasa, Chief Executive Officer, at 6-8 Washington Street, Tenafly, New Jersey 07670, telephone number (201) 685-2255, email address Goren@Pastito.us.

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

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

Commented [UA1]: No we do not – frankly I do not understand the question

Commented [UA2]: The design fee is fixed no matter to location or size.

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.
The issuance date is October 14, 2024.

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit E 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 Pastito 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 Pastito franchisee?	Item 20 or Exhibit F lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use 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 litigation only in Florida. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in Florida 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 with a longer operating history.
3. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (See Item 21) calls into question the Franchisor's financial ability to provide services and support to you.
4. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement, even if your spouse has no ownership interest in the franchise. This Guarantee will place both you and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails.

Commented [UA3]: Do you recommend a different state?

Certain states may require other risks to be highlighted. If so, check the "State Specific Addenda" pages for your state.

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE</u>
ITEM 1.	THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES	7
ITEM 2.	BUSINESS EXPERIENCE	10
ITEM 3.	LITIGATION.....	10
ITEM 4.	BANKRUPTCY	10
ITEM 5.	INITIAL FEES.....	10
ITEM 6.	OTHER FEES	11
ITEM 7.	ESTIMATED INITIAL INVESTMENT.....	15
ITEM 8.	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	19
ITEM 9.	FRANCHISEE'S OBLIGATIONS	22
ITEM 10.	FINANCING.....	24
ITEM 11.	FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING.....	24
ITEM 12.	TERRITORY	34
ITEM 13.	TRADEMARKS	35
ITEM 14.	PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	38
ITEM 15.	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE Pastito UNIT	39
ITEM 16.	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	40
ITEM 17.	RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	41
ITEM 18.	PUBLIC FIGURES.....	47
ITEM 19.	FINANCIAL PERFORMANCE REPRESENTATIONS	48
ITEM 20.	OUTLETS AND FRANCHISEE INFORMATION	48
ITEM 21.	FINANCIAL STATEMENTS	51
ITEM 22.	CONTRACTS	51
ITEM 23.	RECEIPT	51

EXHIBITS

- A. LIST OF STATE ADMINISTRATORS
- B. LIST OF STATE AGENTS FOR SERVICE OF PROCESS
- C. FRANCHISE AGREEMENT
- D. TABLE OF CONTENTS OF CONFIDENTIAL OPERATIONS MANUAL
- E. FINANCIAL STATEMENTS
- F. LIST OF FRANCHISEES AND TERMINATED FRANCHISEES
- G. FRANCHISEE DISCLOSURE QUESTIONNAIRE
- H. MULTI-STATE ADDENDA

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

The Franchisor

To simplify the language in this Franchise Disclosure Document, the words “we”, “us”, “our” or “Pastito” refer to Pastito USA., the franchisor of this business. The words “you” and “your” refer to the person or entity to whom we grant a franchise. Defined terms not otherwise defined herein shall have the meaning ascribed to them in the Franchise Agreement.

We are a fast casual Italian restaurant named Pastito USA. We do not do business under any other name.

Our Predecessors and Affiliates

We have no predecessors or affiliates. We do not offer franchises in other lines of business.

Our Business Activities and the Franchise Offered

We were formed for the purpose of selling franchises and supporting franchisees that operate under the Pastito System and are engaged in the business of developing a network of quick service restaurants offering fresh Mediterranean vegetarian food, including hummus and falafel, to the general public throughout the United States that utilize the Pastito System and are affiliated with the Pastito USA service mark. We refer to these businesses as “Pastito USA Businesses”. We refer to the Pastito USA Business you will operate as the “Franchised Business.” You may apply for a franchise to utilize our System for either an existing restaurant or food business, which you presently operate, or a food business which you plan to develop.

Pastito Businesses utilize proprietary ingredients to provide fresh pasta food. Each Pastito Business typically operates from a facility ranging in size from 600 to 1,500 square feet. You will operate the Franchised Business in accordance with our standards, methods, procedures and specifications, which we refer to as our “System,” which is described in greater detail in our Franchise Agreement, attached as Exhibit C to this Franchise Disclosure Document. We have offered franchises since the effective date of this Franchise Disclosure Document. We do not offer and have not previously offered franchises in any other line of business. We are not engaged in any other line of business. We reserve the right to change or otherwise modify the System at any time in our sole discretion. We have not conducted a business of the type to be operated by You.

Pastito USA

Pastito USA has a parent company which is Pastito Ltd., whose principal business address is 8 Hamenofim St., Herzeliya, Israel. Pastito Ltd. was incorporated in Israel in May 2023, and owns and licenses similar franchises to those being offered hereunder. Pastito Ltd. owns one hundred percent (100%) of the shares of Pastito.us. Pastito Ltd. sells pasta franchises in Israel, and offers franchise services to Pastito Ltd located in US and Israel. Pastito Ltd. has not conducted a business of the type to be operated by You.

Description of the Market

The pasta restaurant market in the United States is a dynamic and competitive segment of the broader dining industry, offering options from quick-service and fast-casual eateries to upscale dining establishments. This market serves a wide range of consumer preferences, including traditional Italian pasta dishes, contemporary twists on classics, and specialty options like gluten-free or plant-based pasta. Pasta's versatility makes it a popular choice, appealing to families seeking comfort food as well as young professionals looking for quick, quality meals.

ung professionals looking for quick, quality meals.
ng professionals looking for quick, quality meals.

Market Segmentation:

1. Casual Dining Chains:

Chains like Olive Garden and Maggiano's Little Italy dominate this segment, offering Italian-American comfort food in family-friendly settings. These chains emphasize affordability, consistency, and large portions, making them popular for group dining. Their menus feature familiar favorites such as spaghetti, fettuccine alfredo, and lasagna, appealing to a broad demographic.

2. Fast-Casual Concepts:

Fast-casual chains, like Noodles & Company, have gained popularity by offering high-quality pasta dishes quickly. These restaurants emphasize customization, allowing customers to choose their pasta type, sauces, and proteins. They attract younger consumers who prioritize convenience and the ability to personalize their meals while still enjoying quality ingredients.

3. Independent & Boutique Italian Restaurants:

Independent Italian restaurants often offer an artisanal experience, focusing on fresh ingredients and traditional pasta-making techniques. Found in urban areas, they appeal to consumers seeking authentic or elevated dining experiences, including regional Italian specialties like cacio e pepe or pasta alla Norma. These establishments cater to diners looking for a unique, high-end experience.

4. Ghost Kitchens & Delivery-Only Concepts:

The rise of delivery platforms has led to the emergence of ghost kitchens—restaurants that operate without a physical dining space, focusing solely on online orders. This model, which grew significantly during the COVID-19 pandemic, offers a low-overhead way for restaurateurs to reach customers, providing restaurant-quality pasta at home.

Consumer Trends:

- **Health & Wellness:** Increasing demand for health-conscious options has influenced the market, with restaurants offering whole grain, gluten-free, and low-carb alternatives. Plant-based pastas made from lentils or chickpeas have become popular among those seeking healthier or specialized diets.
- **Sustainability:** Many consumers are interested in sustainability and local sourcing. Restaurants that use locally sourced ingredients, house-made pastas, and eco-friendly practices often attract customers willing to pay a premium for sustainable dining.
- **Convenience:** Convenience remains a top priority, driving the popularity of fast-casual and delivery-focused pasta restaurants. Consumers appreciate the ability to enjoy high-quality meals at home or on the go.

Market Challenges:

The market faces significant competition from other pasta and Italian restaurants, as well as a broad range of ethnic and fast-casual dining options. Rising costs of ingredients and labor can challenge profitability, especially for independent operators. Additionally, evolving dietary preferences require restaurants to adapt their offerings continually.

Growth Opportunities:

Opportunities include offering customizable menus, expanding fast-casual models, and integrating technology for online ordering and delivery. This adaptability positions pasta restaurants well to meet changing consumer demands, ensuring their place in the evolving U.S. dining landscape.

Industry Specific Regulations

You must comply with all local, state, and federal laws that apply to your Pastito Business, including for example, zoning, health, sanitation, no-smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. You must obtain real estate permits (e.g., zoning), real estate licenses, and operational licenses. There also may be regulations that pertain to sanitation, labeling, food preparation, food handling, grease and other waste disposal, environmental compliance, and food service. We also require your compliance with all provisions of the USA Patriot Act and Executive Order 13224. Other than the types of laws and regulations noted above, we are not aware of any regulations or laws directed solely to restaurants, quick-service restaurants, or fast casual restaurants, of the type that are described in this disclosure document. You should consult with your attorney concerning all federal, state, and local laws and ordinances that may affect your Restaurant's operation.

Agents for Service of Process

Our agent for service of process is listed in Exhibit B to this Franchise Disclosure Document.

ITEM 2.
BUSINESS EXPERIENCE

Goren Tasa – President and Chief Executive Officer and Member of Board of Directors

Goren Tasa is the CEO of Hummus Elivahu from Yoknam Ltd. Since 2016. Hummus Elivahu, is a regional restaurant chain and a globally recognized brand. The company has 92 franchise locations across Israel, Canada, and the United States. Goren Tasa is also the CEO of Pastito Ltd.
since 2023. Pastito Ltd., is an Italian fast-food franchise with 14 locations spanning Israel and the United States.

ITEM 3.
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4.
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5.
INITIAL FEES

You must pay us an initial Franchise Fee when you sign the Franchise Agreement. The amount of the initial Franchise Fee is \$30,000.00. The Franchise Fee is payable in one lump sum at the signing of the Franchise Agreement. The Franchise Fee is uniform for all franchisees. The Franchise Fee is non-refundable.

In relevant cases, additional real estate broker fee may be required.

If you and we cannot agree upon a suitable site for the operation of the Pastito Business within 9 months from the later of (i) the date of execution of a lease for, or a binding agreement to purchase, the Approved Location; or (ii) the signing of the Franchise Agreement, we will have

the right, in our discretion, to terminate the Franchise Agreement and you will not receive any refund of the franchise fee.

Before your Pastito Business opens, you must purchase from us a design service package including architectural and design services at a nonrefundable cost of \$5,000.

[Remainder of Page Left Intentionally Blank]

ITEM 6.
OTHER FEES

Below is a detailed description of other recurring or isolated fees or payments, which we impose under the terms of the Franchise Agreement (the “**Other Fees**”).

Type of Fee	Amount	Due Date	Remarks*
Royalty Fee (1)	The greater of \$1,000 per month or 6% of Gross Sales	Monthly	See definition of Gross Sales. (Section 3.2)
Marketing Fund Contribution	Up to 1% of Gross Sales	Monthly	Once established, you agree to contribute up to 1% of Gross Sales. (Sections 3.3 and 11.3) Your contribution may be increased up to maximum

Type of Fee	Amount	Due Date	Remarks*
			2%, only after providing you with prior written notice.
Local Advertising	1% of Gross Sales	Annually	You pay directly to suppliers both before and after the Marketing Fund is established. Local Advertising is subject to our prior approval. (Section 11.2)
Cooperative Advertising (2)	Any portion or all of the Marketing Fund Contribution which is 1% of Gross Sales, including any portion or all of required Local Advertising, may be re-designated for Cooperative Advertising	As directed	We may establish a Cooperative Advertising program or an advertising council within your regional marketing area. (Section 11.4) Payable as directed to us or to an advertising council. AN ADDITIONAL FEE OR PART OF 1% ABOVE
Ongoing Purchases of Proprietary Food products	\$30,000 to \$100,000 per month OR MORE- based on your sales revenues.	As invoiced	Either we or our designated Approved Supplier will supply you with Proprietary Food products as described in ITEM 8. (Section 13.1)
Audit Expenses (3)	Reasonable costs and expenses of audit plus interest (18% per annum, or the maximum legal rate, whichever is less) on any underpayment	As invoiced	Audit costs payable only if the audit shows an understatement in amounts due of at least 3%. (Section 12.6) Payable to us or directly to the auditors.
Late Fees/Interest (3)	10% per annum or the highest legal rate (whichever is less), plus collection costs	After a payment's due date; with late payment or upon demand	Applies to all Royalty Fees, Marketing Fund Contributions and amounts due for purchases from us. (Section 3.5)
Insurance	Amount of unpaid	Upon demand	Payable only if you fail to

Type of Fee	Amount	Due Date	Remarks*
Policies	premiums, plus our costs and expenses in obtaining coverage for you, which amounts may vary		maintain required insurance coverage and we elect to obtain coverage for you. (Section 15.5)
System Modifications	Will vary under the circumstances; amount will not be disproportionate to your initial investment, and will not exceed \$20,000 in any 12 month period	As required	Applies to System modifications, including new equipment, fixtures, software, trademark, etc. (Section 10.2)
Transfer Fee	20,000\$ plus training expenses up to \$10,000 or more	At the time of transfer	This transfer fee does not apply to an assignment of interest to an entity controlled by you. (Sections 18.2 and 18.3)
Additional Training	Current rates as published in the Manual, currently \$0 per day, and not to exceed \$500 per person per day, but you will pay your expenses as well as your employees' expenses in attending	Time of service	We provide approximately 4 weeks of initial training for up to two persons, one of whom must be your Designated Manager. You may pay for additional training if you request it, in an amount you and we agree in advance. (Sections 9.3 and 9.4)
Additional Assistance	Current rates as published in the Manual, currently \$0 per day, and not to exceed \$500 per person per day, plus our expenses for travel, meals and accommodations	Time of assistance	We provide approximately 7 days of assistance around the beginning of operations. You may pay for additional assistance if you request it, in an amount you and we agree in advance. (Section 9.2)
Ongoing Training	\$0	Time of program or	Attendance will not be required more than one

Type of Fee	Amount	Due Date	Remarks*
		seminar	time per year and attendance will not exceed one week in any year. You will pay your expenses as well as your employees' expenses in attending
Costs and Attorneys' Fees	Will vary under circumstances	As invoiced	You will reimburse us for all costs in enforcing obligations if we prevail. (Section 22.4)
Indemnification	All costs including attorneys' fees	As incurred	You defend suits at your cost and hold us harmless against suits involving damages resulting from your operation of the Franchised Business. (Section 21.2)

* Unless otherwise specified in this ITEM 6, all the Other Fees are payable only to us, generally non-refundable and uniformly imposed on all Franchisees. No other fees or payments are to be paid to us, nor do we impose or collect any other fees or payments for any other third party.

(1) Gross Sales. The term Gross Sales means the aggregate of all revenue from the sale of food and any other goods and services from all sources in connection with the Pastito Franchised Business whether for check, cash, credit or otherwise, including all proceeds from any business interruption insurance, but excluding all refunds, promotions and discounts made or given in good faith, any sales and equivalent taxes which are collected by you for or on behalf of any governmental taxing authority and paid thereto, and the value of any allowance issued or granted to any client of the Franchised Business which is credited by you in full or partial satisfaction of the price of any services and products offered in connection with the Franchised Business.

(2) Cooperative Advertising Program. You may also be required under the Franchise Agreement to join and contribute to a regional advertising and marketing cooperative (a "Cooperative Advertising Program"), if one is formed for the area in which the Franchised Business is located. These expenditures and contributions are not payable to us and additional details about these payments can be found below in Item 11, under the subheading "Cooperative Advertising Program."

(3) The maximum interest rate in the state of California is 10% annually.

ITEM 7.
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

We anticipate that you will incur the following estimated initial expenditures in the establishment of a Pastito Business.

Type of Expenditures*	Actual or Estimated Amounts For You (\$)	Method of Payment	When Due	To Whom Payment Is To Be Made
Franchise Fee ¹	\$30,000	Check / wire transfer	Upon Signing Franchise Agreement	Us
Real Estate/Rent ²	\$10,000 – \$70,000	As Arranged	Before Beginning Operations	Lessor
Utility Deposits ³	\$1,000 - \$2,000	As Arranged	Before Beginning Operations	Utilities
Leasehold Improvements ⁴	\$30,000 - \$150,000	As Arranged	Before Beginning Operations	Third Parties
Architectural Plans & Design ⁵	\$2,500 - \$5,000	As Arranged	Before Beginning Operations	Us
Equipment, Furniture & Fixtures ⁶	\$10,000- \$75,000	As Arranged	Before Beginning Operations	Approved Suppliers / Us/Third Parties
Initial Inventory ⁷	\$5,000- \$25,000	As Arranged	Before Beginning Operations	Approved Suppliers Third Parties
Insurance ⁸	\$500 - \$4,000	As Arranged	Before Beginning Operations	Third Parties
Office Equipment and Supplies ⁹	\$100 - \$1,000	As Arranged	Before Beginning Operations	Third Parties

Computer Equipment/POS System ¹⁰	2500\$- 6000\$	As Arranged	Before Beginning Operations	Approved Suppliers / Us/Third Parties
Signage ¹¹	\$2,000 - \$15,000	As Arranged	Before Beginning Operations	Approved Suppliers / Us/Third Parties
Security & Monitoring Systems ¹²	\$0 - \$6000	As Arranged	Before Beginning Operations	Third Parties
Initial Training ¹³	\$1,500 - \$4,000	As Arranged	Before Beginning Business	Third Parties
Grand Opening ¹⁴	\$5,000	As Arranged	First 3 Months of Operation	Third Parties
Licenses & Permits ¹⁵	\$1000 - \$10,000	As Arranged	Before Beginning Business	Licensing Authorities
Professional Fees ¹⁶	\$2,000 - \$5,000	As Arranged	Before Beginning Business	Attorney, Accountant
Additional Funds ¹⁷ (3 months)	\$20,000 - \$50,000	As Arranged	As Necessary	You Determine
TOTAL¹⁸	\$123,100- \$463,000			

* All fees and expenses stated in the above table are generally non-refundable.

NOTES

¹ Franchise Fee. The Franchise Fee is described in greater detail in ITEM 5 of this Franchise Disclosure Document.

² Real Estate/Rent. You must provide suitable premises from which to operate the Franchised Business. You will require approximately 600 to 1,500 square feet of commercial

retail space. It is extremely difficult to estimate lease acquisition costs because of the wide variation between various locations. Lease costs will vary based upon variance in square footage, cost per square foot and required maintenance costs. We assume a landlord will require the first and last month's rent and a security deposit equal to at least one month's rent. The amounts paid are typically not refundable except for a security deposit which may be refunded.

³ Utility Deposits. If you are not a current customer of your local utilities, you will generally incur certain deposits with local utilities; for example, electric, telephone, gas, water and others if you are a new customer of the local utilities. The deposit will vary depending upon the policy of the local utility.

⁴ Leasehold Improvements. To convert the premises into a Pastito Business, the premises must be renovated according to our standards and specifications. The cost of leasehold improvements will vary based upon size, condition and location of the premises, local wage rates and material costs.

⁵ Architectural Plans & Design. You agree to purchase a design service package including architectural and design services to adjust the basic Pastito Business architectural plan and design scheme to the physical characteristics of the Franchised Business to confirm with our specifications and requirements. The architectural plan and design service package is to be purchased from us.

⁶ Furniture Fixtures & Equipment. You will need to equip your Pastito Business with technologically advanced equipment and other equipment according to our specifications and requirements. The cost of the equipment will vary depending on how much equipment and the type(s) of equipment you purchase. You agree to purchase (or lease) office furniture, fixtures, shelving, equipment and décor necessary to operate the Franchised Business. The cost of furniture, fixtures and equipment will vary according to local market conditions, the size and location of the Franchised Business, suppliers and other related factors. Although some of these items may be leased, the range shown represents an estimate of actual purchase price. Furthermore, every three (3) years, you are required to renew the furniture in the business.

⁷ Initial Inventory. You agree to purchase an initial inventory of \$5,000 - \$25,000 and other operating supplies. These costs will vary based upon the size and location of the Franchised Business, suppliers and other related factors.

⁸ Insurance. Franchisee will obtain "all risk" property insurance coverage on all assets used in the operation of the Franchised Business and insurance against damage to property through vandalism and malicious mischief and must have coverage limits of at least full replacement cost; workers' compensation insurance that complies with the statutory requirements of the state in which the Franchised Business is located and employer liability coverage with a minimum limit of ONE HUNDRED THOUSAND DOLLARS (\$100,000.00)

or, if higher, the statutory minimum limit as required by state law; comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the Franchised Business, or Franchisee's conduct of business pursuant to the Franchise Agreement, with a minimum liability coverage of ONE MILLION DOLLARS (\$1,000,000.00) per occurrence or, if higher, the statutory minimum limit required by state law; automobile liability insurance for owned or hired vehicles with a combined single limit of at least ONE MILLION DOLLARS (\$1,000,000.00) or, if higher, the statutory minimum limit required by state law; and this insurance as necessary to provide coverage to indemnify franchisor. Factors that may affect your cost of insurance include location of the Franchised Business, value of leasehold improvements, amount of inventory, number of employees and other related factors.

⁹Office Equipment and Supplies. You must purchase general office supplies including stationery, business cards and typical office equipment. Factors that may affect your cost of office equipment and supplies include local market conditions, the size of the premises, suppliers and other factors.

¹⁰Computer Equipment. You will need to purchase and install computer equipment according to our specifications. You agree to lease Pastito's proprietary POS software from us or from our Approved Suppliers. Our requirements are described in detail in ITEM 11 of this Franchise Disclosure Document.

¹¹Signage. This range includes the cost of all signage used in the Franchised Business. The costs will vary based upon the size, interior and exterior layout and location of the Franchised Business and local wage rates. You agree to purchase specific internal signage from us or from our Approved Suppliers.

¹²Security & Monitoring Systems. You agree to purchase or lease and install a monitoring system according to our standards and specifications. The range of estimates assumes you will lease your monitoring system and will be required to pay a deposit and may be required to make advance lease payments. Costs will vary according to lease terms and depending on the number of lines, cameras, monitors and features you acquire with your system.

¹³Training. You are not charged an additional fee for initial training of up to two persons. You are responsible for transportation, meals and lodging, and any salaries required to be paid to persons while attending training. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose.

¹⁴Grand Opening. You agree to spend a minimum of \$5,000 on Grand Opening Advertising during the first 3 months of operation. You may choose to spend more. Factors that may affect your decision on the actual amount to spend include local media cost, location of the Franchised Business and population demographics in the surrounding area.

¹⁵ **Licenses & Permits.** These amounts will be incurred for costs such as operating licenses and permits. Your actual costs may vary from the estimates based on the requirements of local government agencies.

¹⁶ **Professional Fees.** You will need to employ an attorney, an accountant and other consultants to assist you in establishing your Franchised Business. These fees may vary from location to location depending upon the prevailing rate of attorneys', accountants' and consultants' fees.

¹⁷ **Additional Funds.** These amounts are the minimum recommended levels to cover operating expenses, including employees' salaries for the start-up phase of the Franchised Business, which we calculate as 3 months. However, we cannot guarantee that this amount will be sufficient. Additional working capital may be required if sales are low or fixed costs are high.

¹⁸ **Total.** This total is an estimate of your initial investment and the expenses you will incur during the first 3 months of operations. In compiling this chart, we relied on our and our principals and officers more than 8 years of combined industry experience and experience in establishing and operating Pastito Businesses which are similar in nature to the Franchised Business you will operate. The amounts shown are estimates only and may vary for many reasons including the size of your Franchised Business, the capabilities of your management team, where you locate your Franchised Business and your business experience and acumen. You should review these estimates carefully with an accountant or other business advisor before making any decision to enter into a Franchise Agreement. We do not offer direct financing to you for any item. All or part of your investment may be financed by a bank or other lending institution on terms we cannot estimate.

ITEM 8. **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

Except as indicated below, you are not required to purchase or lease any services or goods relating to the establishment or operation of your Pastito Business from us, our designees or suppliers that are approved by us or are in accordance with our specifications.

Authorized Products, Services and Suppliers

You must furnish and equip the Franchised Business according to our standards and specifications. All supplies, signs, equipment and other items used in the operation of the Franchised Business must comply with our specifications and quality standards and, if we require, must be purchased only from "Approved Suppliers" that we designate. We will provide you, in the Manual or other written or electronic form, a list of specifications for signs, equipment, supplies, inventory and other items or materials and, if required, a list of designated

or Approved Suppliers for some or all of these items, which may include us, or other designated suppliers. Periodically we may modify the list. We formulate and modify our specifications and standards for products and services based upon our industry knowledge and our principals and officers' experience in operating food units, similar in nature to the Franchised Business you will operate. You will not offer for sale, sell or provide through the Franchised Business or from the Approved Location any products or services that we have not approved.

If we or one of our designated suppliers is an Approved Supplier, you will sign a standard form purchase, lease, supply, or license agreement for the items to be supplied by us or our designated supplier. If you desire to use any services or products that we have not approved (for services and products that require supplier approval), you must first send us sufficient information, specifications or samples for us to determine whether the service or product complies with our standards and specifications, or the supplier meets our Approved Supplier criteria. You will bear all reasonable expenses that we incur in connection with our evaluation of a product, service or supplier. We will decide within a reasonable time (usually 30 days) after receiving the required information whether you may purchase or lease this product or service from this supplier. We apply the following general criteria in approving a proposed supplier: ability to provide sufficient quantity of product; quality of products or services at competitive prices; production and delivery capability; and consistency, reliability and general reputation of the supplier. We will notify you if we revoke our approval of any product, service or supplier, and you must immediately stop purchasing disapproved products or services from a disapproved supplier.

t competitive prices; production and delivery capability; and consistency, reliability and general reputation of the supplier. We will notify you if we revoke our approval of any product, service or supplier, and you must immediately stop purchasing disapproved products or services from a disapproved supplier.

We may designate certain products and services, not otherwise authorized for general use as part of the System, to be offered locally or regionally by one or more franchisees based upon such factors as we determine, including franchisee qualifications, test marketing and regional or local differences. We are not presently an Approved Supplier of any products or services and we do not derive revenue as a result of franchisee purchases from Approved Suppliers. None of our officers own any interest in our Approved Suppliers.

Approved Suppliers.

proved Suppliers.

We reserve the right to derive revenue as a result of developing and furnishing additional proprietary products and services for use by you and other franchisees or in connection with franchisee purchases from Approved Suppliers.

We have the right to retain volume rebates, markups and other benefits from suppliers or in connection with the furnishing of suppliers. You will have no entitlement to or interest in any

of these benefits. We do not have any purchasing or distribution co-operatives as of the date of this Franchise Disclosure Document.

Proprietary Products

We own trade secrets and know-how for innovative products for Pastito Businesses (“**Proprietary Trade Secret Products**”). You obtain access to the Proprietary Trade Secret Products at no additional charge once you sign the Franchise Agreement. You and other franchisees are required to install and utilize our Proprietary Trade Secret Products in accordance with our usage policy. COST IS INCLUDED ABOVE There is no alternative software or source for the Proprietary Trade Secret Products. We do not derive any revenue as a result of furnishing you and other franchisees with access to the Proprietary Trade Secret Products.

Proprietary Advertising and Marketing Materials

We will furnish you and other franchisees with an assortment of Proprietary Advertising and Marketing Materials which you and other franchisees will use to promote and advertise the services of Pastito Businesses. We will specify our usage policy for Proprietary Advertising and Marketing Materials in our advertising guidelines and our Manual. You may be required to use Proprietary Advertising and Marketing Materials to promote the opening of your Franchised Business (“**Grand Opening Advertising**”) and as part of your Local Advertising. See ITEM 11 for further information about our Pastito advertising programs. To date in 2019, we have not derived revenue from Proprietary Advertising and Marketing Materials.

Point-of-Sale System

You agree to lease from us and utilize our point-of-sale system in accordance with our specifications, as more fully described in ITEM 11 of this Franchise Disclosure Document. We derive all revenue as a result of your lease of our point-of-sale system. You are not required to purchase or lease from us a computer or any other hardware or software.

Insurance

You shall procure, at your sole expense, and maintain in full force and effect during the term of the Franchise Agreement, insurance, as specified in Section 15 of the Franchise Agreement, naming us as an additional insured and/or loss payee, in addition to any other insurance that may be required by applicable law or by any lender or lessor. We do not derive revenue as a result of your purchase of insurance. Insurance requirement are as stated in the Operations agreement that you hereby consent and agree to said amounts as changed.

Commented [UA4]: I do not know of such requirements – please add your own based on your knowledge.

Architectural Plans & Design

You agree to purchase a design service package including architectural and design services to adjust the basic Pastito Business architectural plan and design scheme to the physical characteristics of the Franchised Business to confirm with our specifications and requirements. The architectural plan and design service package is to be purchased from us.

Miscellaneous

We may negotiate group rates, including price terms, for purchases of equipment and supplies from third parties necessary for the operation of the Franchised Business. Presently, there are no such purchase or supply agreements in effect. We presently do not receive revenue or other material consideration from any third-party suppliers as a result of purchases by you or any other franchisee. We may, however, do so in the future, and these arrangements may result in our deriving revenue based on purchases by franchisees.

We estimate that the expenditures for leases and purchases from us, or our designated or approved suppliers, in establishing your Franchised Business, or those meeting our standards and specifications, will be approximately 10% of your total cost to establish your Franchised Business and 25% of your total cost of operating your Franchised Business on an ongoing basis (not including amortization, depreciation, or replacement of worn or obsolete improvements, equipment or fixtures).

We do not provide or withhold material benefits to you (such as renewal rights or the right to open additional Franchised Businesses) based on whether or not you purchase through the sources we designate or approve. However, purchases of unapproved products or from unapproved suppliers in violation of the Franchise Agreement will entitle us, among other things, to terminate the Franchise Agreement.

ITEM 9.
FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Franchise Disclosure Document.

Obligation		Section in the Franchise Agreement	ITEM in the Franchise Disclosure Document
a.	Site selection and acquisition/lease	Section 5	ITEMS 11 and 12

Obligation		Section in the Franchise Agreement	ITEM in the Franchise Disclosure Document
b.	Pre-opening purchases/leases	Sections 11, 12.5, 13 and 15	ITEMS 7 and 8
c.	Site development and other pre-opening requirements	Sections 5.3 and 5.4	ITEMS 6, 7 and 11
d.	Initial and ongoing training	Section 9	ITEMS 6, 7 and 11
e.	Opening	Sections 9.2 and 11.1	ITEM 11
f.	Fees	Sections 3, 11 and 18	ITEMS 5, 6, 7
g.	Compliance with standards and policies/Operating Manual	Sections 8, 10, 12 and 13	ITEMS 8 and 11
h.	Trademarks and proprietary information	Sections 6 and 7	ITEMS 13 and 14
i.	Restrictions on products/services offered	Sections 5.5 and 13	ITEMS 8 and 16
j.	Warranty and customer service requirements	Section 13.10	ITEM 16
k.	Territorial development and sales quotas	None	ITEM 12
l.	Ongoing product/service purchases	Section 13	ITEMS 8 and 11
m.	Maintenance, appearance and remodeling requirements	Sections 10.2 and 13.4	ITEMS 6 and 17
n.	Insurance	Section 15	ITEMS 6, 7 and 8
o.	Advertising	Section 11	ITEMS 6 and 11
p.	Indemnification	Section 21.2	ITEM 6
q.	Owner's participation/management/staffing	Section 13.6	ITEM 15

Obligation		Section in the Franchise Agreement	ITEM in the Franchise Disclosure Document
r.	Records and reports	Section 12	ITEMS 11 and 17
s.	Inspections and audits	Sections 6.6, 12.6 and 13.5	ITEMS 6, 11 and 13
t.	Transfer	Section 18	ITEMS 6, 17 and 20
u.	Renewal	Section 4	ITEM 17
v.	Post-termination obligations	Section 17	ITEM 17
w.	Non-competition covenants	Sections 7.4, 17.2, 17.3 and 18.2	ITEM 17
x.	Dispute resolution	Section 23	ITEM 17

ITEM 10.
FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

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

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

A. Pre-Opening Assistance

Before you open your Franchised Business, we will:

1. if we have not already approved a site for your Franchised Business that you have selected before signing the Franchise Agreement, we will designate the area within which you will locate the Franchised Business and provide you with our site selection criteria. We will review and evaluate each site you propose until you locate a suitable site. We will have 30 days following receipt of complete submittal of all the information and materials we request from you to approve or disapprove the proposed site for the Franchised Unit. If we do not disapprove a proposed site by written notice to you within this 30-day period, the site will be deemed approved. Generally, we do not own the site or lease it to you. If we cannot agree upon a suitable site for the operation of the Franchised Business within nine (9) months of the Effective Date of the Franchise Agreement, we shall have the right, in our sole discretion, to terminate the Franchise Agreement (Sections 2.3 and 5.1). Generally, we do not own the site or lease it to you.

WE DO NOT REPRESENT THAT WE OR ANY OF OUR EMPLOYEES HAVE SPECIAL EXPERTISE IN SELECTING SITES NOR THAT THE FRANCHISED UNIT WILL BE PROFITABLE OR SUCCESSFUL BY BEING LOCATED AT THE APPROVED SITE. ANY APPROVAL IS INTENDED ONLY TO INDICATE THAT THE PROPOSED SITE MEETS OUR MINIMUM CRITERIA BASED UPON OUR GENERAL BUSINESS EXPERIENCE.

2. provide you with standard plans and specifications for the build-out and improvement of the Approved Location, including specifications for exterior and interior design, layout, required fixtures, equipment, furnishings, décor and signs, which you agree to purchase and install (Section 5.3). All supplies, signs, equipment and other items used in the operation of the Franchised Business must comply with our specifications and quality standards and, if we require, must be purchased only from "Approved Suppliers" that we designate. We will provide you, in the Manual or other written or electronic form, a list of specifications for signs, equipment, supplies, inventory and other items or materials and, if required, a list of designated or Approved Suppliers for some or all of these items, which may include us, or other designated suppliers. The franchisee will be required to purchase a service package from Us, including architectural plans and design services for adjusting the basic Pastito Business architectural plan and design scheme to the physical characteristics of the Franchised Business. We do not provide assistance with conforming the premises to local ordinances and building codes or obtaining any required permits. You are solely responsible for compliance with all local and other requirements for the premises, including for example, zoning, code, and compliance with the Americans with Disabilities Act. We do not provide assistance with constructing, remodeling or decorating the premises;

3. provide you with an initial training program of approximately four (4) weeks. This training is described in detail later in this ITEM (Section 9.1);

4. provide you with on-site assistance and guidance for approximately five (5) days, subject (as to timing) to the availability of our personnel who will assist you in beginning operations of the Franchised Business (Section 9.2); and

5. provide you with one copy of the Pastito Operations Manual, as more fully described in Section 8.1 of the Franchise Agreement, which shall be loaned to you only for the term of the Franchise Agreement and shall remain the sole property of Pastito. The Table of Contents of the Operations Manual, along with number of pages devoted to each section, is included as Exhibit D to this Franchise Disclosure Document.

B. Other Assistance During the Operation of the Franchised Business

After the opening of the Franchised Business, we will:

1. periodically, advise and offer general guidance to you by telephone, electronic mail, facsimile, newsletters and other methods. Our guidance is based on our and our principals and officers' industry experience since 2014. This advice and guidance may consist of knowledge and experience relating to the authorized services or products, as well as operational methods, accounting procedures, and marketing and sales strategies (Section 14.1);

2. at our discretion, make periodic visits to the Franchised Business for the purposes of consultation, assistance and guidance in various aspects of the operation and management of the Franchised Business. We may prepare written reports outlining any suggested changes or improvements in the operations of the Franchised Business and detail any deficiencies which become evident as a result of any such visit. If we prepare a written report, a copy may be provided to you (Section 14.2);

3. make available to you operations assistance and ongoing training programs as we deem appropriate, however, we have no obligation to do so (Sections 9.2 and 9.5);

4. make available to you changes and additions to the System as generally made available to all franchisees (Section 14.3); and

5. approve forms of advertising materials you will use for Grand Opening Advertising, Local Advertising and Cooperative Advertising (Section 11).

C. Advertising and Promotion

1. During the first 3 months of operation, you must spend at least \$5,000 on Grand Opening Advertising, including print, media or direct mail advertising, event dues or other solicitation and promotional efforts. We may require you to utilize our Proprietary Advertising and Marketing Materials as part of your Grand Opening Advertising. You must obtain our prior approval of your Grand Opening Advertising materials. Your required expenditures for Grand Opening Advertising are in addition to Local Advertising described below (Section 11.1).

2. Annually, you must spend at least 1% of your annual Gross Sales on advertising, promotions and public relations in the local area surrounding the Franchised Business (“**Local Advertising**”). You will make these expenditures directly subject to our approval (Section 11.2).

3. We may develop a System-wide Marketing Fund, and if we do, you may be required to contribute up to 1% of your Gross Sales to the fund, at the same rate as the contribution of other franchisees. We will set the exact percentage that you must contribute and we may adjust the percentage periodically after providing you with prior written notice. The Marketing Fund Contribution will be made at the same time and in the same manner as the Royalty Fee payments. (Section 11.3) The Marketing Fund shall be maintained and administered by us or our designee as follows:

(a) We will oversee all advertising programs with sole discretion over the creative concepts, materials and media used in these programs and the placement and allocation thereof. The media used may include local or national print, television, radio, Internet or other media. We cannot and do not ensure that any particular franchisee will benefit directly or *pro rata* from the placement of advertising by the Marketing Fund.

(b) Your Marketing Fund Contribution may be used to meet any and all costs of producing, maintaining, administering and directing consumer advertising (including the cost of preparing and conducting television, radio, Internet, magazine and newspaper advertising campaigns and other public relations activities; developing and/or hosting an Internet web page or site and similar activities; employing advertising agencies to assist therein; providing promotional brochures; conducting market research; and providing other marketing materials to franchisees). We initially plan to conduct all advertising in-house, but may use a national or regional advertising agency in the future. All contributions by you to the Marketing Fund will be maintained in a separate account from our funds and will not be used to defray any of our general operating expenses, except for such reasonable administrative costs and overhead, if any, as we may incur in activities reasonably related to the administration of the Marketing Fund. None of the amounts collected or held in the Marketing Fund will be used for the purpose of soliciting new franchisees.

(c) Affiliate and franchisor-owned businesses in the United States (if any) operating under the same System and Marks as the Franchised Business will make similar contributions to the Marketing Fund.

(d) We anticipate that all contributions to the Marketing Fund will be expended during our fiscal year within which the contributions are made. All expenditures will be made first out of any interest or other earnings of the Marketing Fund, next out of current contributions. Although we intend the Marketing Fund to be of perpetual duration, we maintain the right to terminate the Marketing Fund. The Marketing Fund will not be terminated, however, until all monies in the Marketing Fund have been expended for advertising and promotional purposes or have been returned to our franchisees on a *pro rata* basis.

(e) An accounting of the operation of the Marketing Fund will be prepared annually and will be made available to you upon request. We reserve the right, at our option, to require that this annual accounting include an audit of the operation of the Marketing Fund prepared by an independent certified public accountant selected by us and prepared at the expense of the Marketing Fund.

(f) The Marketing Fund is not a trust and we assume no fiduciary duty in administering the Marketing Fund.

4. Cooperative Advertising Program. Although we are not obligated to do so, we may create a Cooperative Advertising program for the benefit of Pastito Businesses located within a particular region. If a Cooperative Advertising program is established, then you must join the program within 30 days of the program's beginning of operations. A Cooperative Advertising program will be established, organized and governed in the form and manner that we have approved in advance. Unless we specify otherwise, the activities carried on by a Cooperative Advertising program will be decided by a majority vote of its members.

We have the right to (a) allocate any portion of the Marketing Fund to the Cooperative Advertising program; and (b) collect and designate all or a portion of the Local Advertising for a Cooperative Advertising program. We have the right to determine the composition of all geographic territories and market areas for the implementation of each Cooperative Advertising program and to require that you participate in this Cooperative Advertising program when established within your region. If a Cooperative Advertising program is implemented on behalf of a particular region, we reserve the right to establish an advertising council for a particular region to enable the council to self-administer the Cooperative Advertising program. You agree to participate in this council according to the council's then-current rules and procedures and to abide by the council's then-current decisions (Section 11.4).

5. We have established and maintain an Internet website at the domain name www.Pastito.rest, which provides information about the Pastito System. We may (but are not

required to) include at the Pastito website an interior page containing information about your Franchised Business. If we include this information on the Pastito website, we may require you to prepare all or a portion of the page, at your expense, using a template that we provide. All this information will be subject to our approval before posting. You must obtain our prior written consent before advertising the Franchised Business or the Pastito System on any Internet site (Section 11.5).

D. Computer/Point-of Sale System

You are required to purchase and use any and all hardware and computer software programs which we may designate, including our point-of-sale (“POS”) system (the “**Computer System**”). The Computer System will generate and store, *inter alia*, all the sales transactions consummated at the Franchised Business.

At present, you are also required to purchase and utilize the Pastito Proprietary POS Software license from us or from our Approved Suppliers. The estimated cost of leasing the POS Software system is \$200 per month, which includes technical support.

Since technical support is included, you will not be required to enter into an ongoing system maintenance and/or technical support agreement.

We have the right to independently access all information collected or compiled by you at any time without first notifying you.

We reserve the right to substitute a different approved supplier for any specified computer hardware or software if circumstances warrant a substitution.

You must update or upgrade computer hardware components and/or software as we deem necessary but not more than one time per year.

E. Methods Used to Select the Location of the Franchised Business

If you have a potential site for the Franchised Business, you may propose the location for our consideration. We may consent to the site after we have evaluated it. If you do not have a proposed site, we will designate a geographic area within which you must locate the Franchised Business and we will furnish you with our general site selection criteria. You are solely responsible for locating and obtaining a site that meets our standards and criteria and that is acceptable to us. (Sections 2.3 and 5.1)

The general site selection and evaluation criteria which we consider in approving your site includes the condition of the premises, proximity to urban or suburban areas, required square footage, demographics of surrounding area, proximity to other franchisees, requirements of

a lease and overall suitability. We will provide you with written notice of our approval or disapproval of any proposed site within 30 days after receiving all requested information. If you and we cannot agree upon a suitable site for the operation of the Franchised Business within 9 months from the later of (i) the date of execution of a lease for, or a binding agreement to purchase, the Approved Location; or (ii) the signing of the Franchise Agreement, we will have the right, in our discretion, to terminate the Franchise Agreement (Section 5.1) and you will not receive any refund of the franchise fee.

F. Typical Length of Time Before Operation

The typical length of time between the signing of the Franchise Agreement and the opening of your Franchised Business is up to 24 months. Factors which may affect your beginning operations include your ability to secure zoning clearance or permits, delays in the delivery of equipment, fixtures, supplies, inventory and other items. You agree to open and be operational within six (6) months from the later of (i) the date of execution of a lease for, or a binding agreement to purchase, the Approved Location; or (ii) the signing of the Franchise Agreement. (Section 5.3)

G. Training

We provide an initial training program to two persons as described below. Your Designated Manager (which is you, if you are not a corporation or other business entity), must be one of the two persons that attends initial training. The second person who must attend training may be a shareholder, member or other owner, (if you are a corporation or other business entity), your full-time lead chef, or any assistants or employees of yours. Two of these persons must attend and complete the initial training program before opening your Pastito Business. Our training program will be conducted on an as-needed basis. The initial training program consists of approximately 4 weeks of classroom and on-the-job instruction and covers all material aspects of the operation of a Pastito Business, including equipment operation and maintenance, Trade Secrets implementation, financial controls, maintenance of quality standards, customer service techniques, record keeping and reporting procedures and other operational issues.

We do not charge you an additional fee for our initial training program for two persons, however, you must pay all expenses you incur to have such persons attend training including travel and living expenses and any employees' salaries and benefits. See ITEM 7. If the two persons you designate cannot successfully complete the initial training program, we may terminate your Franchise Agreement. See ITEM 5 regarding any applicable refund of the Franchise Fee. (Sections 3.1 and 9.3)

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
<u>Introduction and Orientation</u> -receiving Welcome Kit, learn about foundations of Pastito USA operations, Pastito customer experience overview and review training schedule.	1 hours	4 hours	Miami, FL or another location that we may designate
<u>Onsite visits</u> - to existing Pastito USA location.		16 hours	Miami, FL or another location that we may designate
<u>Observational Shift</u> – a shift with the cook.	1 hours	8 hours	Miami, FL or another location that we may designate
<u>Review of Pastito Operation Manual and Checklists</u> – learn about the Pastito daily routine, restaurant layout and equipment, kitchen preparation area and sales area, Pastito menu, reports and standard procedures, opening, closing and shifts, store manager responsibilities.	4 hours	4 hours	Miami, FL or another location that we may designate
<u>Suppliers Inventory and POS</u> – review complete list of suppliers, the required shopping list, learn about purchasing and inventory management and introduction to POS System and reporting.	2 hours	4 hours	Miami, FL or another location that we may designate
<u>Marketing Methods and Promotions</u> – the Pastito brand, review the brand book and advertising materials and discuss store opening event.	2 hours	3 hours	Miami, FL or another location that we may designate
<u>Kitchen Area</u> – practice store opening drill, learn about kitchen area responsibilities and training, operating the equipment and change of shifts drill.	1 hours	25 hours	Miami, FL or another location that we may designate

SUBJECT	HOURS OF CLASSR OOM TRAININ G	HOURS OF ON-THE- JOB TRAININ G	LOCATION
<u>Managing the Kitchen</u> – practice kitchen management, hummus preparation, dispatch counter management and preparing orders.	2 hours	35 hours	Miami, FL or another location that we may designate
<u>Business Accounting</u> – learn about the banking procedures, producing financial reports and working with the accounting system and hold discussion on cash flow and balance statements.	2 hours	3 hours	Miami, FL or another location that we may designate
<u>Recruiting and Staffing</u> – learn about employee selection, labor costs, compensation and benefits and discussion on team building and motivation and communication.	1 hour		Miami, FL or another location that we may designate
<u>The Sales Area I</u> – learn about the cashier's role and responsibilities, expeditor's roles and responsibilities, review the menu, practice the POS and customer service methods and understand the customer experience.		3 hours	Miami, FL or another location that we may designate
<u>Store Closing</u> - learning store closing tasks and procedures and cleaning duties and maintenance.	1 hour	3 hours	Miami, FL or another location that we may designate
<u>Managing Responsibilities I</u> – spend the day with the Store Manager and review responsibilities, including: work schedule, supply, staff management, checklists, inventory control, reports and other such responsibilities.	1 hours	16 hours	Miami, FL or another location that we may designate

SUBJECT	HOURS OF CLASSR OOM TRAININ G	HOURS OF ON-THE- JOB TRAININ G	LOCATION
<u>Managing Responsibilities II</u> – spend the day with the Store Manager mastering the daily managing tasks, such as: bank deposits, contracts and payments to suppliers, accounting work, store maintenance, recruitment, shift scheduling and salaries. Learn about forms and checklists, the health inspection process and the restaurant safety plan.	2 hours	2 hours	Miami, FL or another location that we may designate
<u>Real Estate and Store Construction</u> – building a Pastito store, including construction, design and project management, finding a store location, negotiating the lease and permits and reviewing the architecture section in the Franchise Kit.	1 hours	10 hours	Miami, FL or another location that we may designate
<u>Final Review</u> – summary of the training process, including questions and feedback, and discussion on future plans and product innovation.		3 hours	Miami, FL or another location that we may designate
TOTAL	21 hours	139 hours	

Pastito

We may change or substitute training personnel as necessary, and we may delegate our duties and share our responsibilities with regard to training. In the event we change or substitute training personnel, or delegate our duties or share our responsibilities with regard to training, then the substituted personnel will have no less than one year of experience in the subject taught both in the field and with Pastito. The instructional materials that will be utilized will be based on our Operation Manual. The minimum experience of the instructors in the field that is relevant to the subject taught and our operations is from 3 to 5 years.

Our initial training program is in addition to 5 days of on-site opening assistance we provide around the time you are beginning your operations. We may also periodically provide, and require your franchise owners, Designated Manager, and full-time lead chef to attend, refresher or supplemental training programs or seminars. We do not charge attendance fees for these programs, however, you will be responsible for your such person's salaries and other expenses, such as travel, and room and board expenses. The frequency of these programs or seminars will not exceed more than one time per calendar year. In addition, the total duration of ongoing training programs and seminars will not exceed one week during any calendar year. (Section 9.5).

ITEM 12. **TERRITORY**

You must operate the Franchised Business only from the Approved Location listed in Section 2.2 of the Franchise Agreement. If the Approved Location has not already been determined, you and we will agree to a Designated Area within which you will locate the Franchised Business. A Designated Area means the area within which you are required to locate the Franchised Business as defined or described in Section 2.3 of the Franchise Agreement. A Designated Area is delineated for the sole purpose of site selection and does not confer any territorial exclusivity or protection upon you. Although we may assist you in selecting a location, you are solely responsible for selecting the Approved Location and negotiating lease or purchase terms if the site is to be leased or purchased. You will operate your Franchised Business only from the Approved Location and you must receive our permission before relocating. You are only licensed to operate one Franchised Business and you may not establish any additional franchised units. You are also responsible for making any necessary improvements to the Approved Location.

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

Commented [UA6]: OK noted

To this end, we retain our right, in our sole discretion, to: (a) establish, and license others to establish, Pastito USA Businesses under the System and Marks at any location as we deem appropriate; (b) establish, and license others to establish, other businesses under other systems using other proprietary marks at such locations and on such terms and conditions as we deem appropriate; (c) sell the products and services authorized for the Franchised Business, including licenses for our Proprietary Software, through alternate channels of distribution, such as joint marketing with partner companies, direct mail, licensing programs, Internet and catalogue sales both under the terms and conditions as we deem appropriate; and (d) engage in any activity not expressly forbidden by the Franchise Agreement. The Franchise Agreement does not require that we pay you any compensation for soliciting or accepting orders for products or services regardless of the proximity to your Franchised Business.

Pursuant to the Franchise Agreement you shall be restricted from establishing, creating or operating an independent Internet site or website using a domain name or uniform resource locator containing the word “Pastito USA” or any variation thereof. We retain the sole right to advertise on the Internet and create websites using the “Pastito USA” name and any other domain name(s) designated by us in the Manual.

You must at all times use your best efforts to promote your Franchised Business. There is no minimum sales quota.

You may offer and sell products only from the Approved Location, only according to the requirements of the Franchise Agreement and the procedures set forth in the Manual and only to retail customers for consumption on the Franchised Business’ premises or for personal, carry-out consumption. The Franchise Agreement contains no restrictions prohibiting you from soliciting or accepting orders from consumers, regardless of the proximity to your Franchised Business.

We and our affiliates have not established and do not intend to establish any other franchises or company-owned outlets offering similar services or goods under a different trademark anywhere in the United States.

ITEM 13. **TRADEMARKS**

Under the Franchise Agreement, we grant you the right to operate the Franchised Business under the name “Pastito USA.” You may also use any other current or future Mark to operate your Franchised Business that we designate in writing including the logo on the front of this Franchise Disclosure Document. By Mark, we mean trade names, trademarks, service marks and logos used to identify your Franchised Business.

The following trademarks are registered on the Principal Register with the United States Patent and Trademark Office (the “USPTO”):

MARK S	DESCRIPTION	APPLICATION NUMBER	REGISTRATION NUMBER	REGISTRATION DATE

Pastito USA (Design)	Design plus words	98954932		
----------------------------	----------------------	----------	--	--

We have timely filed, and intent to timely file, with the USPTO all required affidavits of use and an affidavit of incontestability, when due, for the trademark noted above.

There are no other 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.

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 any of the Marks.

There are no infringing or prior superior uses actually known to us that could materially affect the use of the Marks in this state or any other state in which the Pastito USA Business is to be located.

Your right to use the Marks is derived solely from the Franchise Agreement. You will not receive any rights to the Marks other than the nonexclusive right to use them in the operation of your Franchised Business. 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 on our rights in the Marks. Once you sign the Franchise Agreement, you may not contest the validity or the ownership of any of the Marks. You may not assist any other person in contesting the validity or ownership of the Marks at any time.

You must immediately notify us of any apparent infringement of, or challenge to your use of any Mark, or claim by any person of any rights in any Marks, and you may not communicate with any person other than us and our counsel 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 settlements, litigation or Patent and Trademark Office or any other proceeding arising out of any alleged infringement, challenge or claim or otherwise concerning any Mark. You must take any actions, in the opinion of our counsel, which may be necessary or advisable to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the Marks.

gation or Patent and Trademark Office or any other proceeding arising out of any alleged infringement, challenge or claim or otherwise concerning any Mark. You must take any actions, in the opinion of our counsel, which may be necessary or advisable to protect and maintain our

interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the Marks.

ation or Patent and Trademark Office or any other proceeding arising out of any alleged infringement, challenge or claim or otherwise concerning any Mark. You must take any actions, in the opinion of our counsel, which may be necessary or advisable to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the Marks.

We can require you to modify or discontinue use of any Mark and/or use one or more additional or substitute trademarks or service marks. We are not required to reimburse you for your expenses in modifying or discontinuing the use of a Mark or to substitute a trademark or service mark for a discontinued Mark. We are not required to reimburse you for any loss of goodwill associated with any 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 incurred in removing signage or discontinuing your use of any Mark. Our reimbursement also does not apply to any disputes between you and us 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 the Franchised Business. However, you may not use any Mark, or part of any Mark, as part of any corporate name in any modified form. You may not use any Mark in connection with the sale of any unauthorized product or service, or in any other manner which we do not authorize in writing. You must give notices of trademark and service mark registrations as we specify and obtain such fictitious or assumed name registrations as may be required under applicable law. You must not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark we license to you.

rademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark we license to you.

mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark we license to you.

You may not establish or operate an Internet site or website using any domain name containing any of the Marks or any variation of the Marks without our written consent. We retain the sole right to advertise using the Marks on the Internet and create a website using the

Marks in the domain name and to use any other domain names we may designate in the Manual. We are the sole owner of all right, title and interest in and to these domain names as we designate in the Manual.

ITEM 14.
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents are material to the franchise. We own certain copyrights in the Manual, Proprietary Marketing and Advertising Materials and other copyrightable items which are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Registrar of Copyrights and need not do so to protect them. You may use these items only as we specify while operating your Franchised Business and you must stop using them if we direct you to do so.

There are currently no effective determinations of the Copyright Office (Library of Congress) or any court regarding the copyrighted materials. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

You must immediately notify us in writing of any apparent infringement of, or challenge to your use of any patented or copyrighted items, or claim by any person of any rights in any patented or copyrighted items, and you may not communicate with any person other than us and our counsel 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 settlements, litigation or U.S. Patent and Trademark Office Actions or any other proceeding arising out of any alleged infringement, challenge or claim or otherwise concerning any patented or copyrighted items. You must take any actions, in the opinion of our counsel, which may be necessary or advisable to protect and maintain our interests in any litigation or other proceeding or to otherwise protect and maintain our interests in the patented or copyrighted items.

We can require you to modify or discontinue use of any patented or copyrighted items and/or use one or more additional or substitute patented or copyrighted items. We are not required to reimburse you for your expenses in modifying or discontinuing the use of a patented or copyrighted item or to substitute a patent or copyright for a discontinued patented or copyrighted item. We are not required to reimburse you for any loss of goodwill associated with any modified or discontinued patented or copyrighted items.

We will reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any patented or copyrighted items, 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 incurred in removing signage or discontinuing your use of any patented or copyrighted items. Our reimbursement also does not apply to any disputes between you and us where we challenge your use of a patented or copyrighted items. Our reimbursement does not apply to legal fees you incur in seeking separate, independent legal counsel.

We have developed certain Confidential Information, including trade secrets, methods of business management, marketing and advertising techniques, and know-how, knowledge of, and experience in, operating a Pastito USA Business. We will disclose Confidential Information to you in the training program, the Manual and as a result of the assistance we furnish you during the term of the franchise. You will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term of the Franchise Agreement, and you acknowledge that the use or duplication of the Confidential Information in any other business venture would constitute an unfair method of competition.

You may only divulge Confidential Information to employees who must have access to it to operate the Franchised Business. You are responsible for enforcing the confidentiality provisions as to your employees.

Certain individuals having access to Confidential Information, including your owners and your owners' spouses, officers, directors, managers and professional staff may be required to sign nondisclosure and non-competition agreements in a form we approve.

All ideas, concepts, techniques, formulas, methods and techniques concerning the Franchised Business, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed our sole and exclusive property. We may or may not choose to incorporate these developments into our System and disclose them to other franchisees. We will disclose to you developments by other franchisees which we incorporate into our System. You must assist us in obtaining intellectual property rights in any concept or development if we request your assistance. evelopment if we request your assistance. quest your assistance.

ITEM 15.

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE PASTITO UNIT

Your Franchised Business shall at all times be under the direct full-time supervision of a Designated Manager. The Designated Manager must attend and satisfactorily complete our initial training program before your opening the Franchised Business. You will keep us informed, in writing at all times, of the identity of your Designated Manager. The Designated

Manager need not have an ownership interest in the Franchised Business. If you replace a Designated Manager for any reason, he or she must satisfactorily complete our training program.

As described in ITEM 14, all officers, directors, management and professional staff, and other individuals having access to Confidential Information may be required to sign nondisclosure and non-competition agreements. We will be a third party beneficiary with the right to enforce covenants contained in such agreements.

Each individual who owns a 5% or greater interest in the Franchised Business, and such person's spouse, must personally guarantee the performance of all of your obligations under the Franchise Agreement and agree to be personally bound by, and liable for the breach of, every provision of the Franchise Agreement. This Guaranty and Assumption of Obligations is attached as Exhibit A to the Franchise Agreement.

ITEM 16.
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must use the Approved Location solely for the operation of the Franchised Business; must keep the Franchised Business open and in normal operation as specified in the Manual; must refrain from using or permitting the use of the Approved Location for any other purpose or activity at any time without first obtaining our written consent; and must operate the Franchised Business in strict conformity with the methods, standards and specifications in the Manual and as we may require otherwise in writing.

You must offer for sale at the Franchised Business all authorized products and services, as specified in the Manual or as designated in writing by us periodically, or that we have expressly approved. You may not offer or make available at or from or through the Franchised Business, any unauthorized services or products without our prior written consent. You must discontinue offering any services or products that we may disapprove in writing at any time. We may periodically change required or authorized products and services. There are no limits on our right to do so.

We may designate certain products not otherwise authorized for general use as a part of the System to be offered locally or regionally based upon those factors as we determine, including your qualifications, test marketing, and regional or local differences. Furthermore, we may, in our sole discretion periodically, give our consent to one or more franchisees to provide certain products, not authorized for general use as part of the System, based upon the foregoing factors. Such consent, with respect to any other franchisee, will not create any rights for you to provide the same products.

 y other franchisee, will not create any rights for you to provide the same products.

 other franchisee, will not create any rights for you to provide the same products.

You must operate the Franchised Business in strict conformity with all applicable federal, state and local laws, ordinances and regulations. These laws, ordinances and regulations vary from jurisdiction to jurisdiction and are amendable and may be implemented or interpreted in different manners over time. It is solely your responsibility to apprise yourself of the existence and requirements of all laws, ordinances and regulations applicable to the Franchised Business and to adhere to them and to the then-current implementation or interpretation of them.

You must maintain the Franchised Business, including the equipment, in "like new" condition and repair or replace damaged, worn out, unsafe or obsolete equipment, computer hardware and software, fixtures, signs and like items at the Franchised Business as necessary to maintain uniformity with our current standards and specifications. You will not be required to spend any amount on modifications or improvements to our system during the term of the franchise which would be considered unreasonably disproportionate with your initial investment to establish the Franchised Business.

We do not restrict the clients to whom you provide your services (see ITEM 12).

ITEM 17.
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

The following table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreement attached to this Franchise Disclosure Document. You should refer to any state-specific addenda attached to this Franchise Disclosure Document as Exhibit H for exceptions to this ITEM 17.

Provision		Section in the Franchise Agreement	Summary
a.	Length of the franchise term	Section 4.1	The initial term is 10 years.
b.	Renewal or extension of the term	Section 4.2	You may renew for one additional term of 5 years each, subject to (c) below.
c.	Requirements for you to renew or extend	Section 4.2	You may renew the Franchise Agreement if you: have substantially complied with the provisions of the Franchise Agreement; have the right to maintain

Commented [UA7]: For us it is OK – noted
After the renewal of 5 years they are required to sign on a potentially different contract.

Provision	Section in the Franchise Agreement	Summary
		<p>possession of the Approved Location or an approved substitute location for the term of the renewal; have made capital expenditures as necessary to maintain uniformity with the System; have satisfied all monetary obligations owed to us; are not in default of any provision of the Franchise Agreement or any other agreement between you and us; have given timely notice of your intent to renew; sign a current Franchise Agreement; comply with current qualifications and agree to comply with any training requirements; pay a renewal fee of \$5,000; and sign a general release in a form satisfactory to us. “Renewal” for the Pastito System means renewal of the franchise relationship between us for an additional 5 year term. You may be asked to sign a contract with materially different terms and conditions than your original contract upon such renewal.</p>
d. Termination by you	Section 16.1	<p>If you are in compliance and we materially breach the Franchise Agreement and fail to cure or begin to cure within 30 days of receiving your written notice.</p>
e. Termination by us without cause	None	
f. Termination by us with cause	Section 16.2	<p>We may terminate the Franchise Agreement only if you default.</p>
g. “Cause” defined-defaults which can be cured	Section 16.2.2	<p>You generally have 30 days to cure all defaults, except for defaults included in (h) below.</p>
h. “Cause” defined-	Section	<p>Noncurable defaults. We have the right to</p>

Provision	Section in the Franchise Agreement	Summary
defaults which cannot be cured	16.2.1	<p>terminate the Franchise Agreement without giving you an opportunity to cure if you: fail to establish and equip the Franchised Business; fail to satisfactorily complete training; make a material misrepresentation or omission in the application for the franchise; are convicted of or plead no contest to a felony or other crime or offense that is likely to adversely affect the reputation of us, you or the Franchised Business; make any unauthorized use, disclosure or duplication of any portion of the Manual or Confidential Information; abandon the Franchised Business for 5 or more consecutive days; surrender or transfer control of the operation of the Franchised Business in an unauthorized manner; or attempt to make an unauthorized direct or indirect assignment of the franchise or an ownership interest in you; fail to maintain the Franchised Business under the supervision of a Designated Manager during the 180 days following the death or incapacity of one of your owners; submit reports to us on 2 or more occasions understating any amounts owed to us; are adjudicated as bankrupt, become insolvent, commit any affirmative act of insolvency or file any action or petition of insolvency; fail to satisfy a final judgment against the Franchised Business within 30 days or longer; a suit to foreclose against the Approved Location or your business property is instituted; misuse of the Marks; fail on 2 or more occasions within any 12 month period to submit reports or</p>

Provision	Section in the Franchise Agreement	Summary
		pay any fees owed to us; continue to violate any health or safety laws; you default under any other agreement between us and you.
i. Your obligations on termination/nonrenewal	Section 17	If the Franchise Agreement is terminated or not renewed, you must: stop operating the Franchised Business; stop using any Confidential Information, the System, the Proprietary Software and the Marks; assign your interest in the Approved Location to us if requested by us; cancel or assign to us any assumed names; pay all sums owed to us, including damages and costs incurred in enforcing the termination provisions of the Franchise Agreement; return the Manual and all other Confidential Information; assign your telephone and facsimile numbers to us; comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement. any other surviving provisions of the Franchise Agreement. provisions of the Franchise Agreement.
j. Assignment of contract by us	Section 18.1	There are no restrictions on our right to assign or transfer.
k. “Transfer” by you - definition	Section 18.2	Includes transfer of ownership in the franchise, interest in franchisee entity or sale of assets.
l. Our approval of transfer by you	Section 18.2	Approval is required for all transfers.
m. Conditions for our approval of transfer	Sections 18.2	We will consent to a transfer if: we have not exercised our right of first refusal; all

Provision	Section in the Franchise Agreement	Summary	
		<p>obligations owed to us and other outstanding obligations of the Franchised Business are paid; you and the transferee have signed a general release in a form satisfactory to us; the prospective transferee meets our business and financial standards; the transferee and all persons owning any interest in the transferee sign the then current Franchise Agreement; you provide us with a copy of all contracts and agreements related to the transfer; you or the transferee pay a transfer fee of \$7,500; the transferee or the owners of transferee have agreed to be personally bound by all provisions of the Franchise Agreement; if requested by us, you have agreed to guarantee performance by the transferee; the transferee has obtained all necessary consents and approvals of third parties; you or all of your equity owners have signed a non-disclosure and non-competition agreement in a form satisfactory to us; and transferee agrees that before assuming management of the operation of the Franchised Business, the transferee shall select two persons who will complete the initial training program.</p>	
n.	Our right of first refusal to acquire your Franchised Business	Section 19.2	We may match an offer for your Franchised Business or an ownership interest you propose to sell.
o .	Our option to purchase business assets of your	Section 17.4	We may purchase certain assets of your Franchised Business after termination or expiration of the franchise.

Provision		Section in the Franchise Agreement	Summary
Franchised Business			
p.	Your death or disability	Section 18.6	If you (or one of you owners) die or become incapacitated, your representative must transfer, subject to the terms of the Franchise Agreement, your interest in the Franchised Business within 180 days of death or incapacity or we may terminate the Franchise Agreement.
q.	Non-competition covenants during the term of the franchise	Section 7.4	You, your owners (and members of your families and households) and your officers, directors, executives managers or professional staff are prohibited from: attempting to divert any business or clients of the Franchised Business to a Competitive Business or causing injury or prejudice to the Marks or the System; owning or working for a Competitive Business.
r.	Non-competition covenants after the franchise is terminated or expires	Sections 17.2.2 and 17.2.3	For 2 years after the termination or expiration of the Franchise Agreement, you, your owners (and members of your families and households) and your officers, directors, executives managers or professional staff are prohibited from: owning or working for a Competitive Business operating within 5 miles of the Approved Location or within 5 miles of any other Pastito USA Business ; or soliciting or influencing any of our employees or business associates to compete with us or terminate their relationship with us.
s.	Modification of the Franchise	Section 22.7	The Franchise Agreement can be modified only by written agreement between you

Provision		Section in the Franchise Agreement	Summary
	Agreement		and us.
t.	Integration/merger clause	Section 22.7	Only the terms of the Franchise Agreement are binding (subject to state law); but this provision will not act, or be interpreted, as a disclaimer of any representations made in this disclosure document. Any representations or promises outside of the Franchise Disclosure Document and other agreements may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 23.1	None. All disputes must be litigated in Florida, Florida, unless your state law prohibits.
v.	Choice of forum	Section 23.2	Any litigation must be pursued in courts located in the state of Florida, unless your state law prohibits, and except as provided in a state specific addendum.
w.	Choice of law	Section 23.1	Delaware law applies, subject to your state law, except that disputes regarding the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.), and except as provided in a state specific addendum.

Some states may have statutes or court decisions which may supersede the Franchise Agreement concerning your relationship with us, including the areas of termination, transfer and renewal of your franchise and dispute resolution of the franchise.

ITEM 18.
PUBLIC FIGURES

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

ITEM 19.
FINANCIAL PERFORMANCE REPRESENTATIONS

The Federal Trade Commission's Franchise Rule permits a Franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Franchise Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if: (1) the 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.

ng; 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.

g; 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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of the company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Goren Tasa, the Federal Trade Commission and the appropriate regulatory agencies.

ITEM 20.
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
SYSTEMWIDE OUTLET SUMMARY FOR YEAR 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2024	0	0	0
	2025	0	4	4
	2026	0	4	4
Company-Owned	2024	0	1	1

Or Licensed	2025	1	0	1
	2026	0	0	0
Total Outlets	2024	0	1	1
	2025	0	4	+4
	2026	0	4	+4

Table No. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR) FOR YEAR 2024

State		Year	Number of Transfers
All States		2024	0
		2025	0
		2026	0
Total		2024	0
		2025	0
		2026	0

Table No. 3
STATUS OF FRANCHISED OUTLETS FOR THE YEAR 2024

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
Florida	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
	2026	0	1	0	0	0	0	1
New Jersey	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
	2026	0	1	0	0	0	0	1
Total	2024	0	1	0	0	0	0	1
	2025	0	0	0	0	0	0	0
	2026	0	2	0	0	0	0	2

Table No. 4

STATUS OF COMPANY-OWNED OUTLETS
FOR THE YEAR 2024

State	Year	Outlet s at Start of Year	Outlet s Open ed	Outlets Reacquired from Franchisees	Outlet s Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Florida	2024	0	1	0	0	0	1
	2025	1	0	0	1	0	0
	2026	0	0	0	0	0	0
Total	2024	0	1	0	0	0	1
	2025	1	0	0	1	0	0
	2026	0	0	0	0	0	0

Table No. 5

PROJECTED OPENINGS DURING THE UPCOMING YEAR ENDING DECEMBER 31, 2024			
STATE	FRANCHISE AGREEMENTS SIGNED BUT UNIT NOT OPEN	PROJECTED NEW FRANCHISED UNITS IN 2024	PROJECTED COMPANY- OWNED OPENINGS IN 2024
Florida	0	1	0
All*	0	1	0

*We intend to offer and sell franchises throughout the United States including those states which require registration (once we obtain approval from the appropriate state authorities).

The names, addresses, and telephone numbers of our franchisees are listed in Exhibit F. Exhibit F also contains a list of franchisees who have had a business 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 application date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the Pastito System.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Pastito System. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you. No franchisees have signed a confidentiality clause in a franchise agreement, settlement, or other contract within the last three years that would restrict their ability to speak openly about their experience with Pastito.

We are not aware of, nor have we created, sponsored or endorsed, any franchisee organization association regardless of whether they use our marks.

ITEM 21.
FINANCIAL STATEMENTS

We have not been in business for three years and cannot include the requisite financial statements for that period.

ITEM 22.
CONTRACTS

The Pastito USA Franchise Agreement (with exhibits) is attached to this Franchise Disclosure Document as Exhibit C.

The Pastito USA Guaranty and Assumption of Obligations is attached to the Franchise Agreement as Exhibit A.

We provide no other contracts or agreements for your signature.

ITEM 23.
RECEIPT

Our and your copies of the Franchise Disclosure Document Receipt are located on the last 2 pages of this Franchise Disclosure Document.

EXHIBIT A TO THE FRANCHISE DISCLOSURE DOCUMENT

PASTITO USA

LIST OF STATE ADMINISTRATORS

LIST OF STATE ADMINISTRATORS

The following is a list of state administrators responsible for registration and review of franchises. We may register in one or more of these states.

California

California Department of Business
Oversight
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
Telephone (213) 576-7500

Unit

525 Ottawa Street
G. Mennen Williams Building, 6th Floor
Lansing, Michigan 48909

Connecticut

Connecticut Banking Commissioner
Department of Banking
Securities & Business Investments Division
260 Constitution Plaza
Hartford, Connecticut 06103

Minnesota

Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101

Hawaii

Business Registration Division
Department of Commerce and Consumer
Affairs
335 Merchant Street
Honolulu, Hawaii 96813

Florida

Florida State Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
Florida, Florida 10005
(212) 416-8236

Illinois

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

North Dakota

North Dakota Securities Department
State Capitol – 5th Floor
600 East Boulevard
Bismarck, North Dakota 58505

Indiana

Indiana Secretary of State
Securities Division
302 West Washington Street, Room E-111
Indianapolis, Indiana 46204

Oregon

Secretary of State, Corporation Division
255 Capitol Street Northeast
Salem, Oregon 97310

Maryland

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202

Rhode Island

Division of Securities, Suite 232
233 Richmond Street
Providence, Rhode Island 02903

Michigan

Department of the Attorney General
Consumer Protection Division, Franchise

South Dakota

Department of Revenue and Regulation
Division of Securities
445 East Capitol Avenue
Pierre, South Dakota 57501

Virginia

State Corporation Commission
Division of Securities and Retail Franchising
Tyler Building, 9th Floor
1300 East Main Street
Richmond, Virginia 23219

Washington

Department of Financial Institutions
Securities Division
150 Israel Road Southwest
Olympia, Washington 98501

Wisconsin

Division of Securities
Department of Financial Institutions
345 West Washington Avenue
Madison, Wisconsin 53703

EXHIBIT B TO THE FRANCHISE DISCLOSURE DOCUMENT

PASTITO USA

LIST OF STATE AGENTS FOR SERVICE OF PROCESS

LIST OF STATE AGENTS FOR SERVICE OF PROCESS

The following state agencies are designated as our agent for service of process in accordance with the applicable state laws. We may register in one or more of these states.

California
California Commissioner of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
Telephone (213) 576-7500

Connecticut
Connecticut Banking Commissioner
Department of Banking
Securities & Business Investments Division
260 Constitution Plaza
Hartford, Connecticut 06103

Hawaii
Director of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street
Honolulu, Hawaii 96813

Illinois
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

Indiana
Indiana Secretary of State
Securities Division
302 West Washington Street, Room E-111
Indianapolis, Indiana 46204

Maryland
Maryland Securities Commissioner
Office of Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202

Michigan
Michigan Department of Commerce
Corporations and Securities Bureau
P.O. Box 30054
6546 Mercantile Way
Lansing, Michigan 48909

Minnesota
Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101

Florida
Secretary of the State of Florida
99 Washington Avenue
Albany, Florida 12231

North Dakota
North Dakota Securities Department
State Capitol – 5th Floor
600 East Boulevard
Bismarck, North Dakota 58505

Oregon
Secretary of State
Corporation Division
255 Capitol Street Northeast
Suite 157
Salem, Oregon 97310

Rhode Island
Division of Securities
Suite 232
233 Richmond Street
Providence, Rhode Island 02903

South Dakota
Department of Revenue and Regulation
Division of Securities
445 East Capitol Avenue
Pierre, South Dakota 57501

Virginia
Clerk, State Corporation Commission
Tyler Building, 1st Floor
1300 East Main Street
Richmond, Virginia 23219

Washington
Director, Department of Financial Institutions
Securities Division
150 Israel Road Southwest

Olympia, Washington 98501

Wisconsin

Commissioner of Securities
345 West Washington Street, 4th Floor
Madison, Wisconsin 53703

EXHIBIT C TO THE FRANCHISE DISCLOSURE DOCUMENT

PASTITO USA

FRANCHISE AGREEMENT

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
1. DEFINITIONS.....	1
2. GRANT OF FRANCHISE.....	5
2.1 Grant	5
2.2 Approved Location	5
2.3 Approved Location Not Determined.....	5
2.4 Sub-franchising/Agents.....	7
2.5 Territory	7
2.6 Franchisor's Rights	7
3. FEES	8
3.1 Franchise Fee	8
3.2 Monthly Royalty Fee	8
3.3 Marketing Fund Contribution	8
3.4 Taxes	9
3.5 Interest.....	9
3.6 Electronic Transfer.....	9
3.7 Application of Payments.....	9
4. TERM AND RENEWAL	10
4.1 Initial Term	10
4.2 Renewal Term	10
5. APPROVED LOCATION	11
5.1 Selection of Site	11
5.2 Approval of Lease.....	13
5.3 Development of Approved Location.....	14
5.4 Opening.....	15
5.5 Use of Approved Location.....	16
5.6 Relocation	16
6. MARKS	17
6.1 Ownership	17
6.2 Limitations on Use.....	17
6.3 Notification of Infringements and Claims	17
6.4 Indemnification for Use of Marks.....	18
6.5 Discontinuance of Use of Marks.....	19
6.6 Right of Inspection.....	19
6.7 Franchisor's Sole Right to Domain Name	19

TABLE OF CONTENTS (continued)

SECTION		PAGE
7.	CONFIDENTIAL INFORMATION	20
7.1	Requirement of Confidentiality	20
7.2	Additional Developments	20
7.3	Exclusive Relationship.....	21
7.4	Confidentiality and Non-Competition Agreements with Certain Individuals.....	21
7.5	Reasonableness of Restrictions.....	22
8.	MANUAL	22
8.1	Loan by Franchisor	22
8.2	Revisions to the Manual.....	22
8.3	Confidentiality of Manual.....	22
9.	TRAINING AND ASSISTANCE.....	23
9.1	Initial Training	23
9.2	Opening Assistance.....	23
9.3	Failure to Complete Initial Training Program	24
9.4	New Designated Manager.....	24
9.5	Ongoing Training	24
10.	FRANCHISE SYSTEM.....	17
10.1	Uniformity.....	25
10.2	Modification.....	25
10.3	Variance	26
11.	MARKETING AND PROMOTION	26
11.1	Grand Opening Advertising.....	26
11.2	Local Advertising.....	18
11.3	Marketing Fund.....	27
11.4	Cooperative Advertising.....	29
11.5	Internet Marketing	29
11.6	Customer Referrals	30
12.	ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS	30
12.1	Records	30
12.2	Sales Reports.....	30
12.3	Financial Statements	30
12.4	Other Reports	21
12.5	Computer/Point-of-Sale System	31
12.6	Right to Inspect	31
12.7	Release of Records.....	32

TABLE OF CONTENTS (continued)

SECTION		PAGE
13.	STANDARDS OF OPERATION	32
13.1	Authorized Products, Services and Suppliers	32
13.2	Proprietary Ingredients.....	23
13.3	Proprietary Advertising and Marketing Materials	23
13.4	Appearance and Condition of the Approved Location	35
13.5	Right to Inspect	35
13.6	Ownership and Management	36
13.7	Days of Operation	36
13.8	Licenses and Permits; Compliance with Laws	36
13.9	Notification of Proceedings	37
13.10	Compliance with Good Business Practices.....	25
13.11	Uniforms	38
13.12	Vending Machines	38
13.13	Credit Cards	38
13.14	Best Efforts	38
14.	FRANCHISOR'S OPERATIONS ASSISTANCE.....	38
14.1	General Advice and Guidance	39
14.2	Periodic Visits.....	39
14.3	System Improvements.....	39
15.	INSURANCE.....	39
15.1	Types and Amounts of Coverage.....	39
15.2	Future Increases	40
15.3	Carrier Standards	41
15.4	Evidence of Coverage	41
15.5	Failure to Maintain Coverage	41
16.	DEFAULT AND TERMINATION	41
16.1	Termination by Franchisee	41
16.2	Termination By Franchisor	28
16.3	Reinstatement and Extension.....	44
16.4	Right of Franchisor to Discontinue Sales to Franchisee	44
17.	RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION	44
17.1	Actions to be Taken	45
17.2	Post-Termination Covenant Not to Compete.....	31
17.3	Unfair Competition	47
17.4	Franchisor's Option to Purchase Certain Business Assets.....	32
17.5	Survival of Certain Provisions	48

TABLE OF CONTENTS (continued)

SECTION	PAGE
18. TRANSFERABILITY OF INTEREST	48
18.1 Transfer by Franchisor.....	48
18.2 Transfer by Franchisee to a Third Party	48
18.3 Transfer to a Controlled Entity	50
18.4 Franchisor's Disclosure to Transferee	52
18.5 For Sale Advertising	52
18.6 Transfer by Death or Incapacity	52
19. RIGHT OF FIRST REFUSAL.....	52
19.1 Submission of Offer	52
19.2 Franchisor's Right to Purchase	53
19.3 Non-Exercise of Right of First Refusal	53
20. BENEFICIAL OWNERS OF FRANCHISEE.....	54
21. RELATIONSHIP AND INDEMNIFICATION	36
21.1 Independent Contractor.....	54
21.2 Indemnification	54
21.3 Right To Retain Counsel.....	55
22. GENERAL CONDITIONS AND PROVISIONS	37
22.1 No Waiver	55
22.2 Injunctive Relief.....	56
22.3 Notices	56
22.4 Cost of Enforcement or Defense.....	57
22.5 Guaranty and Assumption of Obligations.....	57
22.6 Approvals	57
22.7 Entire Agreement	57
22.8 Severability and Modification.....	58
22.9 Construction	58
22.10Force Majeure	39
22.11Timing.....	59
22.12Withholding Payments.....	59
22.13Further Assurances.....	59
22.14Duty of Reasonableness and of Good Faith.....	60
22.15Multiple Originals	60
23. DISPUTE RESOLUTION	60
23.1 Choice of Law	60
23.2 Consent to Jurisdiction.....	60
23.3 Cumulative Rights and Remedies	61

TABLE OF CONTENTS (continued)

SECTION		PAGE
23.4 Limitations of Claims	61	
23.5 Waiver of Jury Trial.....	61	
23.6 Limitation of Damages	61	
24. ACKNOWLEDGMENTS	62	
24.1 Receipt of this Agreement and the Franchise Disclosure Document.....	62	
24.2 Consultation by Franchisee.....	62	
24.3 Risk	62	
24.4 No Guarantee of Success	62	
24.5 No Violation of Other Agreements.....	63	

EXHIBITS

- A. GUARANTY AND ASSUMPTION OF OBLIGATIONS
- B. HOLDERS OF LEGAL OR BENEFICIAL INTEREST IN FRANCHISEE;
OFFICERS, DIRECTORS
- C. ADDENDUM TO FRANCHISE AGREEMENT

PASTITO USA

FRANCHISE AGREEMENT

This Franchise Agreement, made this 1 day of February, 2023, by and between **PASTITO USA**, a Delaware corporation having its principal place of business at (“**Franchisor**”), and _____, with its principal place of business at _____ (“**Franchisee**”).

WITNESSETH:

WHEREAS, Franchisor has developed and is in the process of further developing a System identified by the service mark “**Pastito USA**” and related to the establishment, development and operation of quick service restaurants, the Pastito Businesses, which utilize proprietary ingredients to provide fresh Mediterranean vegetarian food, including hummus and falafel, to the general public; and

WHEREAS, the distinguishing characteristics of the System include, among other things, uniform standards and procedures for business operations and management, procedures and strategies for marketing, advertising and promotions, distinctive interior office décor and design, signage and equipment, unique and proprietary food products, including hummus and falafel, the Marks, the Manual, uniform standards, specifications, procedures and techniques for using the proprietary food products , accounting, billing, collections and customer management, all of which are designed to enhance the business and managerial aspects of a Pastito Business; and

WHEREAS, Franchisor grants to certain qualified persons the right to own and operate a single Pastito Business under the System and using the Marks; and

WHEREAS, Franchisee desires to operate a Pastito Business, has applied for a Franchise and such application has been approved by Franchisor in reliance upon all of the representations made therein; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor’s high and uniform standards of quality, operations and service and the necessity of operating the Franchised Business in strict conformity with Franchisor’s System.

NOW, THEREFORE, Franchisor and Franchisee, intending to be legally bound, agree as follows:

1. DEFINITIONS

Whenever used in this Agreement, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the respective meanings ascribed to them as follows:

“Affiliate” means any entity that controls, is controlled by, or is under common control with Franchisor;

“Agreement” means this agreement entitled “PASTITO USA. Franchise Agreement” and all instruments supplemental hereto or in amendment or confirmation hereof;

“Approved Location” means the site for the operation of the Pastito USA Franchised Business selected by Franchisee and approved in writing by Franchisor;

“Approved Supplier(s)” has the meaning given to such term in Section 13.1 hereof;

“Competitive Business” means any business which offers (or grants franchises or licenses to others to operate a business that offers food services or related products and services or any services or products which are the same as or similar to those provided by Pastito Businesses or in which Confidential Information could be used to the disadvantage of Franchisor or its other franchisees; provided, however, that the term “Competitive Business” shall not apply to (a) any business operated by Franchisee under a Franchise Agreement with Franchisor, or (b) any business operated by a publicly held entity in which Franchisee owns less than a five percent (5%) legal or beneficial interest;

“Confidential Information” means any trade secret including but not limited to any information or matter that may be used to gain a competitive advantage over Franchisor or any of its Affiliates (if any) and is not generally known by the public, whether or not in written or tangible form and regardless of the media (if any) on which it is stored, relating to the System, (including know-how, knowledge of and experience in operating a Pastito Business, methods, formats, specifications, policies, procedures, information, standards, business management and operating systems and techniques, record keeping and reporting methods, accounting systems, management and personnel training techniques, advertising and promotion techniques, specifications for signs, displays, business forms, and business stationery to be used by franchisees, designs, drawings, and specifications for the Approved Location, the Manual, ideas, research and development, customer account data, lists of franchisees and suppliers, suggested pricing and cost information, information relating to Franchisor’s proprietary software, including, but not limited to, technological manuals, system requirements, technological support systems, training programs or techniques), and any other information or material identified to Franchisee by Franchisor as confidential;

“Cooperative Advertising” means the combined advertising program of two (2) or more Franchisees established within a common market, which Franchisor may require for Franchised Businesses within a particular region, as further described in Section 11.4 hereof;

“Design Package Fee” has the meaning given to such term in Section 5.3 hereof;

“Designated Area” means the area within which Franchisee is required to locate the Franchised Business as defined or described in Section 2.3 hereof and does not confer any territorial protection or exclusivity;

“Designated Manager” means the person designated by Franchisee who has primary responsibility for managing the day-to-day affairs of the Franchised Business, and if Franchisee is an individual and not a business entity, the Designated Manager may be Franchisee or his or her designee;

“Effective Date” means the date upon which Franchisor executes this Agreement and commences the effectiveness and term of this Agreement;

“Electronic Depository Transfer Account” means an account maintained by Franchisee with a national banking institution approved by Franchisor providing Franchisor with access to such account sufficient to allow Franchisor to electronically withdraw any funds due Franchisor;

“Franchise” means the right granted to Franchisee by Franchisor to use the System and the Marks;

“Franchise Fee” has the meaning given to such term in Section 3.1 hereof;

“Franchised Business” means the Pastito USA Business to be established and operated by Franchisee in accordance with the System at the Approved Location pursuant to this Agreement;

“Franchisee” means the individual or entity defined as “Franchisee” in the introductory paragraph of this Agreement, and if Franchisee is a business entity, such term shall also include all holders of a legal or beneficial interest in the entity (each of which is identified in Exhibit E and has executed the supplemental signature page with respect to his or her individual obligations hereunder);

“Franchisor” means Pastito USA;

“Gross Sales” means the aggregate of all revenue from the sale of food and any other goods and services from all sources in connection with the Franchised Business whether for check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance, but excluding all refunds, promotions and discounts made or given in good faith, any sales and equivalent taxes which are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, and the value of any allowance issued or granted to any customer of the Franchised Business which is credited by Franchisee in full or partial satisfaction of the price of any services and products offered in connection with the Franchised Business;

and the value of any allowance issued or granted to any customer of the Franchised Business which is credited by Franchisee in full or partial satisfaction of the price of any services and products offered in connection with the Franchised Business;

e of any allowance issued or granted to any customer of the Franchised Business which is credited by Franchisee in full or partial satisfaction of the price of any services and products offered in connection with the Franchised Business;

“Gross Sales Report” has the meaning given to such term in Section 12.2;

“Incapacity” means the inability of Franchisee to operate or oversee the operation of the Franchised Business on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation;

“Internet” means any one (1) or more local or global interactive communications media, that is now available, or that may become available, and includes sites and domain names on the World Wide Web;

“Local Advertising” has the meaning given to such term in Section 11.2 hereof;

“Manual” means the Pastito Operations Manual, and any other items as may be provided, added to, changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, procedures and specifications of the System, including, other operations, administration and managers manuals, and all books, password protected portions of an Internet site, e-mail, pamphlets, memoranda, and other publications prepared by, or on behalf of, Franchisor;

“Marketing Fund” has the meaning given to such term in Section 3.3 and is further described in Section 11.3;

“**Marketing Fund Contribution**” has the meaning given to such term in Section 3.3 hereof;

“**Mark(s)**” means the service mark “Pastito USA” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, copyrights, drawings and other commercial symbols as Franchisor may designate to be used in connection with Pastito USA Businesses;

“**Proprietary Advertising and Marketing Materials**” has the meaning given to such term in Section 13.3 hereof;

“**Proprietary Ingredients**” has the meaning given to such term in Section 13.2 hereof;

“**Territory**” has the meaning given to such term in Section 2.5 hereof;

“**Royalty Fee**” has the meaning given to such term in Section 3.2 hereof; and

“**System**” means the uniform standards, methods, procedures and specifications developed by Franchisor and as may from time to time be added to, changed, modified, withdrawn or otherwise revised by Franchisor, in its sole discretion, for the operation of Pastito Businesses.

2. **GRANT OF FRANCHISE**

2.1 **Grant**

Franchisor hereby grants to Franchisee, and Franchisee undertakes and accepts, upon the terms and conditions herein contained, a revocable, limited license to operate one (1) Pastito Business using the System and the Marks at the Approved Location as provided in Section 2.2 hereof.

2.2 **Approved Location**

The street address (or detailed description of the premises) of the Approved Location is:

2893 Stirling rd, Hollywood, FL 33312

2.3 **Approved Location Not Determined**

If the Approved Location of the Franchised Business is not determined as of the Effective Date, then the geographic area in which the Franchised Food Unit is to be located shall be within the area described or defined as:

(“Designated Area”).

When the Approved Location is determined, its address shall be inserted into Section 2.2 above. The Designated Area is delineated for the sole purpose of site selection and does not confer any territorial exclusivity or protection.

2.4 Sub-franchising/Agents

Franchisee shall not sublicense the use of the System or Marks to any person or entity to perform any part of Franchisee's rights or obligations licensed hereunder, or to grant any person or entity the right to act as Franchisee's agent to perform any part of Franchisee's rights or obligations hereunder.

2.5 Territory ("Site Location")

Franchisor shall not, and does not grant you any protected territory and you cannot acquire a protected territory from franchisor. Your Pastito Business shall be located at the following address:

2893 Stirling rd, Hollywood, FL 33312

2.6 Franchisor's Rights

Except to the extent provided in Section 2.5 above, Franchisor retains all of its rights and discretion with respect to the Marks and System, including the right:

2.6.1 to establish, and license others to establish, Pastito Businesses under the System and Marks at any location outside of the site location as Franchisor deems appropriate;

2.6.2 to establish, and license others to establish, other businesses under other systems using other proprietary marks at such locations and on such terms and conditions as Franchisor deems appropriate; provided, however, that such other businesses will not be substantially similar to the Franchised Business.

2.6.3 to sell, the products and services authorized for the Franchised Business, including, but not limited to, licenses for Franchisor's Proprietary Ingredients through alternate channels of distribution, such as joint marketing with partner companies, direct mail, licensing programs, Internet and catalogue sales both pursuant to such terms and conditions as Franchisor deems appropriate, provided, however, that no such sales shall be made to a Competitive Business within the Territory; and

2.6.4 to engage in any activities not expressly forbidden by this Agreement.

3. FEES

Franchisee agrees to pay Franchisor the following fees and amounts at the times specified herein:

3.1 Franchise Fee

Upon execution of this Agreement, Franchisee shall pay a Franchise Fee to Franchisor of THIRTY THOUSAND DOLLARS (\$30,000.00). The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable. The Franchise Fee is payment, in part, for expenses incurred by Franchisor in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Franchisor including, but not limited to, general sales and marketing expenses, training, legal, accounting and other professional fees.

3.2 Monthly Royalty Fee

On the tenth (10th) day of each month, Franchisee shall pay to Franchisor without offset, credit, or deduction of any nature, so long as this Agreement shall be in effect, a monthly fee ("Royalty Fee") equal to the greater of One Thousand Dollars (\$1,000.00) or six percent (6%) of Gross Sales for the preceding month ending the last day of the prior month. Each monthly Royalty Fee payment shall accompany the Gross Sales Report, as required by Section 12.2, for the same period. If Franchisor requires Franchisee to pay Royalty Fees through electronic transfer as set forth in Section 3.6, then such statements shall instead be submitted to Franchisor either electronically or via facsimile transmission, as stated in the Manual.

Upon opening, the franchisee will be entitled to 50% discount on royalties for the first three (3) month of sales.

3.3 Marketing Fund Contribution

Franchisor has the right to establish and administer a System-wide marketing, advertising and promotion fund ("Marketing Fund"). If a Marketing Fund is established, Franchisee may be required to contribute monthly to the Marketing Fund in an amount specified by Franchisor ("Marketing Fund Contribution"), which shall not exceed one percent (1%) of the prior month's Gross Sales. Marketing Fund Contributions shall be made at the same time and in the same manner as Royalty Fee payments. If established, the Marketing Fund shall be maintained and administered by Franchisor or its designee in accordance with the provisions contained in Section 11.3.

3.4 Taxes

Franchisee shall pay to Franchisor an amount equal to all sales taxes, use taxes and similar taxes imposed on the fees payable to Franchisor hereunder and on services or goods furnished to Franchisee by Franchisor, whether such services or goods are furnished by sale, lease or otherwise, unless the tax is an income tax assessed on Franchisor for doing business in the state where the Franchised Business is located.

3.5 Interest

All Royalty Fee payments, Marketing Fund Contributions and other amounts that are not received within five (5) days after the due date shall bear interest at the rate of Ten percent (10%) per annum (or the highest rate allowed by law, whichever is lower) from the date payment is due to the date payment is received by Franchisor. This Section 3.5 shall not constitute an agreement by Franchisor to accept any payments after the due date or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's operation of, the Franchised Business. Franchisee shall pay Franchisor for all costs incurred by Franchisor in the collection of any unpaid and past due Royalty Fee payments, Marketing Fund Contributions or any other amounts due Franchisor, including reasonable accounting and legal fees. Notwithstanding the provisions of this Section, Franchisee's failure to pay all amounts when due, shall constitute grounds for termination of this Agreement as provided in Section 16.2.

3.6 Electronic Transfer

Franchisor has the right to require all Royalty Fee payments, Marketing Fund Contributions, amounts due for purchases by Franchisee from Franchisor and other amounts due to Franchisor to be paid through an Electronic Depository Transfer Account. At Franchisor's request, Franchisee shall open and maintain an Electronic Depository Transfer Account, and shall provide Franchisor with continuous access to such account for the purpose of receiving any payments due to Franchisor. Every month, Franchisee shall make deposits to the account sufficient to cover amounts owed to Franchisor prior to the date such amounts are due. Franchisee shall execute any documents Franchisor's or Franchisee's bank requires to establish and implement the Electronic Depository Transfer Account. Once established, Franchisee shall not close the Electronic Depository Transfer Account without Franchisor's consent.

3.7 Application of Payments

Notwithstanding any designation by Franchisee, Franchisor shall have the sole discretion to apply any payments by Franchisee to any past due indebtedness of Franchisee for

Royalty Fees, Marketing Fund Contributions, purchases from Franchisor, interest or any other amount owed to Franchisor.

4. TERM AND RENEWAL

4.1 Initial Term

This Agreement shall be effective and binding for an initial term of ten (10) years from the Effective Date of this Agreement, unless sooner terminated pursuant to Section 16.2.

4.2 Renewal Term

Subject to the conditions below, Franchisee has the right to renew this Franchise at the expiration of its term. Franchisee's right to enter into a new franchise agreement is limited to one (1) renewal term of five (5) years, such that the total term of the Franchise shall not exceed fifteen (15) years. To qualify for a renewal, each of the following conditions shall have been fulfilled and remain true as of the last day of the term of this Agreement:

4.2.1 Franchisee has, during the entire term of this Agreement, substantially complied with all material provisions;

4.2.2 Franchisee has access to and, for the duration of the renewal term, has the right to remain in possession of the Approved Location, or a suitable substitute location approved by Franchisor, which is in compliance with Franchisor's then-current specifications and standards for the duration of the renewal term;

4.2.3 Franchisee has, at its expense, made such capital expenditures as were necessary to maintain uniformity with any Franchisor-required System modifications such that the Franchised Business reflects Franchisor's then-current standards and specifications;

4.2.4 Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor, and has timely met these obligations throughout the term of this Agreement;

4.2.5 Franchisee is not in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor;

4.2.6 Franchisee has given notice of renewal to Franchisor not less than nine (9) months nor more than twelve (12) months prior to the end of the initial term;

4.2.7 Franchisee has executed Franchisor's then-current form of the Franchise Agreement or has executed renewal documents at Franchisor's election (with appropriate modifications to reflect the fact that the Franchise Agreement relates to the grant of a renewal franchise), which franchise agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement by requiring, among other things, a different percentage Royalty Fee and Marketing Fund Contribution; provided, however, that Franchisee shall not be required to pay the then-current Franchise Fee;

4.2.8 provided, however, that Franchisee shall not be required to pay the then-current Franchise Fee;

4.2.9 provided, however, that Franchisee shall not be required to pay the then-current Franchise Fee;

4.2.10 Franchisee has complied, or agrees to comply, with Franchisor's then-current qualifications for a new franchisee and any training requirements;

4.2.11 Franchisee has paid Franchisor a renewal fee of Five Thousand Dollars (\$5,000.00); and

4.2.12 Except to the extent prohibited by the laws of the state where the Franchised Business is located, Franchisee has executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor, its Affiliates (if any), and its officers, directors, shareholders, and employees.

5. APPROVED LOCATION

5.1 Selection of Site

Franchisee shall promptly select a site for the Franchised Business and shall notify Franchisor of such selection. If Franchisor approves of such selection, the site will be designated as the Approved Location. If Franchisor does not approve of such selection, Franchisee shall select a new site. Franchisor shall provide Franchisee with general guidelines to assist Franchisee in selecting a site suitable for the Approved Location. Franchisor has the right to approve or disapprove a proposed location based on such factors as it deems appropriate, including the condition of the premises, demographics of the surrounding area, proximity to other Pastito Businesses, lease requirements and overall suitability. Franchisee shall not locate the Franchised Business on a selected site without the prior written approval of Franchisor. If Franchisor and Franchisee cannot agree upon a suitable site for the operation of the Franchised Business within nine (9) months of the Effective Date, Franchisor shall have the

right, in its discretion, to terminate this Agreement, pursuant to Section 16.2. Franchisor does not represent that it or any of its employees, agents, or designees have special expertise in selecting sites. Neither Franchisor's assistance nor approval is intended to indicate or indicates that the Franchised Business will be profitable or successful at the Approved Location. Franchisee is solely responsible for finding and selecting the Approved Location.

5.2 Approval of Lease

After the designation of the Approved Location (and if the site is to be leased or purchased), Franchisee shall execute a lease for, or a binding agreement to purchase, the Approved Location, the terms of which must have been previously approved by Franchisor. Franchisor shall not unreasonably withhold its approval. Franchisor's review of a lease or purchase agreement, or any advice or recommendation offered by Franchisor, shall not constitute a representation or guarantee that Franchisee will succeed at the Approved Location nor constitute an expression of Franchisor's opinion regarding the terms of such lease or purchase agreement. Franchisor shall be entitled to require that nothing therein contained is contradictory to, or likely to interfere with, Franchisor's rights or Franchisee's duties under this Agreement. Franchisee shall take all actions necessary to maintain the lease, if any, of the Approved Location while this Agreement is in effect. Any default for which the lease may be terminated shall also be deemed a default hereunder and the time to cure the same shall expire when the lease is terminated. Franchisor has the right to require that the lease for the Approved Location be collaterally assigned by Franchisee to Franchisor, pursuant to the terms of its standard collateral assignment of lease form, to secure performance by Franchisee of its obligation under this Agreement. Franchisor's approval of a lease shall be conditioned upon inclusion of terms in the lease acceptable to Franchisor and, at Franchisor's option, the lease shall contain such provisions as Franchisor may reasonably require, including:

to require that the lease for the Approved Location be collaterally assigned by Franchisee to Franchisor, pursuant to the terms of its standard collateral assignment of lease form, to secure performance by Franchisee of its obligation under this Agreement. Franchisor's approval of a lease shall be conditioned upon inclusion of terms in the lease acceptable to Franchisor and, at Franchisor's option, the lease shall contain such provisions as Franchisor may reasonably require, including:

to require that the lease for the Approved Location be collaterally assigned by Franchisee to Franchisor, pursuant to the terms of its standard collateral assignment of lease form, to secure performance by Franchisee of its obligation under this Agreement. Franchisor's approval of a lease shall be conditioned upon inclusion of terms in the lease acceptable to Franchisor and, at Franchisor's option, the lease shall contain such provisions as Franchisor may reasonably require, including:

5.2.1 a provision reserving to Franchisor the right, at Franchisor's election, to receive an assignment of the leasehold interest upon termination or expiration of the Franchise grant;

5.2.2 a provision expressly permitting the lessor of the premises to provide Franchisor all sales and other information lessor may have obtained or received relating to the operation of the Franchised Business, as Franchisor may request;

5.2.3 a provision requiring the lessor to provide Franchisor with a copy of any written notice of deficiency sent by the lessor to Franchisee, and granting to Franchisor, in its sole discretion and sole option, the right (but not the obligation) to cure any deficiency under the lease should Franchisee fail to do so within fifteen (15) days after the expiration of the period in which Franchisee may cure the default;

5.2.4 a provision allowing Franchisee to display the Marks in accordance with the specifications required by the Manual, subject only to the provisions of applicable law;

5.2.5 a provision prohibiting the premises from being used for any purpose other than the operation of the Franchised Business;

5.2.6 a provision stating that any default under the lease shall constitute a default under this Agreement, and any default under this Agreement shall constitute a default under the lease; and

5.2.7 a provision stating that upon default of this Agreement, Franchisor or its nominee has the right to take possession of the premises and operate the Franchised Business.

5.3 Development of Approved Location

Franchisor shall make available to Franchisee, at no charge to Franchisee, copies of standard plans and specifications for the development of a Pastito Business, including exterior and interior design and layout, fixtures, equipment, décor and signs. Such plans and specifications are subject to alteration as may be necessary in Franchisor's sole discretion. Franchisee shall purchase from Franchisor a design service package in the amount of Two Thousand Five Hundred dollars (\$2,500.00) for the engagement of a Franchisor designated Approved Supplier to provide engineering and architectural support in the development and construction of the Franchised Business (the "Design Package Fee"). Franchisee shall cause the Approved Location to be developed, improved and equipped in accordance with such plans and specifications within six (6) months after the later of (i) the date of execution of a lease for, or a binding agreement to purchase, the Approved Location; and (ii) the Effective Date. In connection with the development of the Approved Location, Franchisee shall:

"Design Package Fee"). Franchisee shall cause the Approved Location to be developed, improved and equipped in accordance with such plans and specifications within six (6) months after the later of (i) the date of execution of a lease for, or a binding agreement to purchase, the

Approved Location; and (ii) the Effective Date. In connection with the development of the Approved Location, Franchisee shall:

5.3.1 employ a Franchisor designated Approved Supplier, who is a competent licensed architect, to prepare, for Franchisor's approval, preliminary plans and specifications for improvement of the Approved Location adapted from the plans furnished by Franchisor;

5.3.2 obtain all zoning classifications and clearances which may be required by state and local laws, ordinances or regulations, and submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications;

5.3.3 obtain all required building, utility, sign, health, and business permits and licenses, and any other required permits and licenses required for the build-out and operation of the Franchised Business and certify in writing and provide evidence to Franchisor that all such permits have been obtained;

5.3.4 employ a qualified, licensed general contractor, approved by Franchisor to complete construction of all required improvements to the Approved Location;

5.3.5 purchase and install all required equipment, signs, furniture and fixtures, including any point-of-sale and computer equipment necessary for the operation of the Franchised Business and in accordance with Franchisor's specifications for same; and

5.3.6 obtain at least one (1) telephone number solely dedicated to the Franchised Business.

5.4 Opening

5.4.1 Before opening the Franchised Business and commencing business, Franchisee must:

5.4.1.1 fulfill all of the obligations pursuant to the other provisions of this Section 5;

5.4.1.2 complete initial training to the satisfaction of Franchisor;

5.4.1.3 hire and train the personnel required for the operation of the Franchised Business;

5.4.1.4 furnish Franchisor with copies of all insurance policies required by this Agreement, or by the lease, or such other evidence of insurance coverage and payment of premiums as Franchisor may request; and

5.4.1.5 pay in full all amounts due to Franchisor.

5.4.2 Franchisee shall comply with these conditions and be prepared to open and continuously operate the Franchised Business within nine (9) months after the later of (i) the date of execution of a lease for, or a binding agreement to purchase, the Approved Location; and (ii) the Effective Date. Time is of the essence.

5.4.3 If Franchisee is unable to commence the operation of the Franchised Business due to circumstances beyond Franchisee's reasonable control, then Franchisee may be entitled to such additional time as may be reasonably required and as to which Franchisor may consent.

5.5 Use of Approved Location

Franchisee shall not use the Approved Location for any purpose other than for the operation of a Pastito Business in full compliance with this Agreement and the Manual, unless approved in writing by Franchisor.

5.6 Relocation

Franchisee shall not relocate the Franchised Business without the prior written consent of Franchisor, which may be withheld or delayed at Franchisor's sole discretion. If the lease for the Approved Location expires or terminates without the fault of Franchisee or if the Franchised Business's premises is destroyed, condemned or otherwise rendered unusable, or as otherwise may be agreed upon in writing by Franchisor and Franchisee, Franchisor may, in its reasonable discretion, allow Franchisee to relocate the Franchised Business. Any such relocation shall be at Franchisee's sole expense, and shall proceed in accordance with the requirements set forth in Sections 5.1 through 5.4. Franchisor has the right to charge Franchisee for any costs incurred by Franchisor in providing assistance to Franchisee in connection with the relocation of the Franchised Business, including legal and accounting fees. Notwithstanding the foregoing, Franchisor has no obligation to provide relocation assistance. If no relocation site meets with Franchisor's approval, this Agreement shall terminate as provided in Section 16.2.

6. **MARKS**

6.1 **Ownership**

Franchisee's right to use the Marks is derived solely from this Agreement, is nonexclusive and is limited to the conduct of business by Franchisee pursuant to, and in compliance with, this Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by Franchisor. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks. Franchisee's use of the Marks, and any goodwill created thereby, shall inure to the benefit of Franchisor. Franchisee shall not at any time acquire an ownership interest in the Marks by virtue of any use it may make of the Marks. This Agreement does not confer any goodwill, title or interest in the Marks to Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of any of the Marks.

6.2 **Limitations on Use**

Franchisee shall not use any Mark or trade name, or any portion of any Mark or trade name, as part of any corporate or trade name of Franchisor including, but not limited to, the use of any such name or Mark with any prefix, suffix or other modifying words, terms, designs or symbols or in any modified form, without the prior written consent of Franchisor. Franchisee shall not use any trade name or any Mark in connection with the sale of any unauthorized products or services, or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies, and shall obtain such fictitious or assumed name registrations as may be required under applicable law. Franchisee shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to Franchisee. Franchisee shall include on its letterhead, forms, cards and other such identification, and shall display at the Approved Location, a prominent notice stating that the Franchised Business is an "Independently Owned and Operated Franchise" of Franchisee.

6.3 **Notification of Infringements and Claims**

Franchisee shall promptly notify Franchisor in writing of any claim, demand or cause of action based upon, or arising from, any attempt by any other person or business to use the Marks or any colorable imitation thereof. Franchisee shall notify Franchisor of any action, claim or demand against Franchisee relating to the Marks immediately after Franchisee receives notice

of said action, claim or demand. Upon receipt of timely notice of an action, claim or demand against Franchisee relating to the Marks, Franchisor has the right, at its option, to control the defense of any such action. Franchisor has the exclusive right to contest or bring action against any third party regarding the third party's use of any of the Marks and shall exercise such right in its sole discretion. Franchisee shall not communicate with any person other than Franchisor and Franchisor's counsel in connection with any such infringement, challenge, contest, action or claim; provided, however, Franchisee may communicate with its counsel at its own expense. In any defense or prosecution of any litigation relating to the Marks or components of the System undertaken by Franchisor, Franchisee shall cooperate with Franchisor and execute any and all documents and take all actions as may be desirable or necessary, in the opinion of Franchisor's counsel, to carry out such defense or prosecution. Both parties shall make every effort consistent with the foregoing to protect, maintain and promote the Marks as identifying the System.

6.4 *Indemnification for Use of Marks*

Franchisor shall reimburse Franchisee for all expenses reasonably incurred by Franchisee in any trademark or similar proceeding disputing Franchisee's authorized use of any Mark, provided that Franchisee has timely notified Franchisor of such proceeding and has complied with this Agreement and Franchisor's directions in responding to such proceeding. At Franchisor's option, Franchisor has the right to defend and control the defense of any proceeding arising directly from Franchisee's use of any Mark. This indemnification shall not include the expense to Franchisee of removing signage or discontinuing the use of the Marks. This Section is not applicable to litigation between Franchisor and Franchisee wherein Franchisee's use of the Marks is disputed or challenged by Franchisor. This Section is not applicable to any separate legal fees or costs incurred by Franchisee in seeking independent counsel separate from the counsel representing Franchisor and Franchisee in the event of litigation disputing Franchisor and Franchisee's use of the Marks.

6.5 Discontinuance of Use of Marks

If it becomes advisable at any time, in Franchisor's sole discretion, for Franchisor and/or Franchisee to modify or discontinue use of any of the Marks, or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor's directions within a reasonable time after notice to Franchisee by Franchisor. Franchisor shall not be required to reimburse Franchisee for its expenses in modifying or discontinuing the use of a Mark or any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute trademark or service mark.

6.6 Right of Inspection

To preserve the validity and integrity of the Marks and any copyrighted materials licensed hereunder, and to ensure that Franchisee is properly employing the Marks in the operation of the Franchised Business, Franchisor and its designees have the right to enter and inspect the Franchised Business and the Approved Location at all reasonable times and, additionally, have the right to observe the manner in which Franchisee is rendering its services and conducting its activities and operations, and to inspect facilities, equipment, supplies, reports, forms and documents and related data to ensure that Franchisee is operating the Franchised Business in accordance with the quality control provisions and performance standards established by Franchisor. Franchisor and its agents shall have the right, at any reasonable time, to remove sufficient quantities of any item used in the rendering of services, to test whether such item meet Franchisor's then-current standards.

6.7 Franchisor's Sole Right to Domain Name

Franchisor retains the sole right to market on the Internet, including all use of websites, domain names, URL's, linking, advertising, and co-branding arrangements. Franchisor is the sole owner of all right, title and interest in and to such domain names, as Franchisor shall designate in the Manual. Franchisee may not independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique, with words or symbols similar to the Pastito Marks. Franchisor intends that any Franchisee website be accessed only through Franchisor's home page. Franchisee will provide Franchisor with content for Franchisor's Internet marketing. Franchisor retains the right to approve any linking or other use of Franchisor's website. Franchisee shall not establish, create or operate an independent Internet site or website using a domain name or uniform resource locator containing the word "Pastito" or any variation thereof.

Franchisee may not publish any digital social media or e-commerce content without Franchisor's prior written approval, which may be withheld in Franchisor's sole discretion. Franchisor reserves the right to restrict, designate and to approve or control any existing or future (not yet developed) Fan Page, social media, or other advertising or social networking services of the Franchised Business, as Franchisor may specify from time to time in the Manual or otherwise.

7. CONFIDENTIAL INFORMATION

7.1 *Requirement of Confidentiality*

Franchisor shall disclose Confidential Information to Franchisee during the training program, through the Manual, the Proprietary Ingredients and as a result of guidance furnished to Franchisee during the term of this Agreement. Franchisee shall not acquire any interest in the Confidential Information, other than the right to utilize it in the development and operation of the Franchised Business and in performing its duties during the term of this Agreement. Franchisee acknowledges that the use or duplication of the Confidential Information in any other business venture would constitute an unfair method of competition. Franchisee acknowledges that the Confidential Information is proprietary, includes Franchisor's trade secrets and is disclosed to Franchisee solely on the condition that Franchisee (and all holders of a legal or beneficial interest in Franchisee and all officers, directors, executives, managers and members of the professional staff of Franchisee): (a) shall not use the Confidential Information in any other business or capacity; (b) shall maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (c) shall not make any unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use or disclosure of the Confidential Information. Franchisee shall enforce this Section as to its employees, agents and representatives and shall be liable to Franchisor for any unauthorized disclosure or use of Confidential Information by any of them.

7.2 *Additional Developments*

All ideas, concepts, techniques or materials concerning the Franchised Business, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to Franchisor and will be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation will be due to Franchisee or its owners or employees therefore. At Franchisor's discretion, such items may be incorporated into the System. To the extent any item does not qualify as a "work

made-for-hire" for Franchisor, Franchisee shall assign ownership of that item, and all related rights to that item, to Franchisor and must sign whatever assignment or other documents Franchisor requests to show Franchisor's ownership or to assist Franchisor in obtaining intellectual property rights in the item. Franchisor shall disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As Franchisor may reasonably request, Franchisee shall take all actions to assist Franchisor's efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

7.3 Exclusive Relationship

Franchisee acknowledges that Franchisor would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Pastito franchisees if owners of Pastito Businesses and members of their immediate families and households were permitted to hold an interest in or perform services for any Competitive Business. Therefore, during the term of this Agreement, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee (nor any member of their immediate families and households), nor any officer, director, executive, manager or member of the professional staff of Franchisee, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company or other business entity, shall: f or in conjunction with any person, partnership, corporation, limited liability company or other business entity, shall: junction with any person, partnership, corporation, limited liability company or other business entity, shall:

7.3.1 Divert or attempt to divert any business or customer of the Franchised Business to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System; or

7.3.2 Own an interest in, manage, operate, or perform services for any Competitive Business wherever located.

7.4 Confidentiality and Non-Competition Agreements with Certain Individuals

Franchisor has the right to require Franchisee and any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, employee, manager or member of the professional staff of

Franchisee to execute a standard form nondisclosure and non-competition agreement, in a form approved by Franchisor, upon execution of this Agreement or prior to each such person's affiliation with Franchisee. Upon Franchisor's request, Franchisee shall provide Franchisor with copies of all nondisclosure and non-competition agreements to be signed pursuant to this Section. Said agreements shall remain on file at the offices of Franchisee and are subject to audit or review as otherwise set forth herein. Franchisor shall be a third party beneficiary with the right to enforce covenants contained in such agreements.

7.5 Reasonableness of Restrictions

Franchisee acknowledges that the restrictive covenants contained in this Section are essential elements of this Agreement and that without their inclusion Franchisor would not have entered into this Agreement. Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and are reasonably required for the protection of Franchisor, the System and the Marks.

8. MANUAL

8.1 Loan by Franchisor

While this Agreement is in effect, Franchisor shall loan to Franchisee one (1) copy of the Manual. Franchisee shall conduct the Franchised Business in strict accordance with the provisions set forth in the Manual. The Manual may consist of one (1) or more separate manuals and other materials as designated by Franchisor and may be in written or electronic form. The Manual shall, at all times, remain the sole property of Franchisor and shall promptly be returned upon expiration or termination of this Agreement.

reement.

eement.

8.2 Revisions to the Manual

Franchisor has the right to add to or otherwise modify the Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor; provided, however, that no such addition or modification shall alter Franchisee's fundamental status and rights under this Agreement. Franchisor may make such additions or modifications without prior notice to Franchisee. Franchisee shall immediately, upon notice, adopt any such changes.

8.3 Confidentiality of Manual

The Manual contains proprietary information of Franchisor and shall be kept confidential by Franchisee both during the term of the Franchise and subsequent to the expiration or termination of this Agreement. Franchisee shall at all times ensure that its copy of the Manual is available at the Approved Location in a current and up-to-date manner. Franchisee shall not disclose, duplicate or otherwise use any portion of the Manual in an unauthorized manner. Franchisee shall maintain the Manual in a locked receptacle at the Approved Location and shall only grant authorized personnel, as defined in the Manual, access to the key or combination of such receptacle. If a dispute as to the contents of the Manual arises, the terms of the master copy of the Manual maintained by Franchisor at Franchisor's headquarters shall be controlling.

9. TRAINING AND ASSISTANCE

9.1 Initial Training

Franchisor shall make an initial training program available to two persons designated by Franchisee as described below. Franchisee's Designated Manager (which is Franchisee if Franchisee is not a corporation or other business entity) must be one of the persons that attends and completes Franchisor's Initial Training. The second person that must attend and complete Franchisor's Initial Training program may be Franchisee's shareholders, members or other owners, (if Franchisee is a corporation or other business entity), Franchisee's full-time lead chef, or any assistants or employees of Franchisee. After execution of the Franchise Agreement, and prior to the opening of the Franchised Business, two persons designated by Franchisee must attend and successfully complete, to Franchisor's satisfaction, Franchisor's initial training program consisting of approximately four (4) weeks of classroom and on-the-job instruction pertaining to operation of the Franchised Business including, but not limited to, sales and marketing methods; financial controls; proper utilization of the Proprietary Ingredients, operation and maintenance of the Franchised Business, maintenance of quality standards; customer service techniques, record keeping and reporting procedures, and other operational issues. Franchisor shall conduct the initial training program at the Pastito restaurant located in Tenafly, NJ, or at another location designated by Franchisor. Franchisor shall not charge tuition or similar fees for initial training, however, all expenses incurred by Franchisee in attending such program including, but not limited to, travel costs, room and board expenses and employees' salaries, shall be the sole responsibility of Franchisee. Franchisee shall be responsible for training its management and other employees.

9.2 Opening Assistance

In conjunction with, and prior to, the beginning of operation of the Franchised Business, Franchisor shall make available to Franchisee, at Franchisor's expense, for approximately seven (7) days, one (1) of Franchisor's representatives, experienced in the

System, for the purpose of providing general assistance and guidance in connection with the opening or continued operation of the Franchised Business. Should Franchisee request additional assistance from Franchisor in order to facilitate the opening of the Franchised Business, and should Franchisor deem it necessary and appropriate to comply with such request, Franchisor shall provide such additional assistance at Franchisor's then-current standard rates, plus expenses.

the Franchised Business, and should Franchisor deem it necessary and appropriate to comply with such request, Franchisor shall provide such additional assistance at Franchisor's then-current standard rates, plus expenses.

the Franchised Business, and should Franchisor deem it necessary and appropriate to comply with such request, Franchisor shall provide such additional assistance at Franchisor's then-current standard rates, plus expenses.

9.3 Failure to Complete Initial Training Program

If Franchisor determines, in its sole discretion, that the Designated Manager is unable to satisfactorily complete the training program described above, Franchisor has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 9.3, Franchisee shall not be entitled to a refund of any portion of the Franchise Fee paid by Franchisee. If Franchisee is a business entity and the Designated Manager fails to complete the initial training program to Franchisor's reasonable satisfaction, in Franchisor's sole discretion, Franchisee may be permitted to select a substitute manager and such substitute manager must complete the initial training to Franchisor's reasonable satisfaction. Franchisee may be required to pay Franchisor's then-current rates for additional training, if any, for providing the substitute manager an initial training program.

9.4 New Designated Manager or New Lead Chef

If Franchisee names a new Designated Manager, or hires a new lead chef, the new Designated Manager or lead chef may be required to complete the initial training program, in Franchisor's sole discretion. The new Designated Manager or new lead chef may attend the initial training program without charge, provided that Franchisor has the right to require Franchisee to pay the costs of training if Franchisor determines that manager or chef changes are excessive or caused by poor hiring practices. Franchisee shall be responsible for all travel costs, room and board expenses and employees' salaries incurred in connection with the Designated Manager or chef's attendance at such training.

9.5 Ongoing Training

From time-to-time Franchisor may provide, and if it does, has the right to require that the Designated Manager or lead chef attend, ongoing training programs or seminars during the term of this Agreement. Franchisor shall not charge a fee for any mandatory ongoing training. Franchisor shall not require the Designated Manager or lead chef to attend more than one (1) session in any calendar year and not more than one (1) week in any calendar year. Franchisee shall be responsible for all travel costs, room and board expenses and employees' salaries incurred in connection with the Designated Manager or chef's attendance at such training.

Further, if Franchisee is not meeting Franchisor's operational or other requirements, in Franchisor's sole discretion, then Franchisor may require Franchisee to receive and complete to Franchisor's satisfaction such additional training as Franchisor determines, in Franchisor's sole discretion. Franchisee shall be required to pay Franchisor's then-current rates for such additional training, and Franchisee shall be responsible for all travel costs, room and board expenses and employees' salaries incurred in connection with such training.

10. FRANCHISE SYSTEM

10.1 Uniformity

Franchisee shall strictly comply, and shall cause the Franchised Business to strictly comply, with all requirements, specifications, standards, operating procedures and rules set forth in this Agreement, the Manual or other communications supplied to Franchisee by Franchisor.

10.2 Modification

Franchisor has the right to change or modify the System from time to time including, without limitation, the adoption and use of new or modified Marks or copyrighted materials, and new or additional computer hardware, software, equipment, supplies, ingredients or techniques. Franchisee shall accept and use any such changes in, or additions to, the System as if they were a part of this Agreement as of the Effective Date. Franchisee shall make such expenditures as such changes, additions or modifications in the System may reasonably require; provided, however, Franchisee shall not be required to implement or conform to any such changes, additions or modifications if the cost to do so would be unreasonably disproportionate with Franchisee's initial investment to establish the Franchised Business. No additional investment for the implementation of changes, additions or modifications to the System will be required during the first year of the initial term in connection with this Section; if any additional investment is required to be made in the last year of the initial term to conform to changes, additions or modifications to the System, Franchisee may avoid making the investment by providing notice of intent not to renew the Franchise. Any required expenditure for changes or

upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in Section 13.4.

10.3 Variance

Franchisor has the right, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards or specifications for any franchisee based upon that particular franchisee's qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of any particular Pastito Business. Franchisor shall not be required to disclose or grant to Franchisee a like or similar variance hereunder.

11. MARKETING AND PROMOTION

11.1 Grand Opening Advertising

Franchisee shall spend no less than Five Thousand Dollars (\$5,000) during the first three (3) months of operation of the Franchised Business on local advertisement and promotion of the initial opening ("Grand Opening Advertising"). Prior to their use, all materials to be used in Grand Opening Advertising must be approved by Franchisor through the process set forth in Section 11.2. As set forth in Section 13.3, Franchisor has developed Proprietary Advertising and Marketing Materials specially suited for use in promoting and advertising Pastito Businesses. Further, Franchisee may be required to use Proprietary Advertising and Marketing Materials in Grand Opening Advertising. Grand Opening Advertising expenditures shall be in addition to any Local Advertising expenditures and Marketing Fund Contributions.

11.2 Local Advertising

11.2.1 Franchisee shall continuously promote the Franchised Business. Annually, Franchisee shall spend at least one percent (1%) of Franchisee's Gross Sales on advertising, promotions and public relations within the immediate locality surrounding the Franchised Business ("Local Advertising"). Such expenditures shall be made directly by Franchisee, subject to the approval and direction of Franchisor. Franchisor will provide general guidelines for conducting Local Advertising so as to better assist Franchisee. In addition, as described above and set forth in further detail in Section 13.3, Franchisee shall be required to use Proprietary Advertising and Marketing Materials in Local Advertising. Within thirty (30) days after the end of each year, Franchisee shall furnish to Franchisor an accurate accounting of the expenditures on Local Advertising for the preceding year.

11.2.2 Franchisee shall submit to Franchisor, for its prior approval, all advertising and promotional materials to be used by Franchisee including, but not limited to, ad copy, coupons, flyers, scripts and direct mail. Franchisor shall use reasonable efforts to provide notice of approval or disapproval within twenty (20) days from the date all requested material is received by Franchisor. If Franchisor does not approve submitted materials within twenty (20) days, such materials shall be deemed to have not received the required approval. Franchisee shall not use any marketing or promotional material prior to approval by Franchisor. The submission of advertising materials to Franchisor for approval shall not affect Franchisee's right to determine the prices at which Franchisee sells products or provides services.

11.2.3 ~~ed~~ the required approval. Franchisee shall not use any marketing or promotional material prior to approval by Franchisor. The submission of advertising materials to Franchisor for approval shall not affect Franchisee's right to determine the prices at which Franchisee sells products or provides services.

11.3 Marketing Fund

Franchisor has the right (but not the obligation) to establish a Marketing Fund, as defined in Section 3.3. If established, Franchisee may be required to make monthly Marketing Fund Contributions, the amount of which will be set by Franchisor and may be adjusted from time to time but shall not exceed one percent (1%) of that month's Gross Sales. Franchisor shall notify Franchisee at least thirty (30) days before implementing or changing Marketing Fund Contribution requirements. The Marketing Fund shall be maintained and administered by Franchisor or its designee as follows:

11.3.1 Franchisor shall oversee all marketing programs, with sole discretion over the creative concepts, materials and media used in such programs, and the placement and allocation thereof. Franchisor does not warrant that any particular franchisee will benefit directly or *pro rata* from expenditures by the Marketing Fund. The program(s) may be local, regional or System-wide. Franchisee's Marketing Fund Contributions may be used to meet the costs of producing, maintaining, administering and directing consumer advertising (including, without limitation, the cost of preparing and conducting television, radio, Internet, magazine and newspaper advertising campaigns and other public relations activities; developing and/or hosting an Internet web page or site and similar activities; employing advertising agencies to assist therein; and providing promotional brochures and other marketing materials to franchisees). All Marketing Fund Contributions shall be maintained in a separate account from the monies of Franchisor and shall not be used to defray any of Franchisor's general operating

expenses, except for such reasonable costs and expenses, if any, that Franchisor may incur in activities reasonably related to the administration of the Marketing Fund.

11.3.2 s; employing advertising agencies to assist therein; and providing promotional brochures and other marketing materials to franchisees). All Marketing Fund Contributions shall be maintained in a separate account from the monies of Franchisor and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable costs and expenses, if any, that Franchisor may incur in activities reasonably related to the administration of the Marketing Fund.

11.3.3 ing advertising agencies to assist therein; and providing promotional brochures and other marketing materials to franchisees). All Marketing Fund Contributions shall be maintained in a separate account from the monies of Franchisor and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable costs and expenses, if any, that Franchisor may incur in activities reasonably related to the administration of the Marketing Fund.

11.3.4 Although Franchisor intends the Marketing Fund, if established, to be of perpetual duration, Franchisor has the right to terminate the Marketing Fund at any time. The Marketing Fund shall not be terminated, however, until all Marketing Fund Contributions have been expended for advertising and promotional purposes or returned to Franchisee and other franchisees on a *pro rata* basis.

11.3.5 It is anticipated that all Marketing Fund Contributions shall be expended for programs during Franchisor's fiscal year within which such contributions are made. If excess amounts remain in any Marketing Fund at the end of such fiscal year, all expenditures in the following fiscal year(s) shall be made first out of such excess amounts, including any interest or other earnings of the Marketing Fund and next out of prior year contributions and then out of current contributions.

11.3.6 Each Pastito Business operated by Franchisor, or any Affiliate of Franchisor (if any), shall make Marketing Fund Contributions at the same rate as Pastito franchisees.

11.3.7 An accounting of the operation of the Marketing Fund shall be prepared annually and shall be available to Franchisee upon request. Franchisor retains the right to have the Marketing Fund audited, at the expense of the Marketing Fund, by an independent certified public accountant selected by Franchisor.

11.3.8 Franchisee acknowledges that the Marketing Fund is not a trust and Franchisor assumes no fiduciary duty in administering the Marketing Fund.

11.4 Cooperative Advertising

Franchisor has the right, but not the obligation, to create a Cooperative Advertising program for the benefit of Pastito Franchised Businesses located within a particular region. Franchisor has the right to (a) allocate any portion of the Marketing Fund to a Cooperative Advertising program; and (b) collect and designate all or a portion of the Local Advertising for a Cooperative Advertising program. Franchisor has the right to determine the composition of all geographic territories and market areas for the implementation of each Cooperative Advertising program, and to require that Franchisee participate in such Cooperative Advertising programs when established within Franchisee's region. If a Cooperative Advertising program is implemented in a particular region, Franchisor has the right to establish an advertising council to self-administer the Cooperative Advertising program. Franchisee shall participate in the council according to the council's then-current rules and procedures and Franchisee shall abide by the council's decisions.

Franchisee may not establish a presence on, or market using, the Internet in connection with the Franchised Business without Franchisor's prior written consent. Franchisor has established and maintains an Internet website at the domain www.Pastito.rest that provides information about the System and the services that Franchisor and its franchisees provide. Franchisor may include at the Pastito website an interior page containing information about the Franchised Business. Franchisor has the right to require Franchisee to prepare all or a portion of the page, at Franchisee's expense, using a template that Franchisor provides. All such information shall be subject to Franchisor's approval prior to posting. Franchisor retains the sole right to market on the Internet, including the use of websites, domain names, URL's, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. Franchisee may be asked to provide content for Franchisor's Internet marketing and shall be required to follow Franchisor's intranet and Internet usage rules, policies and requirements. Franchisor retains the

11.5 Internet Marketing

Franchisee may not establish a presence on, or market using, the Internet in connection with the Franchised Business without Franchisor's prior written consent. Franchisor has established and maintains an Internet website at the domain www.Pastito.rest that provides information about the System and the services that Franchisor and its franchisees provide. Franchisor may include at the Pastito website an interior page containing information about the Franchised Business. Franchisor has the right to require Franchisee to prepare all or a portion of the page, at Franchisee's expense, using a template that Franchisor provides. All such information shall be subject to Franchisor's approval prior to posting. Franchisor retains the sole right to market on the Internet, including the use of websites, domain names, URL's, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. Franchisee may be asked to provide content for Franchisor's Internet marketing and shall be required to follow Franchisor's intranet and Internet usage rules, policies and requirements. Franchisor retains the

sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, and in connection with linking, marketing, co-branding and other arrangements. Franchisor retains the sole right to approve any linking or other use of the Pastito website.

11.6 Customer Referrals

Franchisor is not obligated or otherwise required to provide Franchisee or the Franchised Business with any referrals of customers or potential customers. In addition, Franchisee acknowledges that there are no promises or assurances that Franchisee will necessarily realize an increase in future numbers of customers as a result of operating under Franchisor's System and/or Marks.

12. ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS

12.1 Records

During the term of this Agreement, Franchisee shall maintain full, complete and accurate books, records and accounts in accordance with the standard accounting system prescribed by Franchisor in the Manual or otherwise in writing. Franchisee shall retain during the term of this Agreement, and for three (3) years thereafter, all books and records related to the Franchised Business including, without limitation, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, cash receipts and disbursement journals, general ledgers, and any other financial records designated by Franchisor or required by law.

12.2 Sales Reports

Franchisee shall maintain an accurate record of daily Gross Sales and will deliver to Franchisor a signed and verified statement of monthly Gross Sales of the Franchised Business using such form as Franchisor provides in the Manual which may either be in written or electronic form ("Gross Sales Report"). The monthly statement of Gross Sales for the preceding month must be provided to Franchisor by the close of business on the Tenth day of following month.

12.3 Financial Statements

Franchisee shall supply to Franchisor on or before the fifteenth (15th) day of each month, in a form approved by Franchisor, a balance sheet as of the end of the preceding month and an income statement for the preceding month and the year-to-date. Franchisee shall, at its expense, submit to Franchisor within ninety (90) days after the end of each fiscal year, an

income statement for the fiscal year just ended and a balance sheet as of the last day of the fiscal year. Such financial statements shall be prepared in accordance with generally accepted accounting principles applied on a consistent basis. If required by Franchisor, such financial statements shall be reviewed or audited by a certified public accountant. Further, Franchisee shall submit to Franchisor such other periodic reports in the manner and at the time specified in the Manual or otherwise in writing.

plied on a consistent basis. If required by Franchisor, such financial statements shall be reviewed or audited by a certified public accountant. Further, Franchisee shall submit to Franchisor such other periodic reports in the manner and at the time specified in the Manual or otherwise in writing.

ied on a consistent basis. If required by Franchisor, such financial statements shall be reviewed or audited by a certified public accountant. Further, Franchisee shall submit to Franchisor such other periodic reports in the manner and at the time specified in the Manual or otherwise in writing.

12.4 *Other Reports*

Franchisee shall submit to Franchisor copies of all state sales tax returns that are required to be filed with the appropriate governmental agency and such other records as Franchisor may reasonably request from time to time or as specified in the Manual. Franchisor shall have the right to release financial and operational information relating to the Franchised Business to Franchisor's lenders or prospective lenders. Franchisee shall certify as true and correct all reports to be submitted pursuant to this Agreement.

12.5 *Computer/Point-of-Sale System*

Franchisee shall purchase and utilize computer and point-of-sale systems consisting of hardware and software in accordance with Franchisor's specifications. Franchisor shall have full access to all of Franchisee's computer and point-of-sale data and systems and all related information by means of direct access, either in person or by telephone, modem or Internet to permit Franchisor to verify Franchisee's compliance with its obligations under this Agreement.

12.6 *Right to Inspect*

Franchisor, or its designee, has the right during normal business hours to examine, copy, and audit the books, records and tax returns of Franchisee. If the audit or any other inspection should reveal that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay to Franchisor the amount of the underpayment plus interest from the date such amount was due until paid at the rate of eighteen percent (18%) per annum or

the maximum rate permitted by law, whichever is less. If the inspection discloses an underpayment of three percent (3%) or more of the amount due for any period covered by the audit, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

12.7 Release of Records

At Franchisor's request, Franchisee shall authorize and direct any third parties, including accounting professionals, to release to Franchisor all accounting and financial records arising from or relating to the operation of the Franchised Business including, but not limited to, records evidencing Gross Sales, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to Franchisor on a monthly basis for the length of the unexpired term of this Agreement or until such time as Franchisor withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to Franchisor.

13. STANDARDS OF OPERATION

13.1 Authorized Products, Services and Suppliers

13.1.1 Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality products and services to its customers. Accordingly, Franchisee shall provide or offer for sale or use at the Franchised Business only those supplies, signs, equipment and other items and services that Franchisor from time to time approves (and which are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards. If required by Franchisor, any such items or services shall be purchased only from "Approved Suppliers" that Franchisor designates or approves (which might include, or be limited to, Franchisor). Franchisee shall not offer for sale, sell or provide through the Franchised Business or from the Approved Location any products or services that Franchisor has not approved. In the event Franchisee offers for sale, sells, or provides through the Franchised Business or from the Approved Location any unapproved products or services, Franchisor may impose a fine of up to \$500 for each unapproved product or service offered for sale, sold or provided by Franchisee.

13.1.2 Franchisor shall provide Franchisee, in the Manual or other written or electronic form, with a list of specifications and, if required, a list of Approved Suppliers for some or all of the supplies, signs, equipment and other approved or specified items and services, and Franchisor may from time to time issue revisions to such list. If Franchisor is an Approved Supplier, Franchisee shall execute a standard form purchase, lease, supply or license agreement for the items to be supplied by Franchisor. If Franchisee desires to utilize any services or products that Franchisor has not approved (for services and products that require supplier approval), Franchisee shall first send Franchisor sufficient information, specifications and/or samples for Franchisor to determine whether the service or product complies with its standards and specifications, or whether the supplier meets its Approved Supplier criteria. Franchisee shall bear all reasonable expenses incurred by Franchisor in connection with determining whether it shall approve an item, service or supplier. Franchisor will decide within a reasonable time (usually thirty 30 days) after receiving the required information whether Franchisee may purchase or lease such items or services or from such supplier. Approval of a supplier may be conditioned on requirements related to the frequency of delivery, standards of service, consistency, reliability and general reputation. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor, in its discretion, deems confidential.

13.1.3 supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor, in its discretion, deems confidential.

13.1.4 supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor, in its discretion, deems confidential.

13.1.5 Notwithstanding anything contrary in this Agreement, Franchisor has the right to review from time to time its approval of any items or suppliers. Franchisor may revoke its approval of any item, service or supplier at any time, and in its sole discretion, by notifying Franchisee and/or the supplier. Franchisee shall, at its own expense, promptly cease using, selling or providing any items or services disapproved by Franchisor and shall promptly cease purchasing from suppliers disapproved by Franchisor.

13.1.6 Franchisor has the right to designate certain products and services, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as Franchisor determines including, but not limited to, Franchisee qualifications, test marketing and regional or local differences. Franchisor has the right, in its sole discretion from time to time, to give its consent to

one (1) or more franchisees to provide certain products or services not authorized for general use as part of the System. Such consent will be based upon the factors set forth in Section 10.3 and shall not create any rights in Franchisee to provide the same products or services.

13.1.7 Franchisor has the right to retain volume rebates, markups and other benefits from suppliers or in connection with the furnishing of suppliers. Franchisee shall have no entitlement to or interest in any such benefits.

13.2 Proprietary Ingredients

Franchisor has developed proprietary ingredients and formulas for certain food products that are especially suited for the operation of Pastito Businesses (“Proprietary Ingredients”). Upon Franchisee’s execution of this Agreement, Franchisor shall provide Franchisee access to Confidential Information relating to its proprietary food products and manuals for the same. As set forth in Section 7.1, disclosure of any of the Proprietary Ingredients to anyone shall cause significant harm to the franchisor, their franchisees, shareholders and suppliers. Franchisee hereby consents to a permanent injunction for the disclosure, distribution or mistaken disclosure or distribution of franchisors Proprietary Ingredients and an immediate forfeiture of any franchises owned. To maintain the uniformity, high quality and distinctiveness of the System, Franchisee agrees to install, maintain, operate and alter the Proprietary Ingredients in accordance with Franchisor’s specifications, procedures and requirements for the same as stated in the Manual.

distribution of franchisors Proprietary Ingredients and an immediate forfeiture of any franchises owned. To maintain the uniformity, high quality and distinctiveness of the System, Franchisee agrees to install, maintain, operate and alter the Proprietary Ingredients in accordance with Franchisor’s specifications, procedures and requirements for the same as stated in the Manual.

tain, operate and alter the Proprietary Ingredients in accordance with Franchisor’s specifications, procedures and requirements for the same as stated in the Manual.

13.3 Proprietary Advertising and Marketing Materials

Franchisor has developed and continues to develop proprietary content and printed materials specially suited for promoting and advertising the services of Pastito Businesses (“Proprietary Advertising and Marketing Materials”). In order to maintain the uniformity, high quality and distinctiveness of the System, Franchisor shall make the Proprietary Advertising and Marketing Materials available to Franchisee in electronic or camera ready format provided that Franchisee is in compliance with this Agreement and all other agreements with

Franchisor.

13.3.1 Franchisee acknowledges and agrees that the Proprietary Advertising and Marketing Materials are distinctive as a result of being developed pursuant to Franchisor's industry experience and are inextricably interrelated with the Marks. Franchisee agrees to use the Proprietary Advertising and Marketing Materials in promoting and advertising the services of the Franchised Business in accordance with Franchisor's advertising guidelines and requirements as stated in Section 11.2 and in the Manual.

13.3.2 Franchisor commits to provide the Proprietary Advertising and Marketing Materials supplied by Franchisor at competitive prices if Franchisor chooses to charge Franchisee for the use of Proprietary Advertising and Marketing Materials; however, Franchisee acknowledges that Franchisor have the right to earn a reasonable profit on the sale of Proprietary Advertising and Marketing Materials.

13.4 Appearance and Condition of the Approved Location

Franchisee shall maintain the Franchised Business and the Approved Location in "like new" condition, and shall repair or replace equipment, fixtures and signage as necessary to comply with the health and safety standards and specifications of Franchisor and Franchisee's lessor and any applicable laws or regulations. The expense of such maintenance shall be borne by Franchisee and shall be in addition to any required System modifications, as described in Section 10.2.

13.5 Right to Inspect

In addition to Franchisor's rights set forth in Sections 6.6 and 12.6, Franchisor, or its designee, has the right to inspect the Franchised Business at all reasonable times for cleanliness, maintenance, safety, quality, management practices, compliance with this Agreement and strict adherence to the System. Franchisee shall permit Franchisor to remove samples of products, materials, supplies and other items offered for sale from or used in the operation of the Franchised Business in amounts reasonably necessary for testing by Franchisor to determine whether such samples meet Franchisor's then-current standards. Franchisor or its designee has the right to observe Franchisee and its employees during the operation of the Franchised Business and to interview customers and employees and to photograph the premises. In the event Franchisee is not meeting Franchisor's standards regarding cleanliness, maintenance, safety, quality, management practices, compliance with this Agreement or strict adherence to the System, in Franchisor's sole discretion, then Franchisor may require Franchisee to receive and complete to Franchisor's satisfaction such additional training as

Franchisor determines, in Franchisor's sole discretion. Franchisee shall be required to pay Franchisor's then-current rates for such additional training, and Franchisee shall be responsible for all travel costs, room and board expenses and employees' salaries incurred in connection with such training.

13.6 Ownership and Management

The Franchised Business shall, at all times, be under the direct supervision of Franchisee. Franchisee shall appoint a Designated Manager, who shall devote his or her full-time efforts to the management of the day-to-day operation of the Franchised Business. Franchisee may appoint him or herself as the Designated Manager." Full-time" means the expenditure of at least thirty-five (35) hours per week, excluding vacation, sick leave and similar absences. Franchisee shall keep Franchisor informed, in writing, at all times of the identity of its Designated Manager. Franchisee must not engage in any business or other activities that will conflict with its obligations under this Agreement.

ing, at all times of the identity of its Designated Manager. Franchisee must not engage in any business or other activities that will conflict with its obligations under this Agreement.

ng, at all times of the identity of its Designated Manager. Franchisee must not engage in any business or other activities that will conflict with its obligations under this Agreement.

13.7 Days and Hours of Operation;

Franchisee shall keep the Franchised Business open for business during normal business hours on the days specified in the Manual.

13.8 Licenses and Permits; Compliance with Laws

13.8.1 Franchisee shall secure and maintain in force all required licenses, permits and certificates necessary for the operation of the Franchised Business and shall operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations including, without limitation, all government regulations applicable to the quick service restaurant business and the operations of a food unit. Franchisee shall retain competent legal counsel for the purpose of advising and assisting Franchisee in complying with all applicable federal, state and local laws, rules and regulations including, without limitation, those laws, rules and regulations which regulate quick service restaurant business; regulate matters affecting safety and welfare of Franchisee's customers and regulate the proper use, storage and disposal of waste and hazardous materials.

13.8.2 complying with all applicable federal, state and local laws, rules and regulations including, without limitation, those laws, rules and regulations which

regulate quick service restaurant business; regulate matters affecting safety and welfare of Franchisee's customers and regulate the proper use, storage and disposal of waste and hazardous materials.

13.8.3 ion, those laws, rules and regulations which regulate quick service restaurant business; regulate matters affecting safety and welfare of Franchisee's customers and regulate the proper use, storage and disposal of waste and hazardous materials.

13.8.4 Franchisor makes no representation to Franchisee with regard to any legal requirements that Franchisee must satisfy or comply with in connection with the operation of the Franchised Business. Franchisee shall be solely responsible for investigating and complying with all such laws, ordinances and regulations with regard to the operation of the Franchised Business.

13.9 Notification of Proceedings

Franchisee shall notify Franchisor in writing of the commencement of any action, suit or proceeding involving Franchisee or the Franchised Business, and of the issuance of any order, writ, injunction, award or decree which may affect the operation or financial condition of the Franchised Business, not more than five (5) days after such commencement or issuance. Franchisee shall deliver to Franchisor not more than five (5) days after Franchisee's receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's noncompliance or less than full compliance with any applicable law, rule or regulation.

certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's noncompliance or less than full compliance with any applicable law, rule or regulation.

certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's noncompliance or less than full compliance with any applicable law, rule or regulation.

13.10 Compliance with Good Business Practices

Franchisee acknowledges that the quality of customer service, and every detail of appearance and demeanor of Franchisee and its employees, is material to this Agreement and the relationship created hereby. Therefore, Franchisee shall endeavor to maintain high standards of quality and service in the operation of the Franchised Business. Franchisee shall at all times give

prompt, courteous and efficient service to customers of the Franchised Business. The Franchised Business shall in all dealings with its customers, vendors and the general public adheres to the highest standards of honesty, fair dealing and ethical conduct. If Franchisor deems that Franchisee did not fairly handle a customer complaint, Franchisor has the right to intervene and satisfy the customer. Franchisor has the right to terminate this Agreement for repeated violation of this Section. Franchisee shall reimburse Franchisor for all costs incurred by Franchisor in servicing a customer of the Franchised Business pursuant to this Section.

n.

13.11 Uniforms

Franchisee agrees to abide by any uniform requirements stated in the Manual, including, but not limited to, wearing any uniform designated by Franchisor. Franchisor may require Franchisee to purchase any required uniforms from a designated supplier who meets Franchisor's specifications and quality standards.

13.12 Vending Machines

Franchisee shall not install or use at the Franchised Business any vending machines, amusement devices, video machines or other similar devices without Franchisor's written approval.

13.13 Credit Cards

Franchisee shall, at its expense, lease or purchase the necessary equipment and/or software and shall have arrangements in place with Visa, MasterCard, American Express, and such other credit card issuers as Franchisor may designate from time to time to enable the Franchised Business to accept such methods of payment from its customers.

13.14 Best Efforts

Franchisee shall use its best efforts to promote and increase the sales and recognition of services and/or products offered through the Franchised Business. Franchisee shall require all of Franchisee's employees, managers, officers, agents and representatives to make a good faith effort to enhance and improve the System and the sales of all services and products provided as part of the System.

14. FRANCHISOR'S OPERATIONS ASSISTANCE

14.1 General Advice and Guidance

Franchisor shall be available to render advice, discuss problems and offer general guidance to Franchisee by telephone, e-mail, facsimile, newsletters and other methods with respect to planning, opening and operating the Franchised Business. Franchisor shall not charge for this service, however, Franchisor retains the right to discontinue this service should Franchisee, in Franchisor's discretion, be deemed to be utilizing this service too frequently or in an unintended manner. Franchisor's advice or guidance to Franchisee relative to prices for services and products that, in Franchisor's judgment, constitutes good business practice is based upon the experience of Franchisor and its franchisees in operating Pastito Businesses, an analysis of costs and prices charged for competitive services and products. Franchisee shall have the sole right to determine the prices to be charged by the Franchised Business.

14.2 Periodic Visits

Franchisor or Franchisor's representative shall make periodic visits to the Franchised Business for the purposes of consultation, assistance and guidance with respect to various aspects of the operation and management of the Franchised Business. Franchisor and Franchisor's representatives who visit the Franchised Business may prepare, for the benefit of both Franchisor and Franchisee, written reports detailing any problems or concerns discovered during any such visit and outlining any required or suggested changes or improvements in the operations of the Franchised Business. A copy of any such written report may be provided to Franchisee. Franchisee shall implement any required changes or improvements in a timely manner.

ted changes or improvements in the operations of the Franchised Business. A copy of any such written report may be provided to Franchisee. Franchisee shall implement any required changes or improvements in a timely manner.

ed changes or improvements in the operations of the Franchised Business. A copy of any such written report may be provided to Franchisee. Franchisee shall implement any required changes or improvements in a timely manner.

14.3 System Improvements

Franchisor shall communicate improvements in the System to Franchisee as such improvements may be developed or acquired by Franchisor and implemented as part of the System.

15. INSURANCE

15.1 Types and Amounts of Coverage

At its sole expense, Franchisee shall procure within sixty (60) days of the Effective Date, and maintain in full force and effect during the term of this Agreement, the types of insurance listed below, the policies of which, except any workers' compensation insurance, shall expressly name Franchisor as an additional insured or loss payee and each of which shall contain a waiver of all subrogation rights against Franchisor and its successors and assigns. In addition to any other insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure:

uired by applicable law, or by lender or lessor, Franchisee shall procure:
ired by applicable law, or by lender or lessor, Franchisee shall procure:

15.1.1 "all risk" property insurance coverage on all assets including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of the Franchised Business. Franchisee's property insurance policy shall include coverage for fire, vandalism and malicious mischief and must have coverage limits of at least full replacement cost;

15.1.2 workers' compensation insurance that complies with the statutory requirements of the state in which the Franchised Business is located and employer liability coverage with a minimum limit of ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) or, if higher, the statutory minimum limit as required by state law;

15.1.3 comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of the Franchised Business, or Franchisee's conduct of business pursuant to this Agreement, with a minimum liability coverage of ONE MILLION DOLLARS (\$1,000,000.00) per occurrence or, if higher, the statutory minimum limit required by state law;

15.1.4 automobile liability insurance for owned or hired vehicles with a combined single limit of at least ONE MILLION DOLLARS (\$1,000,000.00) or, if higher, the statutory minimum limit required by state law; and

15.1.5 such insurance as necessary to provide coverage under the indemnity provisions set forth in Section 21.2.

15.2 Future Increases

Franchisor has the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect

inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances.

15.3 Carrier Standards

Such policy or policies shall be written by an insurance company licensed in the state in which Franchisee operates and having at least an "A" Rating Classification as indicated in A.M. Best's Key Rating Guide.

15.4 Evidence of Coverage

Franchisee's obligation to obtain and maintain the foregoing policy or policies shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of this obligation relieve it of liability under the indemnity provisions set forth in Section 21.2. Franchisee shall provide, annually, certificates of insurance showing compliance with the foregoing requirements. Such certificate shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days prior written notice to Franchisor and shall reflect proof of payment of premiums.

15.5 Failure to Maintain Coverage

Should Franchisee, for any reason, not procure and maintain insurance coverage as required by this Agreement, Franchisor shall have the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to Franchisee which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

16. DEFAULT AND TERMINATION

16.1 Termination by Franchisee

If Franchisee is in substantial compliance with this Agreement and Franchisor materially breaches this Agreement and fails to commence reasonable efforts to cure such breach within thirty (30) days after receiving written notice identifying the claimed breach, Franchisee has the right to terminate this Agreement unless the breach cannot reasonably be cured within such thirty (30) days. If the breach cannot reasonably be cured in such thirty (30) days, Franchisee has the right to terminate this Agreement only if Franchisor does not promptly undertake and continue efforts to cure such material breach within a reasonable period of time and furnish Franchisee reasonable proof of such efforts.

only if Franchisor does not promptly undertake and continue efforts to cure such material breach within a reasonable period of time and furnish Franchisee reasonable proof of such efforts.

only if Franchisor does not promptly undertake and continue efforts to cure such material breach within a reasonable period of time and furnish Franchisee reasonable proof of such efforts.

16.2 Termination by Franchisor

16.2.1 Franchisor has the right to terminate this Agreement, without any opportunity to cure by Franchisee, if Franchisee:

16.2.1.1 fails to establish and equip the Franchised Business pursuant to Section 5;

16.2.1.2 fails to satisfactorily complete the training program or any additional training pursuant to Section 9;

16.2.1.3 made any material misrepresentation or omission in its application for the Franchise or otherwise to Franchisor in the course of entering into this Agreement;

16.2.1.4 is unable to operate a quick food service restaurant, or any other business or other license such as a health permit required by law is suspended or revoked, or otherwise not maintained continuously and actively in full force and effect, and in good standing;

16.2.1.5 is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect the reputation of Franchisor, Franchisee or the Franchised Business;

16.2.1.6 discloses, duplicates or otherwise uses in an unauthorized manner any portion of the Manual, the Proprietary Ingredients and Trade Secrets of Franchisor or any other Confidential Information;

16.2.1.7 abandons, fails or refuses to actively operate the Franchised Business for five (5) or more consecutive days (unless the Franchised Business has not been operational for a purpose approved by Franchisor), or, if first approved by Franchisor, fails to promptly relocate the Franchised Business following the expiration or termination of the lease for the Approved Location or the destruction, condemnation or other event rendering the Approved Location unusable;

16.2.1.8 surrenders or transfers control of the operation of the Franchised Business without Franchisor's approval, makes or attempts to make an unauthorized direct or indirect assignment of the Franchise or an ownership interest in Franchisee, or fails or refuses to assign the Franchise or the interest in Franchisee of a deceased or incapacitated owner thereof, as herein required;

16.2.1.9 fails to maintain the Franchised Business under the primary supervision of a Designated Manager during the one hundred eighty (180) days following the death or incapacity of Franchisee or any holder of a legal or beneficial interest in Franchisee, pursuant to Section 18.6;

16.2.1.10 submits to Franchisor on two (2) or more separate occasions at any time during the term of the Franchise any reports or other data, information or supporting records that understate any Royalty Fee or any other fees owed to Franchisor by more than three percent (3%) for any accounting period and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error;

16.2.1.11 is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of its property or any part thereof is appointed by a court; if it makes a general assignment for the benefit of its creditors; if a final judgment against the Franchised Business remains unsatisfied of record for thirty (30) days or longer (unless *supersedeas* bond is filed); if execution is levied against Franchisee's business or property; if a suit to foreclose any lien or mortgage against its Approved Location or equipment is instituted against Franchisee and not dismissed within thirty (30) days or is not in the process of being dismissed;

16.2.1.12 misuses or makes an unauthorized use of any of the Marks or commits any other act which can reasonably be expected to impair the goodwill associated with any of the Marks;

16.2.1.13 fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to submit reports or other information or supporting records when due, to pay any Royalty Fee, Marketing Fund Contribution, amounts due for purchases from Franchisor, or other payment when due to Franchisor, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;

16.2.1.14 continues to violate any health or safety law, ordinance or regulation, or operates the Franchised Business in a manner that presents a health or safety hazard to its customers, employees or the public;

16.2.1.15 defaults under any other agreement between Franchisor and Franchisee, such that Franchisor has the right to terminate such agreement or such agreement automatically terminates; or,

16.2.1.16 offers for sale, sells, or provides through the Franchised Business or from the Approved Location, on two (2) or more separate occasions, any unapproved products or services.

16.2.2 Except as otherwise provided in Section 16.2.1, upon any other default by Franchisee or upon Franchisee's failure to comply with any mandatory specification, standard or operating procedure prescribed in the Manual or otherwise prescribed in writing, Franchisor has the right to terminate this Agreement by giving notice of such termination at least thirty (30) days before the effective date of the termination stating the nature of the default; provided, however, that Franchisee may avoid termination by curing such default or failure before the effective date of termination, or provide proof acceptable to Franchisor that Franchisee has made all reasonable efforts to cure such default or failure and shall continue to make all reasonable efforts to cure until a cure is effected if such default or failure cannot reasonably be cured before the effective date of the termination.

16.3 *Reinstatement and Extension*

If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation or nonrenewal other than in accordance with applicable law, Franchisor may reinstate or extend the term of this Agreement for the purpose of complying with applicable law by submitting a written notice to Franchisee without waiving any of Franchisor's rights under this Agreement.

16.4 *Right of Franchisor to Discontinue Sales to Franchisee*

If Franchisor delivers to Franchisee a notice of termination pursuant to Section 16.2.2, in addition to Franchisor's other remedies, Franchisor reserves the right to discontinue selling to Franchisee any services or products for which they are Approved Suppliers until such time as Franchisee corrects the default.

17. *RIGHTS AND DUTIES UPON EXPIRATION OR*

TERMINATION

17.1 Actions to Be Taken

Except as otherwise provided herein, upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee shall terminate and Franchisee shall:

17.1.1 immediately cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor;

17.1.2 cease to use the Confidential Information, the System and the Marks including, without limitation, all signs, slogans, symbols, logos, advertising materials, Proprietary Ingredients and Trade Secrets of Franchisor, stationery, forms and any other items which display or are associated with the Marks;

17.1.3 upon demand by Franchisor, at Franchisor's sole discretion, immediately assign (or, if an assignment is prohibited, sublease for the full remaining term, and on the same terms and conditions as Franchisee's lease), its interest in the lease then in effect for the Approved Location to Franchisor and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement, and Franchisor has the right to pay rent and other expenses directly to the party to whom such payment is ultimately due;

17.1.4 right to pay rent and other expenses directly to the party to whom such payment is ultimately due;

17.1.5 right to pay rent and other expenses directly to the party to whom such payment is ultimately due;

17.1.6 take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities which contains the name "Pastito" or any other Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

17.1.7 pay all sums owing to Franchisor which may include, but not be limited to, all damages, costs and expenses, including reasonable attorneys' fees, unpaid Royalty Fees, and any other amounts due to Franchisor;

17.1.8 pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the

Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

17.1.9 immediately return to Franchisor the Manual, all inventory with any Trade Secrets, Proprietary Ingredients of Franchisor, recipes and all other Confidential Information including records, files, instructions, brochures, agreements, disclosure statements and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Franchised Business (all of which are acknowledged to be Franchisor's property);

17.1.10 assign all telephone listings and numbers for the Franchised Business to Franchisor and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers or facsimile numbers associated with the Marks in any regular, classified or other telephone directory listing and shall authorize transfer of same to or at the direction of Franchisor; and

17.1.11 comply with all other applicable provisions of this Agreement.

17.2 Post-Termination Covenant Not to Compete

17.2.1 Franchisee acknowledges that the restrictive covenants contained in this Section are fair and reasonable and are justifiably required for purposes including, but not limited to, the following:

17.2.1.1 to protect the trade secrets of Franchisor;

17.2.1.2 to induce Franchisor to grant a franchise to Franchisee; and

17.2.1.3 to protect Franchisor against its costs in training Franchisee and its officers, directors, executives, professional staff and Designated Managers.

17.2.2 Except as otherwise approved of in writing by Franchisor, neither Franchisee, nor any holder of a legal or beneficial interest in Franchisee, nor any officer, director, executive, manager or member of the professional staff of Franchisee, shall, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity:

17.2.3 , limited liability company or other business entity:

17.2.4 limited liability company or other business entity:

17.2.4.1 own an interest in, manage, operate or provide services to any Competitive Business located or operating (a) within a five (5) mile radius of the Approved Location or (b) within a five (5) mile radius of the location of any other Pastito Business in existence at the time of termination or expiration; or

17.2.4.2 solicit or otherwise attempt to induce or influence any employee or other business associate of Franchisor to terminate or modify his, her or its business relationship with Franchisor or to compete against Franchisor.

17.2.5 In furtherance of this Section, Franchisor has the right to require certain individuals to execute standard form nondisclosure or non-competition agreements as provided in Section 7.4.

17.3 Unfair Competition

If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, 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 the Marks. Franchisee shall not utilize any designation of origin, description or representation that falsely suggests or represents an association or connection with Franchisor. This Section is not intended as an approval of Franchisee's right to operate other businesses and in no way is it intended to contradict Section 17.1 or 17.2. If Franchisor elects not to receive an assignment or sublease of the Approved Location, Franchisee shall make such modifications or alterations to the Approved Location (including changing telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Approved Location. Franchisee shall make such specific additional changes to the Approved Location as Franchisor may reasonably request for that purpose including, without limitation, removal of all physical and structural features identifying or distinctive to the System. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor has the right to enter upon the Approved Location for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall pay upon demand.

17.4 Franchisor's Option to Purchase Certain Business Assets

Franchisor has the right (but not the duty), for a period of thirty (30) days after termination or expiration of this Agreement, to purchase any or all assets of the Franchised

Business including leasehold improvements, equipment, supplies and other inventory. The purchase price shall be equal to the assets' fair market value, excluding any goodwill. If Franchisor elects to exercise this option to purchase, it has the right to set off all amounts due from Franchisee under this Agreement, if any, against the purchase price. If Franchisor and Franchisee cannot agree on a fair market value, an independent appraiser selected by Franchisor will determine the fair market value.

17.5 Survival of Certain Provisions

All obligations of Franchisor and Franchisee which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding expiration or termination, and until satisfied or by their nature expire.

18. TRANSFERABILITY OF INTEREST

18.1 Transfer by Franchisor

This Agreement and all rights and duties hereunder are fully transferable in whole or in part by Franchisor and such rights will inure to the benefit of any person or entity to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall assume the obligations of Franchisor hereunder and Franchisor shall thereafter have no liability for the performance of any obligations contained in this Agreement.

s Agreement.

Agreement.

18.2 Transfer by Franchisee to a Third Party

The rights and duties of Franchisee as set forth in this Agreement, and the Franchise herein granted, are personal to Franchisee (or its owners), and Franchisor has entered into this Agreement in reliance upon Franchisee's personal or collective skill and financial ability. Accordingly, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee may sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchise granted hereby, the Approved Location used in operating the Franchised Business, its assets or any part or all of the ownership interest in Franchisee without the prior written approval of Franchisor. Any purported transfer without such approval shall be null and void and shall constitute a material breach of this Agreement. If Franchisee is in compliance with this

Agreement, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

owing requirements:

wing requirements:

18.2.1 Franchisee has complied with the requirements set forth in Section 19;

18.2.2 all obligations owed to Franchisor, and all other outstanding obligations relating to the Franchised Business, are fully paid and satisfied;

18.2.3 Franchisee (and any transferring owners, if Franchisee is a business entity) has executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor, including its officers, directors, shareholders and employees, in their corporate and individual capacities including, without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Agreement or to the transfer of Franchisee's interest herein or to the transfer of Franchisee's ownership of all or any part of the Franchise; provided, however, that if a general release is prohibited, Franchisee shall give the maximum release allowed by law;

18.2.4 the prospective transferee has satisfied Franchisor that it meets Franchisor's management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may require in its sole discretion, to demonstrate ability to conduct the Franchised Business;

18.2.5 the transferee and, if Franchisor requires, all persons owning any interest in the transferee, have executed the then-current Franchise Agreement for new franchisees, which may be substantially different from this Agreement, including different Royalty Fee and Marketing Fund Contribution rates and other material provisions, and the franchise agreement then executed shall be for the term specified in such agreement;

18.2.6 the transferee has executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its officers, directors, shareholders and employees, in their corporate and individual capacities, with respect to any representations regarding the Franchise or the business conducted pursuant thereto or any other matter that may have been made to the transferee by Franchisee;

18.2.7 Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective transferee relating to the intended sale or transfer of the Franchise;

18.2.8 Franchisee, or the transferee, has paid to Franchisor a transfer fee in the amount of SEVEN THOUSAND FIVE HUNDRED DOLLARS (\$7,500.00);

18.2.9 the transferee, or all holders of a legal or beneficial interest in the transferee, has agreed to be personally bound jointly and severally by all provisions of this Agreement for the remainder of its term;

18.2.10 Franchisee has agreed to be bound to the obligations of the new franchise agreement and to guarantee the full performance thereof by the transferee, if required by Franchisor;

18.2.11 the transferee has obtained all necessary consents and approvals by third parties (such as the lessor of the Approved Location) and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied;

18.2.12 Franchisee has, and if Franchisee is an entity, all of the holders of a legal and beneficial interest in Franchisee have, executed and delivered to Franchisor a nondisclosure and non-competition agreement in a form satisfactory to Franchisor, and in substance the same as the nondisclosure and non-competition covenants contained in Sections 7.4 and 17.2.5; and

18.2.13 prior to assuming the management of the day to day operation of the Franchised Business, the transferee's Designated Manager shall complete, to Franchisor's satisfaction, a training program in substance similar to the initial training described in Section 9.

18.3 Transfer to a Controlled Entity

18.3.1 If Franchisee wishes to transfer this Agreement or any interest herein to a corporation, limited liability company or other legal entity which shall be entirely owned by Franchisee ("Controlled Entity"), which Controlled Entity is being formed for the financial planning, tax or other convenience of Franchisee, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

18.3.1.1 the Controlled Entity is newly organized and its charter provides that its activities are confined exclusively to the operation of the Franchised Business;

18.3.1.2 Franchisee or all holders of a legal or beneficial interest in Franchisee own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

18.3.1.3 all obligations of Franchisee to Franchisor are fully paid and satisfied; provided, however, that neither Franchisee nor the transferee shall be required to pay a transfer fee, as required, pursuant to Section 18.2.8;

18.3.1.4 the Controlled Entity has entered into a written agreement with Franchisor expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the Franchised Business. If the consent of any other party to any such other agreement is required, Franchisee has obtained such written consent and provided the same to Franchisor prior to consent by Franchisor;

18.3.1.5 all holders of a legal or beneficial interest in the Controlled Entity have entered into an agreement with Franchisor jointly and severally guaranteeing the full payment of the Controlled Entity's obligations to Franchisor and the performance by the Controlled Entity of all the obligations of this Agreement;

18.3.1.6 each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof of a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and

18.3.1.7 copies of the Controlled Entity's articles of incorporation, bylaws, operating agreement, and other governing regulations or documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to Franchisor. Any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption.

18.3.2 The term of the transferred franchise shall be the unexpired term of this Agreement, including all renewal rights, subject to any and all conditions applicable to such renewal rights.

18.3.3 Franchisor's consent to a transfer of any interest in this Agreement, or of any ownership interest in the Franchised Business, shall not constitute

a waiver of any claims Franchisor may have against the transferor or the transferee, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

18.4 Franchisor's Disclosure to Transferee

Franchisor has the right, without liability of any kind or nature whatsoever to Franchisee, to make available for inspection by any intended transferee of Franchisee all or any part of Franchisor's records relating to this Agreement, the Franchised Business or to the history of the relationship of the parties hereto. Franchisee hereby specifically consents to such disclosure by Franchisor and shall release and hold Franchisor harmless from and against any claim, loss or injury resulting from an inspection of Franchisor's records relating to the Franchised Business by an intended transferee identified by Franchisee.

on of Franchisor's records relating to the Franchised Business by an intended transferee identified by Franchisee.

n of Franchisor's records relating to the Franchised Business by an intended transferee identified by Franchisee.

18.5 For Sale Advertising

Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Franchised Business, or in any communication media, any form of advertising relating to the sale of the Franchised Business or the rights granted hereunder.

18.6 Transfer by Death or Incapacity

Upon the death or incapacity (as determined by a court of competent jurisdiction) of any individual Franchisee or any holder of a legal or beneficial interest in Franchisee, the appropriate representative of such person (whether administrator, personal representative or trustee) will, within a reasonable time not exceeding one hundred eighty (180) days following such event, transfer such individual's interest in the Franchised Business or in Franchisee to a third party approved by Franchisor. Such transfers, including transfers by will or inheritance shall be subject to the conditions for assignments and transfers contained in this Agreement. During that one hundred eighty (180) day period, the Franchised Business must be under the primary supervision of a Designated Manager who otherwise meets Franchisor's management qualifications.

19. RIGHT OF FIRST REFUSAL

19.1 Submission of Offer

If Franchisee, or any of its owners, proposes to sell the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder, Franchisee shall obtain and deliver a *bona fide*, executed written offer or proposal to purchase, along with all pertinent documents including any contract or due diligence materials, to Franchisor. The offer must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of Franchisee or any of its owners.

19.2 Franchisor's Right to Purchase

Franchisor shall, for thirty (30) days from the date of delivery of all such documents, have the right, exercisable by written notice to Franchisee, to purchase the offered assets or interest for the price and on the same terms and conditions contained in such offer communicated to Franchisor. Franchisor has the right to substitute cash for the fair market value of any form of payment proposed in such offer. Franchisor's credit shall be deemed at least equal to the credit of any proposed buyer. After providing notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to sixty (60) days to close the purchase. Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal.

providing notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to sixty (60) days to close the purchase. Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal.

roviding notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to sixty (60) days to close the purchase. Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal.

19.3 Non-Exercise of Right of First Refusal

If Franchisor does not exercise this right of first refusal within thirty (30) days, the offer or proposal may be accepted by Franchisee or any of its owners, subject to Franchisor's prior written approval as required by Section 18.2. Should the sale fail to close within one hundred twenty (120) days after the offer is delivered to Franchisor, Franchisor's right of first refusal shall renew and be implemented in accordance with this Section.

20. BENEFICIAL OWNERS OF FRANCHISEE

Franchisee represents, and Franchisor enters into this Agreement in reliance upon such representation, that the individuals identified in Exhibit E as Holders of a Legal or Beneficial Interest, each of whom have executed the supplemental signature page below with respect to his or her individual obligations under this Agreement, are the sole holders of a legal or beneficial interest (in the stated proportions) of Franchisee.

21. RELATIONSHIP AND INDEMNIFICATION

21.1 *Independent Contractor*

Franchisee is and shall be an independent contractor. Franchisee is not an agent, legal representative, joint venturer, partner, employee or servant of Franchisor for any purpose whatsoever. Franchisee may not represent or imply to third parties that Franchisee is an agent of Franchisor, and Franchisee is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on Franchisor's behalf. During the term of this Agreement, and any extension or renewal hereof, Franchisee shall hold itself out to the public as an independent contractor operating the Franchised Business pursuant to a franchise from Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Approved Location and on all forms, stationery or other written materials, the content of which Franchisor has the right to specify. Under no circumstances shall Franchisor be liable for any act, omission, neither contract, debt nor any other obligation of Franchisee. Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the Franchised Business.

o circumstances shall Franchisor be liable for any act, omission, neither contract, debt nor any other obligation of Franchisee. Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the Franchised Business.

circumstances shall Franchisor be liable for any act, omission, neither contract, debt nor any other obligation of Franchisee. Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the Franchised Business.

21.2 *Indemnification*

Franchisee shall hold harmless and indemnify Franchisor, all holders of a legal or beneficial interest in Franchisor and all officers, directors, executives, managers, employees, agents, successors and assigns (collectively "Franchisor Indemnitees") from and against all losses, damages, fines, costs, expenses or liability (including attorneys' fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or

proceeding, or any settlement thereof, which arises from or is based upon Franchisee's (a) ownership or operation of the Franchised Business; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor; (d) defamation of Franchisor or the System; (e) acts, errors or omissions committed or incurred in connection with the Franchised Business, including any negligent or intentional acts; or (f) infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Confidential Information.

21.3 Right to Retain Counsel

Franchisee shall give Franchisor immediate notice of any such action, suit, demand, claim, investigation or proceeding that may give rise to a claim for indemnification by a Franchisor Indemnitee. Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding. In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. If Franchisor's exercise of its rights under this Section causes any of Franchisee's insurers to refuse to pay a third party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee.

hout the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee.

out the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee.

22. GENERAL CONDITIONS AND PROVISIONS

22.1 No Waiver

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by Franchisor and shall not affect nor impair Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

air Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

ir Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

22.2 Injunctive Relief

As any breach by Franchisee of any of the restrictions contained in Sections 6, 7 and 17 would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction) against any such breach, whether actual or contemplated.

22.3 Notices

All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system; (c) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five (5) business days after being sent by Registered Mail, return receipt requested. All notices shall be sent to Franchisee at the address listed on page one (1) of this Agreement, or such other address as Franchisee may designate in writing to Franchisor. All notices, payments and reports required by this Agreement shall be sent to Franchisor at the following address:

Pastito USA

With a copy to:

22.4 Cost of Enforcement or Defense

If Franchisor or Franchisee is required to enforce this Agreement in a judicial proceeding, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and attorneys' fees and expenses, in addition to any other relief to which it is found entitled.

22.5 Guaranty and Assumption of Obligations

All holders of a legal or beneficial interest in Franchisee of five percent (5%) or greater, and each holder's spouse, shall be required to execute, as of the date of this Agreement, the Guaranty and Assumption of Obligations attached as Exhibit A, through which such holders and spouses agree to assume and discharge all of Franchisee's obligations under this Agreement and to be personally liable hereunder for all of the same.

22.6 Approvals

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefore and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties nor guarantees upon which Franchisee may rely, and assumes no liability nor obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefore.

or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefore.

or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefore.

22.7 Entire Agreement

This Agreement, its exhibits and the documents referred to herein shall be construed together and constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof, and shall supersede all prior agreements. No

other representation, oral or otherwise, has induced Franchisee to execute this Agreement, and there are no representations (other than those within Franchisor's Pastito disclosure document), inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with respect to the matters set forth in or contemplated by this Agreement or otherwise. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

ment that we furnished to you.

ed to you.

22.8 Severability and Modification

22.8.1 Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable, and if any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement; provided, however, that if Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement. Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

22.8.2 Notwithstanding the above, each of the covenants contained in Sections 7 and 17 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Confidential Information or on competition to the maximum extent provided or permitted by law.

22.9 Construction

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

22.10 Force Majeure

Whenever a period of time is provided in this Agreement for either party to do or perform any act or thing, except the payment of monies neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, governmental regulation or control or other causes beyond the reasonable control of the parties, and in any event said time period for the performance of an obligation hereunder shall be extended for the amount of time of the delay. This provision shall not apply nor result in an extension of the term of this Agreement.

ot apply nor result in an extension of the term of this Agreement.

22.11 Timing

Time is of the essence; except as set forth in Section 22.10, failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

22.12 Withholding Payments

Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor, prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

ement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

22.13 Further Assurances

Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

22.14 Duty of Reasonableness and of Good Faith

To honor the intent and purpose of this Agreement, and any of the documents referenced herein, both Franchisor and Franchisee shall act reasonably and in good faith. If the consent of either party is required or contemplated hereunder, the party whose consent is required shall not unreasonably withhold consent, unless such consent is expressly subject to such party's sole discretion pursuant to the terms of this Agreement.

22.15 Multiple Originals

Both parties will execute multiple copies of this Agreement, and each executed copy will be deemed an original.

23. DISPUTE RESOLUTION

23.1 Choice of Law

Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (without reference to its conflict of laws principles), excluding any law regulating the sale of franchises or governing the relationship between a franchisor and franchisee, unless the jurisdictional requirements of such laws are met independently without reference to this Section. References to any law refer also to any successor laws and to any published regulations for such law, as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

ction. References to any law refer also to any successor laws and to any published regulations for such law, as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

ion. References to any law refer also to any successor laws and to any published regulations for such law, as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

23.2 Consent to Jurisdiction

Any action brought by either party shall be brought in the appropriate state or federal court located in or serving the state of Florida. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. The parties hereby submit to service of process by registered mail, return receipt requested, or by any other manner provided by law. Claims for injunctive relief may be brought by Franchisor where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments in any appropriate jurisdiction.

23.3 Cumulative Rights and Remedies

No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

23.4 Limitations of Claims

Any claim concerning the Franchised Business or this Agreement or any related agreement will be barred unless an action for a claim is commenced within one (1) year from the date on which Franchisee or Franchisor knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim.

23.5 Waiver of Jury Trial

Franchisee and Franchisor each irrevocably waive trial by jury in any action, whether at law or equity, brought by either of them.

23.6 Limitation of Damages

Franchisee and Franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other, and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees as provided in Section 22.4. Franchisee waives and disclaims any right to consequential damages in any action or claim against Franchisor concerning this Agreement or any related agreement. In any claim or action brought by Franchisee against Franchisor concerning this Agreement, Franchisee's contract damages shall not exceed and shall be limited to refund of Franchisee's Franchise Fee and Royalty Fee payments.

24. ACKNOWLEDGMENTS

24.1 Receipt of this Agreement and the Franchise Disclosure Document

Franchisee represents and acknowledges that it has received, read and understands this Agreement and Franchisor's Franchise Disclosure Document; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Franchisee represents and acknowledges that it has received an exact copy of this Agreement and its exhibits at least five (5) business days prior to the date on which this Agreement was executed. Franchisee further represents and acknowledges that it has received, at least ten (10) business days prior to the date on which this Agreement was executed, the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures.

eement was executed. Franchisee further represents and acknowledges that it has received, at least ten (10) business days prior to the date on which this Agreement was executed, the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures.

hich this Agreement was executed, the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures.

24.2 Consultation by Franchisee

Franchisee represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business. Franchisee represents that it has either consulted with such advisors or has deliberately declined to do so.

24.3 Risk

Franchisee represents that it has conducted an independent investigation of the business contemplated by this Agreement and acknowledges that, like any other business, an investment in a Pastito Business involves business risks and that the success of the venture is dependent, among other factors, upon the business abilities and efforts of Franchisee. Franchisor makes no representations or warranties, express or implied, in this Agreement or otherwise, as to the potential success of the business venture contemplated hereby.

24.4 No Guarantee of Success

Franchisee represents and acknowledges that it has not received or relied on any guarantee, express or implied, as to the revenues, profits or likelihood of success of the Franchised Business. Franchisee represents and acknowledges that there have been no representations by Franchisor's directors, employees or agents that are not contained in, or are inconsistent with, the statements made in the Franchise Disclosure Document or this Agreement.

24.5 No Violation of Other Agreements

Franchisee represents that its execution of this Agreement will not violate any other agreement or commitment to which Franchisee or any holder of a legal or beneficial interest in Franchisee is a party.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

Pastito USA.:

By: _____

Name: Goren Tasa
Title: CEO

FRANCHISEE: _____
(type/print name)

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

[or] [if an individual]

Signed: _____

Name printed: _____

[SUPPLEMENTAL SIGNATURE PAGE FOLLOWS]

The following have duly executed this Agreement with respect to, and agree to be personally bound by, the obligations contained in this Agreement including, without limitation, those contained in Sections 7, 17, 18, 20 and 21:

Signed: _____

Name printed: _____

Relationship to Franchisee: _____

Signed: _____

Name printed: _____

Relationship to Franchisee: _____

Signed: _____

Name printed: _____

Relationship to Franchisee: _____

Signed: _____

Name printed: _____

Relationship to Franchisee: _____

Signed: _____

Name printed: _____

Relationship to Franchisee: _____

Signed: _____

Name printed: _____

Relationship to Franchisee: _____

EXHIBIT A TO THE FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this 10 day of December, 2020, by _____

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement of even date herewith ("Agreement") by Pastito USA. ("Franchisor"), each of the undersigned hereby personally and unconditionally (a) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____ ("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) shall personally be bound by, and personally liable for the breach of each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities including, without limitation, the provisions of Section 7. Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right it may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (e) any and all other notices and legal or equitable defenses to which it may be entitled.

Each of the undersigned consents and agrees that: (a) its direct and immediate liability under this Guaranty shall be joint and several; (b) it shall render any payment or performance required under the Agreement upon demand; (c) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (d) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement, and so long as any obligation is or may be owed under the Franchise Agreement or any other agreement with Franchisor or so long as Franchisor may have any cause of action against the undersigned or Franchisee.
against the undersigned or Franchisee.
in the undersigned or Franchisee.

IN WITNESS WHEREOF, this Guaranty has been entered into the day and year first before written.

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____

PERCENTAGE OF OWNERSHIP

IN FRANCHISEE: ____%

PERSONAL GUARANTOR

Personally and Individually (Printed Name)

Personally and Individually (Signature)

HOME ADDRESS

TELEPHONE NO.: _____

PERCENTAGE OF OWNERSHIP

IN FRANCHISEE: ____%

EXHIBIT B TO THE FRANCHISE AGREEMENT

**HOLDERS OF LEGAL OR BENEFICIAL INTEREST
IN FRANCHISEE; OFFICERS, DIRECTORS**

Holders of Legal or Beneficial Interest

Percentage of Ownership

Position/Title

Officers and Directors

Position/Title

EXHIBIT C TO THE FRANCHISE AGREEMENT

ADDENDUM TO FRANCHISE AGREEMENT

EXHIBIT D TO THE FRANCHISE DISCLOSURE DOCUMENT

Pastito USA.

**TABLE OF CONTENTS
OF OPERATIONS MANUAL**

OPERATIONS MANUAL
TABLE OF CONTENTS

- * Introduction: pages 3-4
- * About Pastito USA: pages 5-9
- * Getting your business started: pages 10-13
- * Store operations & management: pages 14-28
- * Store equipment's & supplier: pages 30
- * Hygiene Policy: page 31
- * Safety: page 32
- * Franchisee Reports & Procedures: page 33
- * Advertising and promotion: page 35
- * Business Policies: pages 36-39

EXHIBIT E TO THE FRANCHISE DISCLOSURE DOCUMENT

Pastito USA.

AUDITED FINANCIAL STATEMENTS

EXHIBIT F TO THE FRANCHISE DISCLOSURE DOCUMENT

Pastito USA.

LIST OF FRANCHISEES AND TERMINATED FRANCHISEES

EXHIBIT G TO FRANCHISE DISCLOSURE DOCUMENT

FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know, Pastito USA. and you are preparing to enter into a Franchise Agreement for the operation of a Pastito USA Business. In this Franchisee Disclosure Questionnaire, Pastito USA. 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 Pastito USA 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 we provided to you?

Yes No

4. Do you understand all of the information contained in the Franchise Disclosure Document?

Yes No

If "No", what parts of the Franchise Disclosure Document do you not understand? (Attach additional pages, if necessary.)

5. Have you discussed the benefits and risks of operating a Pastito Business with an attorney, accountant or other professional advisor and do you understand those risks?
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, interest rates, inflation, labor and supply costs, lease terms 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 Pastito Business that we or our franchisees operate?
Yes No
8. Has any employee or other person speaking on our behalf made any statement or promise concerning a Pastito Business that is contrary to, or different from, the information contained in the Franchise 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 Pastito Business?

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 Franchise Disclosure Document?

Yes No

11. If you have answered "Yes" to any of questions seven (7) through ten (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 H TO THE FRANCHISE DISCLOSURE DOCUMENT

MULTI-STATE ADDENDA

**ADDENDUM TO THE
Pastito USA.
FRANCHISE DISCLOSURE DOCUMENT**

FOR THE STATE OF CALIFORNIA

Effective date of registration in California: _____

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

2. THE FRANCHISE AGREEMENT CONTAINS PROVISIONS THAT LIMIT FRANCHISEE'S RIGHTS AND MAY NOT BE ENFORCEABLE IN CALIFORNIA, INCLUDING BUT NOT LIMITED TO A WAIVER OF JURY TRIAL.

2. Section 31125 of the Franchise Investment Law requires us to give you a disclosure document approved by the Commissioner of Business Oversight before we ask you to consider a material modification of your franchise agreement. You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 Voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043)

tion 20010 Voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043)

3. ITEM 3 of the Franchise Disclosure Document is amended to add the following:

Neither the franchisor, nor any person or franchise broker in Item 2 of the FDD, is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

3. ITEM 17 of the Franchise Disclosure Document is amended to add the following:

- The California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

- The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Sec. 101 et seq.).
- The Franchise Agreement requires franchisee to sign a general release as a condition of transfer. This general release shall exclude claims arising under California law.
- The Franchise Agreement contains a covenant not to compete which extends beyond the term of the agreement. This provision might not be enforceable under California law.
- The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
- The Franchise Agreement requires litigation in California with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.
- The following URL address is for the franchisor's website:

www.Pastito.us

FRANCHISOR'S WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

FOR THE STATE OF ILLINOIS

Franchise Disclosure Document Amendment

In recognition of the requirements of the Illinois Franchise Disclosure Act, the Franchise Disclosure Document for Pastito USA. for use in the State of Illinois shall be amended as follows:

1. The following disclosure is added to the RISK FACTORS on the state cover page of the Franchise Disclosure Document:

THE GOVERNING LAW, VENUE AND JURISDICTIONAL REQUIREMENTS IN THE FRANCHISE DISCLOSURE DOCUMENT AND THE FRANCHISE AGREEMENT ARE SUBJECT TO THE PROVISIONS OF THE ILLINOIS FRANCHISE DISCLOSURE ACT, AND NOTHING IN THESE DOCUMENTS SHALL BE CONSIDERED A WAIVER OF ANY RIGHT CONFERRED UPON YOU BY THE ILLINOIS FRANCHISE DISCLOSURE ACT.

2. The following provision is added to Item 17 of the Franchise Disclosure Document:

Any provision stating that the franchise agreement will terminate upon the bankruptcy of the franchisee may not be enforceable under current United States bankruptcy law.

3. The following provision is added to Item 17 of the Franchise Disclosure Document:

Any provision in the franchise agreement that designates jurisdiction or venue in a forum outside Illinois is void with respect to an action which is otherwise enforceable in Illinois, except that the franchise agreement may provide for arbitration in a forum outside Illinois. In addition, Illinois law will govern the franchise agreement to the extent required by the Illinois Franchise Disclosure Act.

4. The conditions under which your franchise may be terminated and your rights upon non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

5. No action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of 3 years after the act or transaction constituting the violation upon which it is based, the expiration of 1 year after the franchisee becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to the franchisee of a written notice disclosing the violation, whichever shall first expire.

Pastito USA.

Illinois Franchise Agreement Amendment

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the parties to the attached Franchise Agreement (the "Agreement") agree as follows:

1. The following shall be added to the end of Section 4.2.10 of the Agreement:

Notwithstanding anything contained herein, any general release of claims against Franchisor shall be void and shall not apply to any liability under the Illinois Franchise Disclosure Laws or any other law of the state of Illinois.

2. The following shall be added to the end of Section 18.2.3 of the Agreement:

Notwithstanding anything contained herein, any general release of claims against Franchisor shall be void and shall not apply to any liability under the Illinois Franchise Disclosure Laws or any other law of the state of Illinois.

3. The following shall be added to the end of Section 18.2.6 of the Agreement:

Notwithstanding anything contained herein, any general release of claims against Franchisor shall be void and shall not apply to any liability under the Illinois Franchise Disclosure Laws or any other law of the state of Illinois.

4. The following shall be added to the end of Section 16.2.1.11 of the Agreement:

Notwithstanding anything contained herein, the provision in the Franchise Agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

5. The following shall be added as the last sentence of Section 23.1 of the Agreement:

Notwithstanding anything contained herein, the parties agree that only with respect to claims arising under the Illinois Franchise Disclosure Act, Franchisee may bring such claims in any federal or state court in the state of Illinois. Further, Illinois law will govern the franchise agreement to the extent required by the Illinois Franchise Disclosure Act.

6. The following shall be added as the last sentence of Section 23.2 of the Agreement:

Notwithstanding anything contained herein, the parties agree that only with respect to claims arising under the Illinois Franchise Disclosure Act, Franchisee may bring such claims in any federal or state court in the state of Illinois.

7. The following shall be added as the last sentence of Section 23.6 of the Agreement:

HOWEVER, THIS SECTION SHALL NOT ACT AS A CONDITION, STIPULATION OR PROVISION, PURPORTING TO BIND ANY PERSON ACQUIRING ANY FRANCHISE TO WAIVE COMPLIANCE WITH ANY PROVISION OF THE ILLINOIS FRANCHISE DISCLOSURE ACT AT SECTION 705/41 OR ILLINOIS REGULATIONS AT SECTION 200.609.

8. The following shall be added as the last sentence of Section 23.4 of the Agreement:

Notwithstanding anything contained herein, no action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of three (3) years after the act or transaction constituting the violation upon which it is based, the expiration of one (1) year after Franchisee becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by the Act, or ninety (90) days after delivery to Franchisee of a written notice disclosing the violation, whichever shall first expire.
ritten notice disclosing the violation, whichever shall first expire.
itten notice disclosing the violation, whichever shall first expire.

9. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Law are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Illinois amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

PASTITO USA.

FRANCHISEE:

By: _____

By: _____

Name and Title: _____

Name and Title: _____

Date: _____

Date: _____

FOR THE STATE OF FLORIDA

Effective date of registration in Florida: _____

1. All references made herein to a "Franchise Disclosure Document" shall be replaced with the term "Offering Prospectus" as used under Florida law.

2. The State Cover Page is amended as follows:

- **REGISTRATION OF THIS FRANCHISE BY FLORIDA STATE DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE FLORIDA STATE DEPARTMENT OF LAW, 120 BROADWAY, FLORIDA, FLORIDA 10271-0332. INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION.**
- **THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.**
- **THE FRANCHISOR WILL NOT BE GRANTING AN EXCLUSIVE TERRITORY TO THE FRANCHISEE.**

3. ITEM 3 is amended by the addition of the following language:

- Neither franchisor nor any person identified in ITEM 2 has any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) pending against them alleging a felony; a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion; misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations. In addition, neither franchisor nor any person identified in ITEM 2 has any pending

actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

- ending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- ending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- Neither franchisor nor any person identified in ITEM 2 has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been held liable in a civil action by final judgment or been the subject of a material compliant or other legal proceeding involving violation of any franchise law, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- , fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- Neither Franchisor nor any person identified in ITEM 2 is subject to any injunctive or restrictive order or decree relating to the franchises, or any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, as a result of a concluded or pending action or proceeding brought by a public agency.

4. ITEM 4 is amended to state that:

- Neither the franchisor, nor its predecessor, officers or general partner of the franchisor has, during the ten (10) year period immediately before the date of the Franchise Disclosure Document, has: (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; (c)

was a principal officer of any company or a general partner in any partnership that either filed as a debtor (or had filed against it) a petition to start action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the Bankruptcy Code during or within one (1) year after the officer or general partner of the franchisor held this position in the company or partnership.

- t) a petition to start action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the Bankruptcy Code during or within one (1) year after the officer or general partner of the franchisor held this position in the company or partnership.
-) a petition to start action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the Bankruptcy Code during or within one (1) year after the officer or general partner of the franchisor held this position in the company or partnership.

5. ITEM 5 of the Franchise Disclosure Document is amended to add the following:

- The franchise fee will be used to defray franchisor's costs in obtaining and screening franchisees, providing training, training materials and assisting in opening the Franchised Business for business.

6. ITEMS 6 and 11 of the Franchise Disclosure Document are amended to add the following:

- The franchisee will not be required to indemnify franchisor for any liability imposed on franchisor as a result of franchisee's reliance upon or use of procedures or products which were required by franchisor, if such procedures or products were utilized by franchisee in the manner required by franchisor.

7. ITEM 8 of the Franchise Disclosure Document is amended to add the following:

- You must furnish and equip the Franchised Business according to our standards and specifications, which are set forth in the Manual.
- We apply the following general criteria in approving a proposed supplier: ability to provide sufficient quantity of product; quality of products or services at competitive prices; production and delivery capability; and consistency, reliability and general reputation of the supplier.

8. ITEM 17 of the Franchise Disclosure Document is amended to add the following:

- No general release shall be required as a condition of renewal and/or transfer which is intended to exclude claims arising under the General Business Law of the State of Florida, Article 3, Sections 687.4 and 687.5.
- ITEM 17(d) is amended to provide that you may terminate the Franchise Agreement on any grounds available by law.
- ITEM 17(j) is amended to state, that no assignment will be made except to an assignee who, in the good faith judgment of franchisor, is able to assume franchisor's obligations under the Franchise Agreement.
- ITEM 17(w) is amended to state that Florida law governs any cause of action which arises under the General Business Law of the State of Florida, Article 33, Section 680-695.

9. The franchisor represents that this Franchise Disclosure Document does not knowingly omit anything or contain any untrue statements of a material fact.

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, Florida, 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

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

RECEIPT

THIS FRANCHISE DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS FRANCHISE DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF PASTITO, INC. OFFERS YOU A FRANCHISE, PASTITO, INC. MUST PROVIDE THIS FRANCHISE DISCLOSURE DOCUMENT TO YOU BY THE EARLIEST OF:

- (1) FOURTEEN (14) CALENDAR DAYS BEFORE THE SIGNING OF A BINDING AGREEMENT; OR
- (2) FOURTEEN (14) CALENDAR DAYS BEFORE MAKING A PAYMENT TO PASTITO, INC. OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED FRANCHISE SALE; OR
- (3) IN THE STATE OF FLORIDA: i) THE FIRST PERSONAL MEETING TO DISCUSS OUR FRANCHISE; OR ii) TEN BUSINESS DAYS BEFORE THE SIGNING OF A BINDING AGREEMENT; OR, iii) TEN BUSINESS DAYS BEFORE A PAYMENT TO PASTITO, INC. OR ITS AGENT.

IF PASTITO, INC. DOES NOT DELIVER THIS FRANCHISE 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.

THE FRANCHISE IS SOLD SOLELY BY PASTITO, INC., 6-8 WASHINGTON STREET, TENAFLY, NEW JERSEY 07670, AND THE TELEPHONE NUMBER (201) 685-2255.

PASTITO, INC. AUTHORIZES THE AGENT LISTED IN EXHIBIT B TO RECEIVE SERVICE OF PROCESS FOR PASTITO, INC.

THE ISSUANCE DATE OF THIS FRANCHISE DISCLOSURE DOCUMENT IS JULY 1, 2020.

I HAVE RECEIVED A FRANCHISE DISCLOSURE DOCUMENT DATED JULY 1, 2020 INCLUDING THE FOLLOWING EXHIBITS ON THE DATE LISTED BELOW:

- A. LIST OF STATE ADMINISTRATORS
- B. LIST OF STATE AGENTS FOR SERVICE OF PROCESS
- C. FRANCHISE AGREEMENT

- D. TABLE OF CONTENTS OF OPERATIONS MANUAL
- E. FINANCIAL STATEMENTS
- F. LIST OF TERMINATED FRANCHISEES
- G. FRANCHISEE DISCLOSURE QUESTIONNAIRE
- H. MULTI-STATE ADDENDA

[Signature Page to Follow]

Please sign and print your name below, date and return one copy of this receipt to Pastito, Inc., and keep the other for your records.

Date of Receipt

Print Name

Signature

Return to:

(individually or as an officer or member of)

Pastito, Inc.

(Name of corporation or limited liability
company)

a _____ corporation/limited
liability company

(State of incorporation/organization)