FRANCHISE DISCLOSURE DOCUMENT

Patsy's of New York Franchise LLC
A New York Limited Liability Company
236 West 56th Street
New York, NY 10019
(212) 247-3491
www.patsys.com

PATSY'S ITALIAN RESTAURANT

The franchisee will operate a full-service upscale restaurant offering a menu specializing in Neapolitan Italian cuisine, soft drinks and alcoholic beverages under the name "Patsy's Italian Restaurant". A Patsy's Italian Restaurant operates using the franchisor's proprietary recipes, formulae, techniques, trade dress, trademarks and logos.

The total investment necessary to establish a Patsy's Italian Restaurant ranges from $2,853,500 to $4,179,000. This includes between approximately $275,000 to $350,000 that must be paid to the franchisor or its affiliate. If you sign an agreement for multi-unit development, in addition to the $2,853,500 to $4,179,000 investment you must pay for your first Patsy's Italian Restaurant, you must also pay the franchisor or its affiliate $50,000 for each additional Patsy's Italian Restaurant that you agree to develop.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Salvatore Scognamillo at 236 West 56th Street, New York, New York 10019 and (212) 247-3491.

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

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

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

Issuance Date: April 1, 2026

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 Exhibits E and 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 G 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 Patsy's Italian Restaurant 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 Patsy's Italian Restaurant business franchisee?	Item 20 or Exhibits E and F list 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 and Area Development Agreement require you to resolve disputes with us by litigation only in New York. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with us in New York than in your own state.

2. **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.

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

“DISCLOSURES REQUIRED BY CONNECTICUT LAW”

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

Seller: Patsy’s of New York Franchise LLC

Issuance Date: April 1, 2026

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

The Franchisor

Patsy's of New York Franchise LLC ("**we**" or "**us**" or "**Patsy's**") is the franchisor. We are a New York limited liability company with our principal place of business at 236 West 56th Street, New York, New York 10019. We were formed on August 18, 2006. Our agents for service of process are listed in Exhibit A to this Disclosure Document. We conduct business under the names and marks "Patsy's Italian Restaurant" and related slogans.

We offered franchises for Patsy's Italian Restaurant businesses between October 2007 and April 2015. We began offering franchises for Patsy's Italian Restaurant businesses again under this Disclosure Document in February 2021. We have not offered franchises in any other line of business. Other than operating and selling franchises for Patsy's Italian Restaurants, we are not involved in other business activities.

Our Parents, Predecessors and Affiliates

We have no parent or predecessor. Our affiliate, Patsy's Italian Restaurant, Inc. ("**PIR**"), owns the original Patsy's Italian Restaurant located in New York, New York that was opened in 1944. PIR will provide training to our franchisees. PIR is also the only approved supplier of certain products. Our affiliate, Patsy's Brand, Inc. ("**PBI**"), is the owner of our trademarks and service marks and has licensed them to us so that we may sub-license them to our franchisees. Other than PIR, we have no affiliates who currently provide products or services to franchisees of Patsy's Italian Restaurants, and we have no affiliates that offer, or have offered, franchises in any line of business. PIR and PBI are headquartered at 236 West 56th Street, New York, New York.

The Franchise Offered

We are offering franchises for restaurants that operate under the name "Patsy's Italian Restaurant," which are upscale restaurants that are established and operated using the format and system we developed (the "**System**"), which includes eat-in dining, catering services and private parties, and which operate at retail locations displaying our interior and exterior trade dress and feature and operate under the Proprietary Marks (as defined below) (each a "**Patsy's Italian Restaurant**"). Patsy's Italian Restaurants offer menus that specialize in Neapolitan Italian cuisine, soft drinks and alcoholic beverages using our proprietary recipes, formulae and techniques ("**Proprietary Products**"), as well as a variety of non-proprietary food, beverage, and other compatible items that we designate from time to time (collectively, "**Products**"). Our interior trade dress is designed to make Patsy's Italian Restaurants welcoming, comfortable, and easily identifiable for customers. Our System for Patsy's Italian Restaurants currently includes menus for lunch and dinner which offer food, wine, beer, and other alcoholic beverages that are subject to proper licensing and our approval. Franchised Patsy's Italian Restaurants are required to offer and sell wine, beer and a full line of alcoholic beverages, unless otherwise agreed to by us.

Patsy's Italian Restaurants are characterized by our System. Some of the features of our System include distinctive exterior and interior design, decor, color schemes, fixtures, and furnishings; recipes, standards and specifications for products, equipment, materials, and supplies; uniform standards, specifications, and procedures for operations; purchasing and sourcing procedures; procedures for inventory and management control; training and assistance; and marketing and promotional programs. We may periodically change and improve the System.

You must operate your Patsy's Italian Restaurant in accordance with our standards and procedures, as set out in our Confidential Operations Manuals (the "**Manuals**"). We will lend you a copy of the Manuals for the duration of the Franchise Agreement (or, at our option, we may make these available to you electronically). In addition, we will grant you the right to use our marks, including the mark "Patsy's Italian Restaurant" and any other trade names and marks that we designate in writing for use with the System (the "**Proprietary Marks**"). We may modify the Proprietary Marks or substitute new Proprietary Marks.

Franchise Agreement

We offer to enter into franchise agreements ("**Franchise Agreements**") (included as Exhibit B to this Disclosure Document) with qualified legal entities and persons ("**you**") that wish to establish and operate Patsy's Italian Restaurants. (In this Disclosure Document, "you" means the person or legal entity with whom we enter into an agreement. The term "you" also refers to the direct and indirect owners of a corporation, partnership, limited liability company, or limited liability partnership that signs a Franchise Agreement as the "franchisee".)

Under a Franchise Agreement, we will grant you the right (and you will accept the obligation) to operate a Patsy's Italian Restaurant at an agreed-upon specified location (the "**Approved Location**"). (In this Disclosure Document, the term "**Franchised Restaurant**" means the Patsy's Italian Restaurant franchised to you under a Franchise Agreement.)

If you are not an individual, then you must designate one of your owners, who must be an individual person with at least a 10% ownership interest in the franchisee entity, and who must be reasonably acceptable to us (the "**Designated Principal**"), to act as the general manager of your Franchised Restaurant.

Area Development Agreement

We also may offer to enter into an area development agreement (the "**Area Development Agreement**") (included as Exhibit C to this Disclosure Document) with qualified corporations and persons (an "**Area Developer**"), which grants the right to establish and operate a specified number of Patsy's Italian Restaurants in a specified area (the "**Development Area**") at specific locations that must be approved by us, each under a separate Franchise Agreement. We will enter into Area Development Agreements under which an Area Developer will be required to develop at least three Patsy's Italian Restaurants.

Area Developers must open each Patsy's Italian Restaurant following the Development Schedule set forth in Exhibit A to the Development Agreement. The Area Developer must exercise each development right by itself executing a separate Franchise Agreement for the establishment and operation of a Patsy's Italian Restaurant.

Industry-Specific Regulations

You must comply with all local, state, and federal laws that apply to your Franchised Restaurant's operations, including for example, health, labor, immigration, food handling, sanitation, EEOC, OSHA, discrimination, employment, and sexual harassment laws. If applicable to your Franchised Restaurant, 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, bathrooms, drinking facilities, etc. You will be responsible for obtaining any applicable real estate permits (*e.g.*, zoning), real estate licenses, and operational licenses. You also are required to offer wine, beer and other alcoholic beverages for sale at your Patsy's Italian Restaurant, unless we permit you to operate a Franchised Restaurant that does not offer alcoholic beverages. You are responsible for complying with any federal, state, county, municipal, or other local laws and regulations relating to alcohol and liquor that may apply

to your Franchised Restaurant. You should consult with your attorney concerning those and other local laws and ordinances that may affect the operation of your Franchised Restaurant.

Among the other licenses and permits you may need are: Zoning or Land Use Approvals, Sunday Sale Permits, Sales and Use Tax Permits, Special Tax Stamps, Fire Department Permits, Health Permits, Alarm Permits, County Occupational Permits, Retail Sales Licenses, and Wastewater Discharge Permits. There may be other laws, rules or regulations which affect your Restaurant, including minimum wage and labor laws along with ADA, OSHA and EPA considerations. We recommend that you consult with your attorney for an understanding of these laws.

You should consult with your attorney concerning those and other local laws and ordinances that may affect the operation of your Restaurant.

Market and Competition

The market for restaurants is well developed and intensely competitive. You will serve the general public and will compete with a variety of businesses, from locally owned to national and chain businesses. These include large chain and locally owned Italian restaurants, and other restaurants specializing in Italian cuisine. We may establish other Patsy's Italian Restaurants in your area (if permitted under the Franchise Agreement) and/or sell or license others to sell Products in your area. Also, we may sell Products through the Internet, toll-free telephone numbers, catalogs, or other similar means of distribution to customers at any location, which may be located in your area.

ITEM 2
BUSINESS EXPERIENCE

Salvatore J. Scognamillo – Vice President and Secretary

Mr. Scognamillo has been our Vice President and Secretary since our inception in August 2006. He has also been Vice President of PIR since 1985 and with PBI since its inception in 1993. All positions are held in New York, New York.

Lisa Scognamillo – In-House Counsel and Business Manager

Ms. Scognamillo has been our, and the Affiliate's, In-House Counsel and Business Manager since November 2014. She has also been the Chief Operating Officer of LiSal Catering, LLC since August 2020 and the owner of Scognamillo Hospitality LLC since December 2020. All positions are held in New York, New York.

Joseph A. Scognamillo – Restaurant Manager

Mr. Scognamillo has been PIR's Restaurant Manager since June 2018. He is based in New York, New York.

ITEM 3
LITIGATION

Kreshnik Hoti and Desiart Ymeraga v. Patsy's Italian Restaurant Inc., d/b/a Patsy's Italian Restaurant, and Sal Scognamillo, Case 1:24-cv-06999-JGLC, United States District Court, Southern District of New York (Filed September 16, 2024). Plaintiffs, who are of Albanian ethnicity and ancestry and were employed by Defendants as servers, sued PIR and our Vice President and Secretary, Sal Scognamillo, alleging discrimination based on race/ethnicity/ancestry in violation of The Civil Rights Acts

– 42 U.S.C. § 1981, *et seq*., discrimination based on race/ethnicity in violation of New York State Human Rights Law, and discrimination based on race/ethnicity in violation of New York City Human Rights Law. The complaint seeks damages, including compensatory and liquidated damages, punitive damages, penalties available under applicable laws, costs (including expert fees) of the action, attorneys' fees, pre-judgment and post-judgment interest, and other legal and equitable relief determined by the court. The discovery phase of the action is complete and the parties are waiting for a trial date. The Defendants deny any wrongdoing and intend to vigorously defend against these claims.

Kreshnik Hoti and Desiart Ymeraga v. Patsy's Italian Restaurant Inc., d/b/a Patsy's Italian Restaurant, and Sal Scognamillo, Joseph Scognamillo, Lisa Scognamillo, Case 1:24-cv-06991-JGLC, United States District Court, Southern District of New York (Filed September 16, 2024). Plaintiffs were both servers employed by Defendants. Plaintiffs are alleging violations under (i) the Fair Labor Standards Act for Defendants' alleged failure to pay appropriate overtime rates for work in excess of 40 hours per workweek and alleged retainment/misappropriation of gratuities, (ii) the New York Labor Law for Defendants' alleged failure to pay the New York minimum wage for all hours worked, alleged failure to pay appropriate overtime rates for work in excess of 40 hours per workweek, alleged retainment/misappropriation of gratuities, and alleged failure to provide wage notices and statements that contain the required information under N.Y. Lab. Law § 198, and (iii) N.Y. Comp. Code R. & Regs. tit. 12, § 146-1.6 for Defendants' alleged failure to compensate one hour's pay at the basic New York minimum hourly wage rate for all workdays that spanned more than 10 hours. The complaint seeks damages, including liquidated damages, penalties available under applicable laws, costs (including expert fees) of the action, attorneys' fees, pre-judgment and post-judgment interest, and other legal and equitable relief determined by the court. The discovery phase of the action is almost complete and the parties are waiting for a trial date. The Defendants deny any wrongdoing and intend to vigorously defend against these claims.

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

ITEM 4
BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Initial Franchise Fee

When you sign the Franchise Agreement you must pay us an initial franchise fee (the "**Franchise Fee**") of $100,000. The initial franchise fee will be fully earned when paid and non-refundable in consideration of administrative and other expenses we incur in entering into the Franchise Agreement and for our lost or deferred opportunity to enter into the Franchise Agreement with others.

Area Development Fee

If you are going to be an Area Developer, then you will sign an Area Development Agreement and pay us an area development fee (the "**Area Development Fee**"). The amount of the Area Development Fee will depend on the number of Patsy's Italian Restaurants to be developed under the Area Development Agreement, and will be calculated as follows: $100,000 for the first Patsy's Italian Restaurant plus a deposit of $50,000 for each additional Patsy's Italian Restaurant to be opened under that agreement. The Area Development Fee will be due in a lump sum upon the signing of an Area Development Agreement. The Area Development Fee is fully earned and non-refundable regardless of whether you enter into a Franchise

Agreement for any of those Franchised Restaurants, in consideration of administrative and other expenses we incur in entering into the Area Development Agreement, and for our lost or deferred opportunity to enter into the Area Development Agreement with others.

If you meet your obligations under the Area Development Agreement and are not otherwise in default under any other agreement with us, as you sign Franchise Agreements for each Franchised Restaurant under the Area Development Agreement, we will credit the portion of the Area Development Fee that you paid attributable to that Franchised Restaurant towards the Franchise Fee due for that Franchised Restaurant. Additionally, if you are in compliance with the Area Development Agreement, then as you sign a Franchise Agreement for each Franchised Restaurant that you develop to satisfy the Development Schedule, the Franchise Fee for those Franchised Restaurants will be the amount specified in the Area Development Agreement, regardless of whether our standard Franchise Fee is higher at the time you sign the Franchise Agreements for those Franchised Restaurants. The balance of the Franchise Fee for each Restaurant developed after the first is due in a lump sum when you sign the Franchise Agreement for that Restaurant.

Initial Purchases

You are required to purchase from us and/or our affiliates certain items before opening for business, including certain Products and food supplies. We currently estimate that these purchases will range between $175,000 to $250,000.

Range of Pre-Opening Amounts Received During Prior Fiscal Year

Because we did not grant any franchises during our 2025 fiscal year, we did not reduce any of the fees described above for any franchisee during our 2025 fiscal year.

ITEM 6
OTHER FEES

Type of Fee (Note 1)	Amount	Date Due	Remarks
Royalty Fees	7% of Gross Sales	By the 15th day after the close of each month based on the Gross Sales for that month (Note 2)	Gross Sales means all revenue related to the Franchised Restaurant (excluding customer refunds and sales taxes collected and remitted to the proper authorities). Gross Sales includes the value of any type of complimentary items (promotional or non-promotional) given to the Franchised Restaurant's clientele. You may not provide more than $50,000 worth of such complimentary items in any year.

Type of Fee (Note 1)	Amount	Date Due	Remarks
Advertising Fund Contributions	Up to 2% of Gross Sales (Note 3)	By the 15th day after the close of each month based on the Gross Sales for that month	We may establish an advertising fund (the "Advertising Fund"'). Advertising Fund contributions are payable in the same manner as the Royalty Fees.
Cooperative Ad Fund Contribution	0.5% of Gross Sales (Note 4)	To be determined	You must participate in an advertising cooperative for your area, when one is established. We presently do not have any cooperatives.
Local Telephone and On-line Directories	Varies	Upon demand	We may require you to, or we may on your behalf, advertise your Franchised Restaurant in local directories. You must bear the costs for your Franchised Restaurant, including reimbursements to us.
Additional on-site training and assistance	Our per-diem charges (which is currently $1,500 plus our out-of-pocket costs), per trainer.	Payable with the following month's Royalty Fee	If you ask that we (a) provide additional on-site training, or (b) conduct at your Franchised Restaurant any training session that we offer at our headquarters, and we do so, then you will have to pay our then-current per-diem charge for extra training. See Note 5 and Item 11 under the heading "Training."
Fees related to Computer System and Software	None		Although we do not presently have a proprietary software program, we reserve the right to develop one in the future, and we may charge licensing and upgrade fees.
Product/Supplier Testing	Varies – our actual costs of testing and evaluation	Upon demand, if incurred	See Note 6 and Item 8.

Type of Fee (Note 1)	Amount	Date Due	Remarks
Transfer Fee – Franchise Agreement	$25,000	At time of transfer	Payable only if you make a transfer (as defined in the Franchise Agreement), which includes any sale or assignment of your franchise or your company. We do not impose a fee for a transfer to a corporation you form for the convenience of ownership.
Transfer Fee – Area Development Agreement	$10,000 for each Patsy's Italian Restaurant not developed or 50% of the Area Development Fee, whichever is higher	At time of transfer	We may require you to also transfer all Franchise Agreements for each Restaurant opened under the Area Development Agreement
Renewal Fee	$10,000	Prior to renewal	Payable prior to renewal
Charges for "mystery customer" quality control evaluation	Will vary under circumstances, but not to exceed $500 per year	Upon demand, if incurred	See Note 7 and Item 8. The mystery customer program will be separate from our programs for customer surveys and customer satisfaction audits (which may require you to accept coupons from participating customers for discounted or complimentary items).
Late Fee and Interest on Overdue Payments	A late fee equal to 5% of your overdue amount, plus interest equal to 1.5% per month (but not more than any maximum rate set by law)	At time the Overdue Payments are paid	Only due if you don't pay us the amounts you owe on time. Interest will be charged only on overdue amounts and will start to accrue on the date when the payment was originally due.
Dues and Assessments Imposed by a Franchisee Advisory Council	As determined by a franchisee advisory council (if established) Currently - none	At the times required by a franchisee advisory council	We may form, or require that our franchisees form, a franchisee advisory council. If one is formed, you must become a member, and you must pay the fees and assessments imposed by the council.

Type of Fee (Note 1)	Amount	Date Due	Remarks
Audit Expenses	All costs and expenses associated with the audit, reasonable accounting and legal costs	Upon Demand	Payable only if we audit and the audit discloses an understatement in any statement or report of 2% or more. (You will also have to pay the monies owed and interest on the underpayment (see "interest" above).)
Insurance Procurement	Our cost to obtain insurance coverage if you fail to do so	Upon Demand	We have the right (but not obligation) to buy insurance coverage if you do not do so.
Securities Offering	Our actual expenses	Upon demand	Payable only if you propose to engage in a public or private securities offering, to reimburse us for our reasonable costs and expenses (including legal and accounting fees) to evaluate your proposed offering.
Costs and Attorneys' Fees	Will vary under circumstances	Upon Demand	Due only if (i) you are in default under the Franchise Agreement, in which case you must reimburse us for the expenses we incur (including reasonable attorneys' fees) as a result of your default and to enforce and terminate the Franchise Agreement or (ii) if we become a party to any litigation as a result of your conduct at the Restaurant.
Indemnification	Will vary under circumstances	Upon Demand	You must reimburse us if we are sued or held liable for claims arising from your operation of the Franchised Restaurant, as well as your use of the Proprietary Marks in a manner inconsistent with our instructions, and any transfers or securities offerings that you propose.
Liquidated Damages	See footnote 8	See footnote 8	

Type of Fee (Note 1)	Amount	Date Due	Remarks
Prohibited Product Fine	$250 per day	Upon demand	This fine is payable if we find you are using products at the Restaurant that have not received our prior approval

Notes:

1. We impose and collect all of the fees described above in this Item 6. None of these fees are refundable.

2. You must pay your Royalty Fees and Advertising Contributions by EFT (electronic funds transfer). To make arrangements for EFT, you must sign our current form of Authorization Agreement for Prearranged Payments (Direct Debits), which is Exhibit D to the Franchise Agreement. If the sale of alcohol at the Franchised Restaurant pursuant to a state or local law in which the Franchised Restaurant is located prohibits or restricts in any way your ability to pay and our ability to collect royalty fees or other amounts based on Gross Sales derived from the sale of alcoholic beverages at the Franchised Restaurant, then we and you will renegotiate the royalty fees and other provisions to provide the same basic economic effect to both us and you as otherwise provided in the Franchise Agreement, with a corresponding change to the definition of Gross Sales.

3. Further details about the applicable advertising and promotional requirements and Advertising Fund that we may establish can be found in Item 11, under the subheading "Advertising." Your Advertising Fund contribution, Cooperative Ad Fund contribution and local advertising and promotion expenditures will not cumulatively exceed 5.0% of your Gross Sales.

4. The amount of required Cooperative Ad Fund contributions will be determined by us, unless we authorize the Cooperative Ad Fund to set the amount. Members of any Cooperative Ad Fund may, however, agree (by a majority vote) to increase the Cooperative Ad Fund contribution to a rate in excess of the amount that we require. At present, there are no Cooperative Ad Funds in our System. Your Advertising Fund contribution, Cooperative Ad Fund contribution and local advertising and promotion expenditures will not cumulatively exceed 5.0% of your Gross Sales. (See Item 11.)

5. As part of the opening of your Franchised Restaurant, we will conduct pre-opening and opening training and assistance at your Franchised Restaurant. We will bear the costs associated with providing this training. However, if you request additional days of on-site training or assistance in connection with your opening, or at a later time, we may charge you our then-current per diem training fee for the additional training provided; and you will also have to reimburse us for all out of pocket costs and expenses associated with the additional training, including lodging, food and travel arrangements of the trainers. Additionally, we may require that you complete refresher and additional training programs, and we may offer the programs on a voluntary basis. If you request that we conduct any additional training sessions (required or voluntary) at your Franchised Restaurant rather than at our headquarters or company-owned Patsy's Italian Restaurants, and we do so, then we may charge you our then-current per diem training fee for that training we provide, and you will also have to reimburse us for all out of pocket costs and expenses described above. Our current per diem charge is $1,500 per trainer (we reserve the right to change our per diem rate in the future). See Item 11 under the heading "Training" for more detailed information.

6. If you desire to purchase unapproved products or equipment, supplies, services, or Products (other than Proprietary Products) from other than approved suppliers, we may require that our representatives be permitted to inspect, from time to time, the supplier's facilities, and that samples from the supplier be delivered for evaluation and testing either to us or to an independent testing facility designated by us. You must pay a charge not to exceed the reasonable cost of the evaluation and testing. See also Item 8.

7. As described in Item 8, we may use an independent service to conduct a "mystery customer" quality control and evaluation program. You must participate in this program, and we may require that you pay the then-current charges imposed by the evaluation service (as we direct, either directly to the evaluation service provider or to us as a reimbursement).

8. If we terminate the Franchise Agreement with cause, you must pay us, within 15 days after the termination's effective date, liquidated damages equal to the average monthly Royalty Fees paid for the 12 month period prior to termination of the Franchise Agreement multiplied by the lesser of 24 and the number of months remaining from the date of termination of the Franchise Agreement through the end of the term of the Franchise Agreement. These liquidated damages cover only our damages from loss of the Royalty Fee cash flow. They do not cover other damages to which we might be entitled due to your actions or inaction.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	When Due	Method of Payment	To Whom Payment is to be Made (Note 1)
Initial Franchise Fee (Note 2)	$100,000	Upon signing the Franchise Agreement	Installments	Us
Leasehold Improvements (Note 3)	$1,155,000 to $1,732,500	As arranged	As arranged	Independent contractors, Lessor
Fixtures, Furnishings, Equipment & Signage (Note 4)	$975,000 to $1,270,500	As incurred	As arranged	Suppliers
Architect Fees (Note 5)	$30,000 to $70,000	As arranged	As arranged	Independent contractors, Approved Suppliers
Business Licenses & Permits (Note 6)	$3,500 to $6,000	As incurred	As arranged	Local and other state government agencies

Type of Expenditure	Amount	When Due	Method of Payment	To Whom Payment is to be Made (Note 1)
Rent and Utility Deposits (Note 7)	$25,000 to $60,000	As arranged	As arranged	Lessor, Utility companies
Other Professional Fees (Note 8)	$10,000 to $30,000	As arranged	As arranged	Various service providers and contractors
Insurance (Note 9)	$50,000 to $100,000	As arranged	As arranged	Insurance providers
Initial Inventory of Products and Food and Paper Supplies (Note 10)	$175,000 to $250,000	As incurred	As arranged	Us and Approved suppliers
Training Expenses (Note 11)	$30,000 to $60,000	Payment terms arranged with suppliers and your employees	As arranged	Suppliers and your employees
Grand Opening Advertising (Note 12)	$50,000	As arranged	As arranged	Suppliers
Additional Funds (for initial period of operations) (Note 13)	$250,000 to $450,000	As needed	As arranged	Us, suppliers, employees and other creditors
TOTAL ESTIMATED INITIAL INVESTMENT	**$2,853,500 to $4,179,000**			

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

Notes:

1. General – We do not impose or collect the fees or costs described in this Item, except for the items noted with "Us" in the column labeled "To Whom Payment is Made." Except as described below, all fees and amounts that you must pay to us are non-refundable. For any amounts paid to third parties, the availability and conditions under which you may obtain refunds will depend on the terms offered by those third party suppliers. Our estimates in this Item are based on our current prototype for Patsy's Italian Restaurants, our Affiliate's experience in developing and operating a Patsy's Italian Restaurant, and our knowledge of business practices and conditions in the general marketplace.

2. Franchise Fee – The Franchise Fee shown in the chart above is for the first (or only) franchise you purchase. If you sign an Area Development Agreement, you will have to pay an Area Development Fee. The amount of the Area Development Fee will depend on the number of Patsy's Italian Restaurants to be developed under the Area Development Agreement, and will be calculated as follows: $100,000 for the first Patsy's Italian Restaurant plus a deposit of $50,000 for each additional Patsy's Italian Restaurant to be opened under that agreement. We will credit the portion of the Area Development Fee that you paid attributable to a Franchised Restaurant toward the Franchise Fee due for that Franchised Restaurant. The Franchise Fee and Area Development Fee are fully non-refundable. See Item 5 for further details regarding the Franchise Fees and Area Development Fees. We do not provide financing for any of these fees.

3. Leasehold Improvements – You will need to employ a qualified licensed general contractor to construct the improvements to, or "build out," the premises which we will approve and at which you will operate the Franchised Restaurant. Our estimates are based on the assumption that location is approximately 7,000 square feet, and that your lessor will provide a shell space that includes, at a minimum, a level concrete floor suitable for floor covering, demising walls, and air-conditioning, electricity, gas, sewers, bathroom facilities, and water and plumbing suitable for a retail business. Among other things, you will probably need to arrange for the following items to meet our standard plans and specifications: proper wiring and plumbing, floor covering, wall covering, partitions, lighting and fixtures, storefront modifications, painting, cabinetry, and the like. Costs will vary depending upon various factors, including: the geographic location of your business; the size of the premises; the availability and cost of labor and materials; and the condition of the premises and the work that the lessor will do as a result of the lease negotiations. Lessors may, instead of actually doing some of the work, provide you with credits towards your future rent payments and/or a tenant improvement allowance.

4. Fixtures, Furnishings & Equipment – As described in Item 8, you must purchase all fixtures, furnishings, equipment (including computer and point of sale equipment), signage and supplies that we specify as required for a Patsy's Italian Restaurant. ***Fixtures and Equipment****:* These estimates include fixtures and equipment required for a Patsy's Italian Restaurant, including walk-in coolers and refrigeration equipment, bar, display cases, food preparation tables, other fixtures and equipment, serving and customer tables and seating, and other various décor items, and small wares. These amounts also include costs of your office furniture, filing cabinet and miscellaneous office supplies, and equipment. ***Computer and point of sale systems***: You must purchase or lease the Computer System we require to operate the Franchised Restaurant. The estimate includes the costs for the items that we currently require. We may periodically require franchisees to update their Computer Systems to our then-current standards. See Item 11 under the heading "Computer System" for additional information. ***Signage****:* The estimates include the costs for interior and exterior signage. The cost of signage may vary significantly depending on the location of your Franchised Restaurant, market conditions and local codes. In some instances, the use of additional or larger signage may be possible, with our prior written approval. The costs of these optional items are not included in the line item total above.

5. Architect Fees – You will be required to retain the services of a qualified architect, who we have approved or designated for use by our franchisees, to adapt our standardized plans and specifications based on our prototype(s) of Patsy's Italian Restaurants for the remodeling or finish-out of your Franchised Restaurant (see Item 11 under the subheading "Construction and Layout of Restaurant" for additional information). As described in Item 11, we may from time to time develop or approve variations with respect to our prototype locations and plans.

6. Business Licenses and Permits – These are general estimates for permits and licensing that may be required by local and state governments. Local, municipal, county and state regulations vary on the licenses and permits you will need to operate a Patsy's Italian Restaurant. You will pay these fees to governmental authorities before starting business. As described earlier in Item 1, unless we agree to the contrary, we require our franchisees to offer and sell alcoholic beverages. You are solely responsible for obtaining all appropriate licenses and permits. The laws, regulations and licensing requirements and restrictions relating to alcohol may vary significantly between jurisdictions and, therefore, the estimates in the chart above do not include any alcohol related licensing fees. Depending upon what state you are located in, these fees can range anywhere from $10,000 to $600,000. These estimates do not include outdoor seating permits, as permitting requirements and fees may vary significantly between jurisdictions.

7. Rent and Utility Deposits – If you do not own a location for your Franchised Restaurant, you must purchase or lease a space. Locations for Patsy's Italian Restaurants will typically need approximately 7,000 square feet. The estimate in the chart above includes your first month's rent payment and utility deposits (*e.g.*, telephone, electricity, gas and water). The estimates do not include a security deposit or real estate taxes. The requirement to make, and the amount of, security deposits will depend on a variety of factors, including your credit and financial condition. The estimates assume that rent commences upon the Franchised Restaurant's opening. You, however, will need to lease a space in advance to build-out the Franchised Restaurant. However, you may attempt to negotiate an abatement from the lessor for this period.

   We anticipate that Patsy's Italian Restaurants will typically be located in retail strip shopping centers, although free standing and downtown locations will be considered as long as they are in areas of high traffic in urban and suburban areas, and preferably near large residential communities, office buildings and other commercial areas. Rent varies considerably from market to market, and from location to location within each market. Rents may vary beyond the range that we have provided, based on factors such as market conditions in the relevant area, the type and nature of improvements needed to the premises, the size of the site for the Franchised Restaurant, the terms of the lease, the desirability of the location, and your ability to negotiate with your lessor.

   The estimates assume that you will lease the premises for your Franchised Restaurant and, therefore, do not include costs related to the purchase of land or the construction of any buildings. If you decide to purchase the property for the location of your Franchised Restaurant, you will incur additional costs that we cannot estimate.

8. Professional Fees – The estimate assumes that you will employ an attorney to help you negotiate your lease for the Franchised Restaurant premises. In addition, you may choose to employ an attorney, accountant, and other consultants to help you evaluate our franchise offering and your establishment of a new business, and in obtaining all required permits and licenses to establish and operate the Franchised Restaurant. In addition, you may also form a corporation or other entity to operate the business. Your actual costs may vary substantially, for example, depending on the degree to which you rely upon your advisors and upon the licensing requirements that may apply to your Franchised Restaurant.

9. Insurance Deposit – The estimate represents annual premium costs for the coverage necessary to operate the business. Insurance costs will vary depending upon factors such as the size and location of the Franchised Restaurant. Your obligations with respect to insurance are more fully described in Item 8.

10. Initial Inventory of Food and Paper Supplies – These expenses include an initial inventory of Products, as well as an initial inventory of paper goods and supplies. You will need to replenish your initial inventory on an as needed basis and food items and other supplies are used. Our Affiliate's Patsy's Italian Restaurants typically place orders for replacement items a minimum of twice or three times per week. The amount and cost of your initial and subsequent orders for all of these items will vary depending on various factors, including the size and anticipated volume of your Franchised Restaurant's sales and the frequency of your orders.

11. Training Expenses – You will incur expenses associated with our training program. For this training program, we provide instructors and instructional materials at no charge for up to six persons, but you must pay for transportation, lodging, food and wages (if you send any employees) for your trainees. As to the amounts shown, the low end assumes that the trainees are within driving distance to the training location, and the high end assumes that other travel will be needed, and includes travel expenses, although these may vary significantly depending upon factors such as the distance traveled and mode of transportation. Your costs will also vary depending on the nature and style of accommodations, and the number of persons who will attend training. See Item 11 under the heading "Training" for additional details regarding the program.

12. Grand Opening Advertising – This advertising and marketing promotion is intended to provide initial awareness and momentum for your new Franchised Restaurant. You must spend a minimum of $50,000 on this advertising during the first 30 days of operations. Additional details regarding advertising and promotion can be found in Item 11, under the heading "Advertising."

13. Additional Funds – You will need additional capital to support on-going expenses, such as payroll and utilities, to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover on-going expenses for the start-up phase of the business, which we calculate to be three months. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after. Your actual costs may vary considerably, depending, for example, on factors such as: local economic conditions; the local market for the Products; the prevailing wage rate; competition; the sales level achieved during the initial period of operation; and your management and training experience, skill, and business acumen. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. You should take into account the cash outlays and probable losses that you may incur while you are trying to get established.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure that the highest degree of quality and service is maintained, you must operate the Franchised Restaurant in strict conformity with the methods, standards, and specifications as we may from time to time prescribe in the Manuals or otherwise in writing.

Products and Other Purchases

General

All Products sold or offered for sale at the Franchised Restaurant must meet our then-current standards and specifications and be approved by us. You must purchase, install, and use all fixtures, furnishings, equipment, décor, supplies, computers and communications hardware and software, signs and materials as we may reasonably require in the Manuals or other written materials (collectively, "**Restaurant**

Items"). You must purchase all additional Products and other Restaurant Items solely from manufacturers, distributors, and suppliers who demonstrate to our continuing reasonable satisfaction the ability to meet our standards and specifications, who possess adequate quality controls and capacity to supply your needs promptly and reliably, and who have been approved by us in the Manuals or otherwise in writing. You may not purchase, offer or sell any Products, or use at your Franchised Restaurant any Products or Restaurant Items that we have not previously approved as meeting our standards and specifications. We have the right to be an approved supplier of any Products. We may disapprove of Products and suppliers based on our desire to consolidate System purchases through fewer suppliers. We may designate a single supplier, which may be us or one of our affiliates, for any products, equipment, supplies, or services, in which event you must purchase such items exclusively from the designated supplier.

If you desire to purchase unapproved products, or Products (except for Proprietary Products, which are discussed below) or Restaurant Items from other than approved suppliers, you must submit to us a written request to approve the proposed product or supplier, together with such evidence of conformity with our specifications as we reasonably require. We will have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered for evaluation and testing either to us or to an independent testing facility designated by us. You must pay a charge, not to exceed the reasonable cost of the evaluation and testing. We will use our best efforts to complete our review within 45 days. If we do not give our written approval within 45 days, we will be deemed to have disapproved the proposed new supplier. We may, from time to time, revoke our approval of particular Products, Restaurant Items or suppliers if we determine, in our sole discretion, that the Products or suppliers no longer meet our standards. Upon receipt of written notice of such revocation, you must cease to sell any disapproved product and/or cease to purchase from any disapproved supplier.

We have no obligation to make available to you or to prospective suppliers the standards and specifications that we deem confidential. When approving suppliers, we consider whether they demonstrate the ability to meet our standards and specification and whether they possess adequate quality controls and capacity to supply your needs promptly and reliably. However, our approval may be withheld for any reason.

We estimate that your purchases from approved suppliers will represent approximately 3% to 15% of your total purchases in establishing the Franchised Restaurant, and approximately 3% to 15% in the continuing operation of the Franchised Restaurant. We also estimate that your purchases that must conform to our specifications will represent approximately 25% to 30% of your total purchases in establishing the Franchised Restaurant, and approximately 50% to 60% of your total purchases in the continuing operation of the Franchised Restaurant.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some Products, equipment, or services to some or all of the Patsy's Italian Restaurants in our System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all Products, equipment and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would not be in the best interests of the System or the franchised network of Patsy's Italian Restaurants. There are currently no purchasing or distribution cooperatives in our System.

We and/or our affiliates may receive payments, rebates or other compensation from suppliers on account of the suppliers' dealings with us, you, or other Patsy's Italian Restaurants in the System. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase Products, equipment, supplies, services and other items at a price that will benefit us and our franchisees.

Proprietary Products

The Proprietary Products that are or may be offered and sold in Patsy's Italian Restaurants are manufactured in accordance with our proprietary recipes, formulae and specifications and include, but are not limited to, our proprietary sauces. In order to maintain the high standards of quality, taste, and uniformity associated with Proprietary Products sold at all Patsy's Italian Restaurants in the System, you must purchase Proprietary Products only from the suppliers and distributors that we designate in our sole discretion, and you may not offer or sell any Proprietary Products that have not been purchased from us or our designated supplier at or from the Franchised Restaurant. We will have the right to periodically introduce additional Proprietary Products, or to withdraw Proprietary Products.

You currently must purchase certain Proprietary Products, including sauces (both in gallon bags for use in preparing menu items at the Franchised Restaurant and in jars for resale to the public), oils and vinegar from Mac Specialty Foods LLC. You must purchase pasta, coffee and certain cookbooks from our affiliate PIR. There are no other approved suppliers in which any of our officers owns an interest.

You currently must purchase and use the Computer System, comprised of (i) the SQUARE point of sale system or other similar point of sale system that we approve; (ii) one iPad; and, (iii) the TableAgent reservation system, in accordance with our standards and specifications.

Except as described in this Item 8, we do not provide any material benefits to you based on your use of designated or approved suppliers.

During fiscal year 2025, neither we nor any of our affiliates received any revenue or other material consideration from required purchases or leases by franchisees, but we may do so in the future. During fiscal year 2025, we received no rebates from any suppliers, but we may do so in the future.

Insurance

You also must obtain, before beginning any operations under the Franchise Agreement, and must maintain in full force and effect at all times during the term of the Franchise Agreement, at your own expense, an insurance policy or policies protecting you, us, our affiliates, and our respective officers, directors, partners, and employees. The policies must provide protection against any demand or claim relating to personal and bodily injury, death, or property damage, or any liability arising from your operation of the Franchised Restaurant. All policies must be written by a responsible carrier or carriers whom we determine to be acceptable, must name us and our affiliates as additional insureds, and must provide at least the types and minimum amounts of coverage specified in the Franchise Agreement or otherwise in the Manuals. Additionally, we may designate one or more insurance companies as the insurance carrier(s) for Patsy's Italian Restaurants. If we do so, we may require that you obtain your insurance through the designated carrier(s).

As of the date of this Disclosure Document, you are required to purchase and maintain the following types and amounts of insurance coverage:

(1) builder's risk insurance that satisfies the standards and specifications set forth by us in the Manuals or otherwise in writing to cover any period(s) of renovation or construction at the Franchised Restaurant;

(2) all risks coverage insurance on the Franchised Restaurant and all fixtures, equipment, supplies and other property used in the operation of the Franchised Restaurant, for full repair

and replacement value of the equipment, improvements and betterments, without any applicable co-insurance clause, except that an appropriate deductible clause shall be permitted;

(3) worker's compensation and employer's liability insurance as well as such other insurance as may be required by statute or rule of the state in which the Franchised Restaurant is located and operated. If you are permitted to and elects not to have worker's compensation insurance for your owners and officers, you shall have alternative coverages at all times for work-related injuries;

(4) comprehensive general liability insurance with limits of at least $1,000,000 per occurrence, and $3,000,000 general aggregate, and product liability insurance with limits of at least $2,000,000 general aggregate limit including the following coverages: personal injury (employee and contractual inclusion deleted); products/completed operation; employment practices coverage; and tenant's legal liability; insuring us and you against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from, or occurring in the course of, or on or about or otherwise relating to the Franchised Restaurant, provided that the required amounts herein may be modified from time to time by us to reflect inflation or future experience with claims;

(5) automobile liability insurance, and property damage liability, including owned, non-owned, and hired vehicle coverage, with at least $500,000 combined single limit, and $1,000,000 general aggregate limit;

(6) host liquor liability with at least $3,000,000 per occurrence;

(7) excess liability coverage over general liability, automobile liability, liquor liability and employer's liability, with at least $4,000,000 per occurrence;

(8) such insurance and types of coverage as may be required by the terms of any lease for the Premises, or as may be required from time to time by us; and

(9) business interruption insurance for actual losses sustained of no less coverage than $1,000,000 per occurrence.

Except as described above, neither we nor any affiliate of ours will derive revenue as a result of your purchases or leases in accordance with our specifications or standards or from approved suppliers. We provide no material benefits to franchisees based on their use of approved suppliers.

Leases

If you will occupy the premises of your Franchised Restaurant under a lease, then you must, before executing the lease, submit the lease to us for our review and approval, which will not be unreasonably withheld. Your lease or sublease (or rider to the lease or sublease) must contain the lease terms and conditions that we may reasonably require in writing, a current list of which is included as Exhibit G to the Franchise Agreement and Exhibit E to the Area Development Agreement (see Item 22).

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ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section(s) in Franchise Agreement	Section(s) in Area Development Agreement	Disclosure Document Item
(a) Site selection and acquisition / lease	5.1	3.2	11
(b) Pre-opening purchases/leases	8.7	Not Applicable	7 and 8
(c) Site development and other pre-opening requirements	5	3.2	8 and 11
(d) Initial and ongoing training	6	Not Applicable	11
(e) Opening	5	Not Applicable	11
(f) Fees	4,6.7, 13, 15.3	4	5 and 6
(g) Compliance with standards and policies/Operating Manual	8, 10, and 13	5	8, 11, and 14
(h) Trademarks and proprietary information	8.8, 8.10, 9, and 10.2	1.4	13 and 14
(i) Restrictions on products/services offered	1.3 and 8.6	1	5, 8 and 16
(j) Warranty and customer service requirements	Not Applicable	Not Applicable	16
(k) Territorial development and sales quotas	1 and Exhibit A	1 and Exhibit A	12
(l) On-going product/service purchases	8	Not Applicable	8
(m) Maintenance, appearance and remodeling requirements	8.13, 8.14, and 8.15	Not Applicable	8
(n) Insurance	14	Not Applicable	7 and 8
(o) Advertising	13	Not Applicable	6, 7, 8, and 11
(p) Indemnification	21.4	12.4	None
(q) Owner's participation/management and staffing	8.3 and 8.4	Not Applicable	15
(r) Records/reports	12	5.3 and 5.4	6
(s) Inspections/audits	8.9	Not Applicable	6 and 11
(t) Transfer	15	7	17
(u) Renewal	2.2	Not Applicable	17

Obligation	Section(s) in Franchise Agreement	Section(s) in Area Development Agreement	Disclosure Document Item
(v) Post-termination obligations	18.3	8.3	17
(w) Non-competition covenants	18	8	17
(x) Dispute resolution	27	16	17
(y) Other. (Liquidated damages)	17.11	Not Applicable	6

ITEM 10
FINANCING

We do not offer direct or indirect financing, nor do we guaranty your notes, leases or other obligations, but we may decide to offer indirect financing in the future.

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

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

Pre-opening Obligations

We are required by the Franchise Agreement and Area Development Agreement to provide certain assistance and service to you.

Franchise Agreement. Before you open your Franchised Restaurant:

1. We will approve or deny your proposed site for each Franchised Restaurant. (Franchise Agreement, Section 5.1)

2. Before your Franchised Restaurant opens, we will provide you with our standard initial training program for up to six persons (unless you are an Area Developer and the Franchise Agreement is for your third or subsequent Franchised Restaurant). (Training is also discussed below in this Item 11 under the subheading "Training.") We will be responsible for the cost of instruction and materials, subject to the terms stated in the Franchise Agreement. (Franchise Agreement, Sections 3.2, 6)

3. We will, at no charge to you, provide you or the approved design firm and/or architect with our prototype plans and specifications for the construction of a Patsy's Italian Restaurant and for the exterior and interior design and layout, fixtures, equipment, furnishings, and signs. You will be responsible for hiring your own architect or employing a design firm and/or architecture firm designated by us to adapt the plans to your site (with our approval as described below under the heading "Construction and Layout of Restaurant"), and for hiring a contractor to build the Franchised Restaurant in accordance with those approved plans. You are also responsible for compliance with all local and other requirements relating to the plans, including for example, zoning, code, and compliance with the Americans with Disabilities Act. (Franchise Agreement, Sections 3.1, 5.1)

4. We have the right to inspect and approve the Franchised Restaurant for opening before the initial opening. You may not start operation of your Franchised Restaurant until receiving our approval to do so. (Franchise Agreement, Section 5.4)

5. We will provide on-site pre-opening and opening supervision and assistance as described in Item 6. (Franchise Agreement, Section 3.3)

6. We will lend you, for the duration of the Franchise Agreement, copies of the Manual, the current table of contents of which is in Exhibit H. As of the date of this Disclosure Document, the Manual contains approximately 250 pages. (Franchise Agreement, Section 3.4)

7. We will assist you in developing a Grand Opening Advertising Program (which is more fully described in Item 7 of this Disclosure Document and in this Item under "Advertising"); you will be responsible for the cost of this program. (Franchise Agreement, Sections 3.6, 13.5)

8. We will provide you a list of our then-current designated or approved suppliers. (Franchise Agreement, Section 3.9)

Area Development Agreement: Before you open the Franchised Restaurant:

1. We will approve or deny your proposed site for each Franchised Restaurant. (Section 3.2)

2. We will provide you with site selection guidelines, including our minimum standards for store sites, and other site selection counseling and assistance as we deem appropriate. (Section 5.1)

3. If we determine that on-site evaluation is appropriate, we will, at no charge to you, provide you with such on-site evaluations as we consider advisable for each Franchised Restaurant to be developed under the Development Schedule.

We are not required by the Franchise Agreement or Area Development Agreement to furnish any other service or assistance to you before the opening of your Franchised Restaurant.

Continuing Obligations

We are required by the Franchise Agreement to provide certain assistance and service to you. During the operation of your Franchised Restaurant:

1. We may conduct, as we deem advisable, periodic inspections of the Franchised Restaurant and may provide evaluations of the Products sold and services rendered at the Franchised Restaurant. (Franchise Agreement, Sections 3.8, 8.7.2)

2. We will make available additional training programs, as we deem appropriate. (Franchise Agreement, Sections 6.4, 6.7)

3. We will give you periodic and continuing advisory assistance as to the operation and promotion of the Franchised Restaurant, as we deem advisable. (Franchise Agreement, Section 3.7)

4. We will have the right, in our sole discretion, to establish and administer the Advertising Fund as stated in the Franchise Agreement and as described below in this Item 11. (Franchise Agreement, Section 13.2)

The Franchise Agreement does not require us to provide any other assistance or services to you during the operation of the Franchised Restaurant. As the Area Development Agreement relates to the development of Franchised Restaurants, the Area Development Agreement does not require us to provide any other assistance or services during the operation of the Franchised Restaurant.

Site Selection

Under the Franchise Agreement

If you do not already possess a location that we find acceptable for a Patsy's Italian Restaurant when you sign our Franchise Agreement, we will provide you with procedures for locating, evaluating, and obtaining our approval of a site. You will be given up to 180 days in which to find a suitable site for your Patsy's Italian Restaurant within the area that we designate as your designated trade area. Within this 180 day period after signing the Franchise Agreement, you must submit to us a completed site approval package in a form specified by us, which includes an option contract, with a letter of intent or other evidence satisfactory to us that describes your favorable prospects for obtaining such site, photographs of the site, demographic statistics, and other such other information or materials that we may reasonably require (collectively, the "**SAP**"). We will have 20 business days after we receive the SAP from you to approve or disapprove, in our sole discretion, the location for the Franchised Restaurant. You must, on terms that we deem acceptable, secure a lease or a binding agreement for the purchase of the authorized site. (The lease or purchase agreement must be submitted to us for our approval prior to the time you acquire the authorized site.) Under any of the above circumstances, you must be opened and operating the earlier of 360 days following the effective date of the Franchise Agreement or 180 days following our approval of your site.

Under an Area Development Agreement

For each proposed site for a Franchised Restaurant to be developed under the Area Development Agreement, you must also submit to us a completed SAP. We will have 20 business days after we receive the SAP from you to approve or disapprove, in our sole discretion, the location for the Franchised Restaurant. You must, on terms that we deem acceptable, secure a lease or a binding agreement for the purchase of the authorized site.

Under the Franchise Agreement and Area Development Agreement, we will be deemed to have disapproved a proposed location unless we have expressly approved it in writing. In approving a location for the Franchised Restaurant, we consider the location, neighborhood, traffic patterns, visibility, parking facilities, size, lease, and zoning. If you do not locate and secure an acceptable site within the required time frames, you will be in default of your agreement with us for which we may terminate your agreement.

Our approval (or failure to disapprove) of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Restaurant or for any other purpose, or as to any expected level of sales, revenues or profits. Approval by us of the site indicates only that the site meets the minimum requirements for a Patsy's Italian Restaurant site.

Construction and Layout of Restaurant

You are responsible for developing your Franchised Restaurant. We will provide our standard plans and specifications for a prototype Patsy's Italian Restaurant, including interior design and layout, to you or to the design firm or architect that we have designated or approved (as described below). These plans and layouts are not intended, with respect to your particular location, to contain, address or comply with the requirements of any federal, state or local law, code or regulation, including those concerning the Americans with Disabilities Act (the "**ADA**") or similar rules governing public accommodations for persons with disabilities. We may from time to time change our prototypes and plans (including our specifications for the interior and exterior appearances) of Patsy's Italian Restaurants, and develop or approve variations on our prototypes and plans to reflect locations with differing sizes, structural elements, visibility and other relevant factors.

You must hire a licensed architect (as described below) to prepare all required construction plans and specifications to suit the shape and dimensions of the site. We have the right to designate one or more suppliers of design and/or architecture services to perform these services for our system. During any period that we have designated a design or architecture firm prior to the time you begin to develop your Franchised Restaurant, you must employ the designated supplier to prepare all designs and plans for the Franchised Restaurant. If we have not designated suppliers for design and architecture services for your geographic area, you must locate and employ a qualified design consultant and architect who are licensed in your jurisdiction and who are reputable and experienced in providing design and architecture services. You will be responsible for paying for all design and architecture services.

You will be solely responsible for ensuring that such plans and specifications comply with the ADA and all other applicable regulations, ordinances, building codes and permit requirements and with lease or sublease requirements and restrictions, if any. You must submit final plans and specifications to us for approval before construction of the Franchised Restaurant begins. Our review is not designed to assess compliance with federal, state or local laws and regulations and is limited to review of such plans to access compliance with our design standards for Patsy's Italian Restaurants, including such items as trade dress, presentation of Proprietary Marks, and the provision to the potential customer of certain products and services that are central to the functioning of Patsy's Italian Restaurants. Additionally, prior to opening the Franchised Restaurant (and prior to renovating it after the initial opening), you must sign and deliver to us an ADA Certification (in the form that is attached as Exhibit B to the Franchise Agreement) certifying to us that the Franchised Restaurant and any proposed renovations comply with the ADA.

Computer System

You will need to acquire (either by purchase or lease) the computer hardware and software system (a "**Computer System**") that we may specify from time to time. (Franchise Agreement, Section 7.1.) The term Computer System refers to hardware, software for the management and operation of the Franchised Restaurant and for reporting and sharing information with us, cash register systems, and communication systems (including modems, cables, etc.). Our requirements may fluctuate as does the price and availability of new computer technology. As of the date of this Disclosure Document our requirements are described below. We have not approved any hardware or software in place of these systems and programs, although we reserve the right to do so in the future.

As of the date of this Disclosure Document, the required Computer System is comprised of (i) the SQUARE point of sale system (which our affiliate, PIR, obtained for its Patsy's Italian Restaurant at no initial cost and a monthly fee of $55 per month) or other similar point of sale system that we approve, which system must include at least four terminals; (ii) one iPad (estimated at a cost of $350-$1,000); and, (iii) the TableAgent reservation system (which our affiliate, PIR, obtained for its Patsy's Italian Restaurant at no initial cost and a monthly fee of $30 per month).

The hardware and software that we currently use is not proprietary to us, but is proprietary property to the vendors described above. We currently require you to maintain contracts for hardware and software maintenance, support and upgrade services for the communications and information systems. We cannot estimate the costs for purchasing these services from the vendors.

We reserve the right to change our specifications in the future to take advantage of technological advances or to adapt the system to meet operational needs and changes. We may require you to bring any computer hardware and software, related peripheral equipment, communications systems into conformity with our then-current standards for new Patsy's Italian Restaurants. In connection with a proprietary program, we or our approved vendor may require you to sign a license or maintenance agreement in order to obtain and use the proprietary program. Other than providing you with information regarding our

specifications and requirements for the Computer System, we are not required to assist you in obtaining hardware, software or related services. We will endeavor to keep these changes infrequent and reasonable in cost, but the Franchise Agreement does not impose a limit as to the number or cost of such changes to the Computer System.

You must provide us with access to your Computer System in the form and manner that we may request. We reserve the right to download sales, other data and communications from your Computer System. There is no contractual limitation on our right to receive this information. We will exclusively own all data provided by you, downloaded from your Computer System, and otherwise collected from your Computer System. We will have the right to use such data in any manner that we deem appropriate without compensation to you.

We will also have the right to establish a website or other electronic system providing private and secure communications (*e.g.*, an extranet) between us, our franchisees, and other persons and entities that we determine appropriate, which requires you to have high speed internet access at all times (such as DSL, a T-1 line or cable modem). If we require, you must establish and maintain access to the extranet in the manner we designate. Additionally, we may from time to time prepare agreements and policies concerning the use of the extranet that you must acknowledge and/or sign. (Franchise Agreement, Section 7.5)

Advertising

Recognizing the value of advertising, and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System, we reserve the right to require you to expend on advertising and promotion, or to participate in and contribute for the purpose of advertising and promotion, each year during the term of the Franchise Agreement. We have the right to require you to spend money on local advertising and promotion, contribute to the Advertising Fund, and/or contribute to a Cooperative Ad Fund. See Item 6 for the amounts we require you to expend on advertising and promotion.

We determine what proportion of the Advertising Obligations you must: (1) contribute to the Advertising Fund (up to 2% of monthly Gross Sales); (2) contribute to a cooperative advertising fund (if one is established for your region (a "**Cooperative Ad Fund**")) (0.5% of Gross Sales); and (3) spend on local advertising and promotion (a minimum of the lesser between $1,500 and 5.0% of your previous month's Gross Sales). The amount you must contribute to a Cooperative Ad Fund may, by vote of the members of the Cooperative Ad Fund, be increased. (Section 13.1 of Franchise Agreement.) You will be entitled to a credit against your minimum local advertising and promotion requirement for contributions made to the Advertising Fund and any Cooperative Ad Fund so that your Advertising Fund contribution, Cooperative Ad Fund contribution and local advertising and promotion expenditures will not cumulatively exceed 5.0% of your Gross Sales.

Our company-owned Patsy's Italian Restaurants will contribute to the Advertising Fund or Cooperative Ad Fund on a discounted basis from that which franchisees in the System, generally, are required to contribute.

We may elect to form a council of franchisees to act in an advisory capacity to advise or consult with us concerning aspects of the System, advertising, and other topics. If formed, we will determine how the council will proceed and whether to charge any dues or other fees for participation in the council. We will have sole discretion over decisions to be made concerning any aspect of the System or advertising. As of the date of this Disclosure Document, there are no franchisee advisory councils.

Advertising Fund

Because we did not have any franchisees in the System in 2025, we did not collect any Advertising Fund contributions from franchisees in 2025. We expect that we will typically disseminate advertising in one or more of print, radio, television or other electronic media.

We (or our designee, which might be a corporate subsidiary or an advertising agency or consulting firm) will maintain and administer the Advertising Fund, as follows:

(a) We (or our designee) will direct all advertising programs, with the sole right to decide the concepts, materials, and media used in these programs and the placement and allocation of the programs. The Advertising Fund is intended to maximize general public recognition, acceptance, and use of the System. Neither we nor our designee will be obligated to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or *pro rata* from expenditures by the Advertising Fund.

(b) The Advertising Fund, and all contributions to and earnings from the Advertising Fund, will be used exclusively to meet the costs of marketing and any other activities that we believe will enhance the System's image and, in our sole discretion, promote general public awareness of and favorable support for the System. This includes, among other things, the costs of preparing and conducting media advertising campaigns; direct mail advertising; marketing surveys and other public relations activities; developing and maintaining our Website (except for the portion, if any, specifically relating to soliciting franchisees); employing advertising or public relations agencies; purchasing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; and providing promotional and other marketing materials and services to the Patsy's Italian Restaurants operated under the System.

(c) You must contribute to the Advertising Fund by EFT (electronic funds transfer) by the 15th day after the close of each month (see also Item 6, note 2). All sums you pay to the Advertising Fund will be maintained in an account separate from our other monies. The Advertising Fund is not and will not be our asset, and we or our designee will maintain separate bookkeeping accounts for the Advertising Fund. We do not plan to audit the Advertising Fund or to make financial statements of the Advertising Fund available for review by our franchisees. We will have the right to charge the Advertising Fund for the reasonable administrative costs and overhead that we incur in activities reasonably related to the direction and implementation of the Advertising Fund and advertising programs for you and the System (for example, salaries, costs of our personnel for creating and implementing, associated overhead, advertising, merchandising, promotional and marketing programs). The Advertising Fund and its earnings will not otherwise inure to our benefit or be used to solicit the sale of franchises.

(d) We may make available to franchisees, from time to time, marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, and similar marketing and promotional materials produced from contributions to the Advertising Fund. Additionally, we may sell such items to franchisees in the System at a reasonable price, and any proceeds from any those sales will be contributed to the Fund.

(e) If all of the money in the Advertising Fund is not used in the year in which it is received, these amounts will be used in the next fiscal year. Although the Advertising Fund is intended to be of perpetual duration, we maintain the right to terminate the Advertising Fund. The Advertising Fund will not be terminated, however, until all monies in the Advertising Fund have been spent for advertising or promotional purposes.

Cooperative Ad Fund

We will have the right, as we see fit, to establish a Cooperative Ad Fund for your region. The purpose of a Cooperative Ad Fund is to conduct advertising campaigns for the Patsy's Italian Restaurants located in that region. The Cooperative may vote to exceed the amount we require you to contribute to the Cooperative Ad Fund. Any amounts paid to a Cooperative Ad Fund will count as part of your local advertising requirement. As of the date of this Disclosure Document, there are no Cooperative Ad Funds in existence.

If a Cooperative Ad Fund for your area was established before you began to operate your Franchised Restaurant, then when you open your Franchised Restaurant, you must immediately join that Cooperative Ad Fund. If a Cooperative Ad Fund for your area is established after you begin to operate your Franchised Restaurant, then you will have thirty days to join the new Cooperative Ad Fund. An individual Patsy's Italian Restaurant will not be required to be a member of more than one Cooperative Ad Fund. If we (or an affiliate) contribute to a Cooperative Ad Fund, we will have the same voting rights for our Patsy's Italian Restaurants as do our franchisees with respect to their Patsy's Italian Restaurants.

The following provisions will apply to each Cooperative Ad Fund (if and when organized):

(a) Cooperative Ad Funds will be established, organized, and governed in the form and manner that we have approved in advance in writing.

(b) Cooperative Ad Funds will be organized according to written governing documents for the exclusive purpose of administering regional advertising programs and developing (subject to our approval) standardized promotional materials for use by the members in local advertising and promotion.

(c) Cooperative Ad Funds may not use advertising, promotional plans, or materials without our prior written approval, as described below under the heading "Local Advertising and Promotion."

(d) You must submit your required contribution to the Cooperative Ad Fund according to the schedule we designate for the Cooperative Ad Fund. At the same time, you will have to submit the reports that we or the Cooperative Ad Fund require. We may require you to submit this payment by EFT or by check. We also may require that your payments and reports to the Cooperative Ad Fund be made to us for distribution to the Cooperative Ad Fund.

(e) We maintain the right to terminate any Cooperative Ad Fund. A Cooperative Ad Fund will not be terminated, however, until all monies in that Cooperative Ad Fund have been expended for advertising or promotional purposes; unless there are no remaining Patsy's Italian Restaurants in the Cooperative Ad Fund, in which event, we will transfer the remaining monies to the Advertising Fund.

Local Advertising and Promotion

In addition to (and not in place of) the Advertising Obligation, you must conduct the Grand Opening Advertising Program developed or approved by us during the first 30 days after your Franchised Restaurant commences operations. During the grand opening period, you must spend a minimum of $50,000 on grand opening advertising.

After your obligations under the Grand Opening Advertising Program have been fully satisfied, and continuing through the end of the term of the Franchise Agreement, you must expend each month a minimum of the lesser between $1,500 and 5.0% of your previous month's Gross Sales on local advertising and promotion. You must account for these expenditures on a routine basis and will prepare, in accordance with the schedule and procedures specified by us from time to time, detailed reports describing the amount of money expended on local advertising and promotion.

Certain criteria will apply to any local advertising and promotion that you conduct. All of your local advertising and promotion must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You, or any Cooperative Ad Fund, may not use any advertising or promotional plans that we have not approved in writing. You must submit to us samples of all proposed plans and materials. You are required to obtain our approval of the prices you intend to charge. If we do not give our written disapproval within five days, we will have been deemed to have approved the plans or materials.

All copyrights in and to advertising and promotional materials you develop (or that are developed for you) will become our sole property. You must sign the documents (and, if necessary, require your independent contractors to sign the documents) that we deem necessary to implement this provision. (The requirements in this paragraph, as well as in the previous paragraph, will also apply to any Cooperative Ad Funds.)

As used in the Franchise Agreement, the term "**local advertising and promotion**" refers to only the costs of purchasing and producing advertising materials (such as camera-ready advertising), media (space or time), promotion, and your direct out-of-pocket expenses related to costs of advertising and sales promotion in your local market or area. Local advertising and promotion also includes associated advertising agency fees and expenses, postage, shipping, telephone, and photocopying costs. "Advertising and sales promotion" does not, however, include any of the following: salaries and expenses of your employees; charitable, political, or other contributions or donations; and the value of discounts given to customers.

Websites

Websites (as defined below) are considered as "advertising" under the Franchise Agreement, and are subject (among other things) to our review and prior written approval before they may be used (as described above). As used in the Franchise Agreement, the term "**Website**" means an interactive electronic document, contained in a network of computers linked by communications software, that you operate or authorize others to operate and that refers to the Franchised Restaurant, Proprietary Marks, us, or the System. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website, the Franchise Agreement provides that you shall not establish a Website, nor may you offer, promote, or sell any products or services, or make any use of the Proprietary Mark, through the Internet. We may, in our discretion, provide a listing of your Restaurant's location on our Website.

Training

Before your Franchised Restaurant opens, you must complete all of our initial training requirements. Unless you are an Area Developer and you are opening your third or subsequent Franchised Restaurant (the differing requirements for Area Developers are described below) you (or, if you are other than an individual, your Designated Principal) and, if applicable, the General Manager must attend and successfully complete, to our satisfaction, the initial training program that we offer at a location designated by us. (See Item 15 for details regarding our requirements for the management and operation of the Franchised Restaurant.) Additionally, we may also require that other persons, up to a total of six individuals (including the Designated Principal and General Manager), attend and successfully complete the initial training program. We will bear the cost of all training (instruction and required materials) for the initial training program and all other training, except as described below regarding additional training and assistance that we provide at your Franchised Restaurant. You will bear all other expenses incurred in attending training, such as the costs of transportation, lodging, meals, wages, and worker's compensation insurance (see Items 6 and 7 of this Disclosure Document). If you are an Area Developer, then by the time you are developing your third Franchised Restaurant, you must be prepared (by meeting all of our requirements) to train the General Manager and other managerial personnel for your third and subsequent Franchised Restaurants. This requires that you have management personnel who have completed to our satisfaction our initial training program and who continue to meet our standards and requirements for providing this training to other managers, and that you conduct the training of these additional managers according to the programs and requirements that we specify in the Manuals and other written materials. If we determine that you or your managers do not meet these requirements, we may require that your additional managers attend and complete the initial training program we provide for new franchisees. If we require that additional or replacement managers attend and complete the initial training program, we reserve the right to require you to pay our per diem training charges.

If you (or the Designated Principal) or the General Manager cease active employment in the Franchised Restaurant, then you must enroll a qualified replacement (who must be reasonably acceptable to us) in our initial training program promptly following cessation of employment of said individual, provided that you may train General Managers in accordance with Section 6.3 of the Franchise Agreement. You must maintain a minimum of one certified manager and one certified kitchen manager in the Franchised Restaurant at all times. The replacement Designated Principal and any required managers shall complete the initial training program as soon as is practicable, but in no event later than any time periods we specify from time to time in the Manuals and otherwise in writing. Replacement managers must be trained according to our standards and you may be permitted to provide such training directly, provided you meet our then-current standards for qualifying as a training facility. We have the right to review any personnel you trained and to require that such persons attend and complete, to our satisfaction, our initial training program.

As part of the opening of your Franchised Restaurant, we will conduct pre-opening training and opening assistance at your Franchised Restaurant. We will bear the costs associated with providing this training. We will provide one or more of our representatives for the purpose of facilitation the opening of your Franchised Restaurant. Prior to the time our representatives arrive at your Franchised Restaurant, you must have completed the training of your initial staff of employees. During this training, our representative will also assist you in establishing and standardizing procedures and techniques essential to the operation of a Patsy's Italian Restaurant and will assist in training personnel. We will not be responsible for training or offering guidance with respect to compliance with any laws, ordinance or other legal matters. If you request additional days of on-site training in connection with your opening, or at a later time, we may charge you our then-current per diem training fee for the additional training provided; and you will also have to reimburse us for all out of pocket costs and expenses associated with the additional training, including lodging, food and travel arrangements of the trainers. (See Item 6 regarding the costs.)

The subjects covered in the initial training program are described below. We currently anticipate that you will receive a minimum of one week of training, unless you are acting as your General Manager, in which case you will complete all six weeks of training. All General Managers, if not you, and the Front of House and Back of House Managers will attend all six weeks of training. Any Assistant Managers will require three weeks of training. The materials for the training will be provided through our Manuals, handouts and use of other presentation tools. We have the right to change the duration and content of our initial training program. The materials we use in our initial training program include culinary manuals, front of house training manuals, our confidential operations manual and other materials we determine will be beneficial in our training program.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Culinary	10 – 20 hrs	30 – 80 hrs	New York City, Franchisee's Restaurant
Dining Room	20 – 30 hrs	30 – 40 hrs	New York City, Franchisee's Restaurant
Marketing	20 hrs	0 hrs	New York City
Pre opening Training	0 hrs	20 – 30 hours	New York City

The initial training will consist of six weeks of training, which is currently conducted beginning in our headquarters in New York, New York and then at your Franchised Restaurant. In the future, we may conduct portions of the training at other company-owned Patsy's Italian Restaurants or additional training facilities. We will also provide between seven and 12 days of on-site assistance at your Franchised Restaurant as you open your Franchised Restaurant. The portion of training that is conducted in New York, New York, or in a regional training facility that we designate, must be completed at least 30 days in advance of the scheduled opening of your Franchised Restaurant.

Additionally, we may require that you or your Designated Principal and General Manager attend such refresher courses, seminars, and other training programs as we may require from time to time, provided that required refresher and additional training will not exceed (a) four days (per trainee) each year at our headquarters, and (b) three days (per trainee) each year to attend a convention for the franchise system. We may offer voluntary training programs. If these refresher and additional training programs are conducted at our headquarters in New York, New York, or at our affiliate-owned Patsy's Italian Restaurant, we will bear the costs associated with providing these training programs. However, if you request that we provide any of this training at your Franchised Restaurant, and we do so, we may charge you our then-current per diem training fee for the additional training provided; and you will also have to reimburse us for all out of pocket costs and expenses associated with the additional training, including lodging, food and travel arrangement of the trainers (see Item 6 regarding the costs).

Currently, our training staff is run by Sal Scognamillo and Joseph A. Scognamillo, each of whose biographical information is contained in Item 2 of this Disclosure Document. We will use additional instructors on our training staff to conduct our training programs. Our additional instructors generally have three to five years of operations experience, with strong abilities in training and development. They have demonstrated successful operations and performance with our company-owned Patsy's Italian Restaurants and operations.

We may provide the initial training program and other training programs through one of our affiliates.

Opening of Franchised Restaurant

We estimate that the time period between the signing of the Franchise Agreement and the start of operations will be approximately nine to twelve months. Factors that may affect this time period include your ability to obtain financing or building permits, zoning and local ordinances, weather conditions, shortages, or delayed installation of equipment, fixtures and signs. Unless we agree in writing otherwise, you must conduct the opening of your Franchised Restaurant within 360 days after signing the Franchise Agreement.

ITEM 12
TERRITORY

Franchise Agreement and Area Development Agreement

The following describes how Territories and Development Areas are determined, and the rights that you and we have under the Franchise Agreement and the Area Development Agreement.

Franchise Agreement

Your Franchise Agreement will specify the site that will be the Approved Location for your Franchised Restaurant. Your Franchise Agreement will also specify a Territory, which we anticipate will cover an approximate geographic area with a minimum radius, as measured from the front door of your Franchised Restaurant, of either 10 city blocks around your Franchised Restaurant in an urban area or 10-miles around your Franchised Restaurant in a suburban or rural area. The Territory is not the same area as, and will be smaller than, the trade area in which you will be looking for a site. We will provide you with information regarding our classification of each portion of your trade area as urban or suburban.

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

We and our affiliates retain certain rights within and outside the Territory, as described below in this Item. Therefore, you will not receive an exclusive territory. You may face competition from other Patsy's Italian Restaurant franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Area Development Agreement

If you sign an Area Development Agreement, the Area Development Agreement will specify the Development Area within which you may locate potential sites for Patsy's Italian Restaurants, subject to our approval. The size and scope of the Development Area will be determined on a case-by-case basis, as we mutually agree upon prior to signing the Area Development Agreement and will be specified in the Area Development Agreement. The factors that we consider in determining the size of a Development Area include current and projected market demand, demographics and population, traffic patterns, location of other Patsy's Italian Restaurants, your financial and other capabilities, the number of Patsy's Italian Restaurants you wish to develop and our development plans. During the term of the Area Development

Agreement, if you comply with the obligations under the Area Development Agreement and all of the Franchise Agreements between you (and your affiliates) and us, we will not establish or operate, or license anyone other than you to establish or operate, a Patsy's Italian Restaurant in the Development Area. Except as described below, there are no circumstances under which the Area Development Agreement may be altered prior to expiration or termination of the Area Development Agreement. Your territorial protection is not dependent upon achievement of a certain sales volume, market penetration, or other factors, other than compliance with the Area Development Agreement and Development Schedule.

If you do not comply with a deadline under the Development Schedule (a "**Missed Deadline**"), you will be in default under the Area Development Agreement. For one Missed Deadline, we will provide you with an opportunity to cure your default and we will determine and notify you of a new deadline for that one Missed Deadline (without changing the remainder of the Development Schedule). If you fail to come into compliance by that new deadline, and/or upon the occurrence of a second Missed Deadline, we may terminate your Area Development Agreement, or we may elect to take one or more of the following actions: (a) cease crediting the Area Development Fees paid towards the Franchise Fees for the Franchised Restaurants to be developed (see Item 5 for explanation of credits); (b) eliminate the limited exclusivity or reduce the scope of protections granted to you within the Development Area; (c) reduce the scope of the Development Area; (d) reduce the number of Franchised Restaurants for you to develop, or (e) terminate the Area development Agreement and retain all Area Development Fees paid to us. If we elect to take one or more of these actions, we will provide written notice of such action, and the Area Development Agreement will be amended to reflect the changes.

Our Reserved Rights under the Franchise Agreement and Area Development Agreement

Under both the Franchise Agreement and Area Development Agreement, we and our affiliates retain all the rights that we do not specifically grant to you. Among the rights that we retain are the following (the following list is only for purposes of illustration and is not meant to limit our rights):

(1) We may own, acquire, establish, and/or operate and license others to establish and operate businesses, including Patsy's Italian Restaurants operating under the Proprietary Marks and the System selling the Products at any location outside your Territory or Development Area regardless of their proximity to, or potential impact on, your Territory or Development Area or Franchised Restaurants.

(2) We may own, acquire, establish and/or operate, and license others to establish and operate, non-restaurant businesses under the Proprietary Marks at any location within or outside the Territory or Development Area.

(3) We may own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar or different from the Franchised Restaurant, at any location within or outside the Territory or Development Area, notwithstanding their proximity to the Territory or Development Area or the Approved Location or their actual or threatened impact on sales of the Franchised Restaurant.

(4) We may own, acquire, establish, and/or operate, and license others to establish and operate, Patsy's Italian Restaurants under the Proprietary Marks at Non-Traditional Sites (as defined below) at any location within or outside the Territory or Development Area. "Non-Traditional Sites" means outlets that serve primarily the customers located within the facility, such as captive audience facilities (examples include, but are not limited to, parks charging admission, stadiums, amusement parks and centers, theaters and art centers), limited purpose facilities (examples include, but are not limited to, airports, transportation centers, department stores, indoor shopping centers, business and industrial complexes, museums, educational facilities, hospitals, art centers, and recreational parks), limited access facilities (examples

include, but are not limited to, military complexes, buyer club businesses, educational facilities, business and industrial complexes), and other types of institutional accounts.

(5) We may sell and distribute, directly or indirectly, or license others the right to sell and distribute, directly or indirectly, any products (including any Products, including sauce in gallon bags and in jars) through grocery or convenience stores, food establishments or through outlets that are primarily retail in nature, or through mail order, toll free numbers, or the Internet, including those products bearing our Proprietary Marks, provided that distribution within the Territory or Development Area shall not be from a Patsy's Italian Restaurant established under the System that is operated from within the Territory or Development Area (except from a Patsy's Italian Restaurant at a Non-Traditional Site).

Additionally, during the term of your Area Development and Franchise Agreement, we may (i) acquire one or more retail businesses that are the same as, or similar to, Patsy's Italian Restaurants then operating under the System (each an "**Acquired Business**"), which may be at any location within or outside the Territory or Development Area, notwithstanding their proximity to the Territory or Development Area or the Approved Location or their actual or threatened impact on sales of the Franchised Restaurant, and we may (ii) operate and/or license others to operate any Acquired Business under its existing name or as a Patsy's Italian Restaurant under the System. If we operate and/or license others to operate any Acquired Business, then the following terms apply:

(1) If you are in compliance with your agreements with us, then for any Acquired Business that is both located within your Territory or Development Area and is purchased by us for operation by us or our affiliates, we may, in our sole discretion, offer you the option to purchase and operate, as a Patsy's Italian Restaurant, those Acquired Business(es). We will provide you with written notice of our purchase of such Acquired Business(es), the terms and conditions applicable to your option to purchase such Acquired Business(es), and such other information that we deem necessary to include in the notice. The terms and conditions offered to you will include, without limitation, the following: (a) the purchase price for such Acquired Business will be determined using a ratio equal to the sales of such Acquired Business during the prior year, as compared to the total sales during such year of all Acquired Businesses that we purchased in the same transaction; and (b) the requirement that you enter into our then-current form of System franchise agreement for the Acquired Business, provided that you will not be required to pay an initial franchise fee for an Acquired Business. If you do not elect to purchase, or fail to complete the purchase of, an Acquired Business, we shall have the right to operate the Acquired Business ourselves, or through its affiliates or third party licensees or franchisees, under any trade name or trademarks including the Proprietary Marks.

(2) If an Acquired Business is part of a system of retail businesses that we acquire (an "**Acquired System**"), you will have no right to purchase, and we will not be obligated to offer you any option to purchase, any Acquired Business that is operated by a licensee or franchisee under the Acquired System. We may license such unit to be operated under any trade name or trademarks, including the Proprietary Marks, and may also license to the licensee or franchisee additional units of the Acquired System that the licensee or franchisee has the right to develop and operate within the Territory or Development Area.

Alternate Methods of Distribution

You may sell our proprietary products and related merchandise to retail customers and prospective retail customers who live anywhere but who choose to dine in Your Restaurant. You may not engage in any promotional activities or sell our proprietary products or similar products or services, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system (collectively, the "Electronic Media"); through catalogs or other mail

order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere. You may not place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located outside of your Territory. You have no options, rights of first refusal, or similar rights to acquire additional franchises. You may not sell our proprietary products to any business or other customer for resale (besides other Restaurants).

As disclosed above, we may sell and distribute, directly or indirectly, or license others the right to sell and distribute, directly or indirectly, any products (including any Products, including sauce in gallon bags and in jars) through grocery or convenience stores, food establishments or through outlets that are primarily retail in nature, or through mail order, toll free numbers, or the Internet (together, "alternative distribution channels"), including those products bearing our Proprietary Marks, provided that distribution within the Territory or Development Area shall not be from a Patsy's Italian Restaurant established under the System that is operated from within the Territory or Development Area (except from a Patsy's Italian Restaurant at a Non-Traditional Site). You may not use alternative distribution channels to make sales outside or inside your Territory except as described in the following paragraph and you will not receive any compensation for our sales through alternative distribution channels except as described in the following paragraph.

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

We have not yet established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark. We describe earlier in this Item 12 what we may do this anywhere and at any time.

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

ITEM 13
TRADEMARKS

The Area Development Agreement does not allow you to use the Proprietary Marks. The Franchise Agreement will allow you to use the Proprietary Marks for your Franchised Restaurant. PBI is the owner of the Proprietary Marks.

PBI has a trademark application pending before the United States Patent and Trademark Office for the following Proprietary Mark:

Mark	Serial Number	Application Date
Patsy's Italian Restaurant (restaurant services)	85/406189	August 24, 2011

PBI has agreed to license all of the Proprietary Marks to us via a non-cancelable trademark license agreement.

You may operate your restaurant under the name "Patsy's Italian Restaurant". As indicated above, PBI has a pending application for trademark registration for that mark. On June 14, 2012, however, the United States Patent and Trademark Office issued a Letter of Suspension in connection with PBI's trademark application for the "Patsy's Italian Restaurant" Proprietary Mark. We claim common law trademark rights to the name "Patsy's Italian Restaurant". We do not have a federal registration for that principal trademark. Therefore, that trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use that trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are no material actions that may be relevant to the use of the Proprietary Marks in any state. Except for the below actions, there are no material actions concerning any trademarks owned by us or our affiliates that are required to be disclosed in this Disclosure Document.

On February 17, 2006 and October 30, 2006, PIR and PBI brought two trademark infringement actions, later consolidated, *Patsy's Italian Restaurant, Inc., v. Anthony Banas d/b/a Patsy's and d/b/a Patsy's Pizzeria Trattoria Impazzire, et al.* (No. 06 CV00079/05857 (DLI-RER)) for infringement of two of the registered marks "Patsy's" by virtue of the opening of two restaurants under the name "Patsy's Pizzeria," one on Staten Island and one on Long Island. The complaints sought injunctive relief, monetary damages and legal fees. While the litigation was pending, the defendants closed the Staten Island restaurant and changed the name of the Long Island restaurant. The defendants denied the claims and sought a declaratory judgment that two of the registered marks (U.S. Registration Nos. 3,009,836 and 3,009,866, which were registrations of the mark "Patsy's" standing alone for restaurant services (the "Standalone Patsy's Trademarks"), were invalid. The actions were tried before a jury in the U.S. District Court for the Eastern District of New York in April 2008. The jury returned a verdict that the Long Island restaurant was a willful infringer, among other findings. A Magistrate Judge entered a Final Judgment on September 10, 2008, ordering limited injunctive relief against the Long Island restaurant, and cancellation of the Standalone Patsy's Trademarks as well as cancellation of the defendants' service mark registration for "Patsy's Pizzeria" for restaurant services. All parties appealed to the U.S. Court of Appeals for the Second Circuit, Nos. 08-4487, 08-4774. On August 19, 2011, the Second Circuit issued its decision affirming the Magistrate Judge's decision. As a result of the decision, PBI and the defendants may not use the name "Patsy's" standing alone for restaurant services. PBI has the right to use and license others to use the name "Patsy's Italian Restaurant", which is the name under which you will operate your Restaurant, and the name "Patsy's of New York." However, the Standalone Patsy's Trademarks have been cancelled. In addition, the defendants may only use the name "Patsy's Pizzeria" in the operation of pizzerias.

Other than as described in this Item 13, there are currently no proceedings or effective material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board ("TTAB"), or the trademark authorities of any state concerning the Proprietary Marks. Except for the below proceeding, there are currently no proceedings or effective material determinations of the Patent and Trademark Office, the TTAB, or the trademark authorities of any state concerning any trademarks owned by us or our affiliates.

Currently pending is the TTAB opposition proceeding, *Patsy's Brand, Inc v. Isa Brija*, No. 91/221,726, concerning Isa Brija's application to register the "Patsy's" mark for ovens. PBI is opposing the registration. Applicant Isa Brija has also counterclaimed for cancellation of PBI's registered marks "Patsy's of New York" and "Patsy's PR Since 1944" (for sauces). The proceeding was suspended several times due to motions filed by PBI. On May 31, 2023, the TTAB granted PBI's initial motion to dismiss the counterclaims for cancellation but provided Applicant Isa Brija an opportunity to replead the counterclaims.

PBI moved again to dismiss the amended counterclaims on October 23, 2023. On February 13, 2024, the TTAB denied PBI's motion to dismiss and un-suspended the proceeding. On March 8, 2024, PBI moved to suspend the proceeding pending the disposition of PBI's motion for contempt against Applicant in the civil action *Patsy's Brand, Inc. v. I.O.B. Realty, Inc. et al.*, No. 99-cv-10175, which was based on Applicant's violation of the permanent injunction entered in that civil action enjoining Applicant from seeking to cancel the "Patsy's PR Since 1944" mark for sauces. On March 15, 2024, the TTAB suspended this proceeding pending decision on the motion for contempt in the civil action. No material determinations have been made in this proceeding.

You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. We have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We will defend you against any third-party claim, suit, or demand arising out of your use of the Proprietary Marks. However, if we determine that you have used the Proprietary Marks in accordance with the Franchise Agreement you have signed to operate the Franchised Restaurant, we will bear the cost of defense, including the cost of any judgment or settlement. If we determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement you have signed to operate the Franchised Restaurant, you must bear the cost of defense, including the cost of any judgment or settlement. If there is any litigation relating to your use of the Proprietary Marks, you must sign all documents and do all things as may be necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action. Unless litigation results from your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement we will also reimburse you for your out-of-pocket costs.

We reserve the right to substitute different proprietary marks for use in identifying the System and the Patsy's Italian Restaurants operating under it if we, in our sole discretion, determine that substitution of different marks as Proprietary Marks will be beneficial to the System. You must promptly implement any substitution of new Proprietary Marks, and you will not have any right to compensation or otherwise under the Franchise Agreement if we require you to modify or discontinue using any Proprietary Marks.

You must not use the Proprietary Marks (including our service marks) as part of your corporate, partnership, or other legal name, or to identify you or your Franchised Restaurant in any other legal activity, or as part of any e-mail address, domain name, or other identification of you or your Franchised Restaurant in any electronic medium, unless agreed to in advance, in writing, by us. As necessary to conduct the business of your Franchised Restaurant and obtain business permits for the operation of your Franchised Restaurant, you may indicate that your Franchised Restaurant will be doing business under the trade name Patsy's Italian Restaurant, provided that you clearly identify yourself as the owner and operator of the Franchised Restaurant and properly identify the legal name under which you (or your business entity) will be acting.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

We do not own rights in, or licenses to, any patents that are material to the operation of your Franchised Restaurant. We have no pending patent applications that are material to the Franchised Restaurant.

Copyrights

We claim copyright protection covering various materials used in our business and the development and operation of Patsy's Italian Restaurants, including the Manuals, advertising and promotional materials, and similar materials. We have not registered these materials with the United States Registrar of Copyrights, but we are not required to do so.

There are no currently effective determinations of the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow franchisees to use the copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

All rights, title, and interest in advertising and promotional materials that you develop or prepare (or that are prepared by someone on your behalf) or that bear any Proprietary Marks will belong to us. You must sign any documents we reasonably deem necessary to evidence our right, title, and interest in and to any advertising and promotional materials. We will have the right to use these materials and to provide them to other franchisees and advertising funds and programs of the System, without compensation to you, regardless of how the materials were developed. Additionally, we may from time to time require that you sign a license agreement for the use of proprietary materials that we provide to you in an electronic format.

Confidential Information

Except for the purpose of operating the Franchised Restaurant under a Franchise Agreement and developing Franchised Restaurants under an Area Development Agreement, you may never (during Franchise Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know-how concerning the development and operation of the Franchised Restaurant that may be communicated to you or that you may learn by virtue of your operation of a Patsy's Italian Restaurant. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Franchised Restaurant. Any information, knowledge, know-how, and techniques that we designate as confidential will be deemed "confidential" for purposes of the Franchise Agreement and the Area Development Agreement. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, we may require you, your Designated Principal, other owners, managers, and your employees with access to confidential information to sign confidentiality and non-competition agreements. Each of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Franchised Restaurant. These agreements must be in a form that we find satisfactory, and must include, among other things, specific identification of our company as a third party beneficiary with the independent right to enforce the covenants. Our current forms for this agreement are included in Exhibit F to the Franchise Agreement (which is included in this Disclosure Document).

Confidential Manuals

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business in accordance with the Manuals. We will lend you one set of our Manual for the term of the Franchise Agreement, which you must return to us at the expiration or termination of the Franchise Agreement. The Manuals may consist of multiple volumes of printed text, computer disks, other electronic stored data, videotapes, and periodic updates or bulletins that we issue to franchisees and others operating under the System. You must treat the Manuals, all supplements and revisions to the Manuals, including bulletins and the information contained in them, as confidential, and must use best efforts to maintain this information (whether in written or electronic format) as secret and confidential. You must not reproduce these materials (except for the parts of the Manuals that are meant for you to copy, which we will clearly mark as such) or otherwise make them available to any unauthorized person. The Manuals will remain our sole property. You must keep them in a secure place on the Franchised Restaurant premises.

We may revise the contents of the Manuals, and you must comply with each new or changed standard. We will notify you in writing of revisions to the Manuals. You must ensure that the Manuals are kept current at all times. If there is a dispute as to the contents of the Manuals, the terms of the master copies that we maintain at our home office will control.

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

Under the Franchise Agreement, we recommend, but do not require, that you (or if you are an entity, your Designated Principal) be involved in the general oversight and management of the operations of the Franchised Restaurant. We expect that your Designated Principal will act as the general manager for your Franchised Restaurant. We will have the right to rely upon the Designated Principal to have the responsibility and decision-making authority regarding your business and operations.

Under the Area Development Agreement, you (or if you are an entity, your Designated Principal) must be involved in the general oversight and development of the Franchised Restaurants, as well as the operations of the Franchised Restaurants that are developed under the Area Development Agreement. We will have the right to rely upon the Designated Principal to have the responsibility and decision-making authority regarding your business and operations.

Under both a Franchise Agreement and an Area Development Agreement, if you are other than an individual, we may require that your owners personally sign a guaranty (in the forms included as Exhibit E to the Franchise Agreement and Exhibit D to the Area Development Agreement), guarantying the legal entity's obligations under that agreement. Additionally, you or your owners and your employees with access to confidential information or who have received training may be required to sign covenants to maintain confidentiality and not compete with businesses under the System (our current forms for this agreement are included in Exhibit F to the Franchise Agreement). See Items 14 and 17 for a description of these obligations.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may sell and provide only products and services that we have approved in writing and which conform to our standards and specifications (see also Item 8 above). We have the right, without limit, to change the types of authorized products and services. You must carry and sell all Products that we approve

and specify to be offered by all Patsy's Italian Restaurants, unless we otherwise provide our written approval. We have designed products and menus to include lunch and dinner.

You may only sell to retail customers at the Approved Location for consumption on the premises of the Franchised Restaurant. All Patsy's Italian Restaurants will have a dress code for its customers, in keeping with its upscale image. If you wish to engage in off-premises delivery or off-premises catering activities, you may apply in writing for our approval to do so. If we provide our approval, you may engage in these activities provided that you comply with the programs, policies terms, and conditions that we may establish from time to time. Additionally, you may not engage in any other type of sale, offer to sell, or distribution of Products, except with our prior written consent. For example, you may not sell products by catalog, mailing, toll free numbers, or by use of the Internet.

You must not use the Franchised Restaurant for any other business or operation or for any other purpose or activity at any time without first obtaining our prior written consent. You must keep the Franchised Restaurant open and in normal operation for the minimum hours and days as we may specify. All Patsy's Italian Restaurants offer our lunch menu, unless we approve otherwise. Patsy's Italian Restaurants must also be open during and offer our menus for evening service. You must operate the Franchised Restaurant in strict conformity with the methods, standards, and specifications as we prescribe in the Manuals or in writing.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this disclosure document.

Provision		Section in Franchise Agreement	Summary
(a)	Length of the term of the franchise	Section 2.1	10 years.
(b)	Renewal or extension of the term	Section 2.2	One renewal term of 10 years

Provision		Section in Franchise Agreement	Summary
(c)	Requirements for you to renew or extend	Section 2.2	Notice, satisfaction of monetary obligations, compliance with Franchise Agreement, mutual release, sign new Franchise Agreement, and others; see §§ 2.2.1 - 2.2.9 in Franchise Agreement. You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of your territory (if one is granted to you) will remain the same, and the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees
(d)	Termination by you	Not applicable	Not applicable
(e)	Termination by us without cause	Not applicable	Not applicable
(f)	Termination by us with cause	Section 16	Default under Franchise Agreement, bankruptcy, abandonment, and other grounds; see § 16 of the Franchise Agreement. Under the U.S. Bankruptcy Code, we may not be able to terminate the agreement merely because of a bankruptcy filing.
(g)	"Cause" defined – defaults which can be cured	Sections 16.3 and 16.4	All other defaults not specified in §§ 16.1 and 16.2 of the Franchise Agreement
(h)	"Cause" defined – defaults which cannot be cured	Sections 16.1 and 16.2	Bankruptcy, abandonment, conviction of felony, and others; see § 16.2. of the Franchise Agreement (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.)
(i)	Your obligations on termination/nonrenewal	Section 17	Cease operating the Franchised Restaurant, payment of amounts due, and others; see §§ 17.1 – 17.10 of the Franchise Agreement.

Provision		Section in Franchise Agreement	Summary
(j)	Assignment of contract by us	Section 15.1	There are no limits on our right to assign the Franchise Agreement.
(k)	"Transfer" by you - defined	Section 15.2	Includes transfer of any interest.
(l)	Our approval of transfer by you	Section 15.2	We have the right to approve transfers and can apply standards to determine (for example) whether the proposed transferee meets our requirements for a new franchisee.
(m)	Conditions for our approval of transfer by you	Sections 15.3 and 15.4	Release, signature of new Franchise Agreement, payment of transfer fee, and others; see §§ 15.3.1 – 15.3.11 and 15.4 of the Franchise Agreement.
(n)	Our right of first refusal to acquire your business	Section 15.6	We can match any offer.
(o)	Our option to purchase your business	Not applicable	Not applicable
(p)	Your death or disability	Sections 15.7, 15.8, and 19.9	Your estate must transfer your interest in the Franchised Restaurant to a third party we have approved, within a year after death or six months after the onset of disability.
(q)	Non-competition covenants during the term of the franchise	Sections 18.2 and 18.5	Includes prohibition on engaging in any other business offering predominantly Italian food products in an upscale environment; and soliciting or diverting customers to other businesses; and others; see § 18.2 of the Franchise Agreement.
(r)	Non-competition covenants after the franchise is terminated or expires	Sections 18.3 and 18.5	Includes a two year prohibition similar to “q” (above), within the Territory, or within 30 miles of any Patsy’s Italian Restaurant then-operating under the System anywhere.
(s)	Modification of the agreement	Section 25	Must be in writing signed by both parties.

Provision		Section in Franchise Agreement	Summary
(t)	Integration/merger clause	Section 25	Only the final written terms of the Franchise Agreement are binding. Our integration/merger clause does not disclaim the representations in this Disclosure Document.
(u)	Dispute resolution by arbitration or mediation	Not Applicable	Not applicable
(v)	Choice of forum	Section 27.2	All litigation must be conducted in the city where we have our headquarters, currently New York, New York. (subject to state law)
(w)	Choice of law	Section 27.1	New York (subject to state law)

THE AREA DEVELOPER RELATIONSHIP

Provision		Section in Area Development Agreement	Summary
(a)	Length of the term of the franchise	Attachment A of Area Development Agreement	Last date in Development Schedule
(b)	Renewal or extension of the term	Not applicable	Not applicable
(c)	Requirements for you to renew or extend	Not applicable	Not applicable
(d)	Termination by you	Not applicable	Not applicable
(e)	Termination by us without cause	Not applicable	Not applicable
(f)	Termination by us with cause	§ 6	We can terminate if you default.
(g)	"Cause" defined – defaults which can be cured	§§ 6.3 and 6.4	All other defaults not specified in §§ 6.1 and 6.2 of Area Development Agreement.

Provision		Section in Area Development Agreement	Summary
(h)	"Cause" defined – defaults which cannot be cured	§§ 6.1 and 6.2	Bankruptcy; repeated failures to meet requirements; or failure to cure a default under, of Development Schedule; termination of any individual Franchise Agreement for a Franchised Restaurant operated by you or a person or entity affiliated with you.
(i)	Your obligations on termination/nonrenewal	§ 6.6	Cease establishing or operating Franchised Restaurants under the System for which Franchise Agreements have not been signed at the time of termination and compliance with covenants.
(j)	Assignment of contract by us	§ 7.1	There are no limits on our right to assign the Area Development Agreement.
(k)	"Transfer" by you - defined	§ 7.2	Includes a transfer of an interest in the Area Development Agreement, developer entity, or any material asset of your business.
(l)	Our approval of transfer by you	§ 7.2	We have the right to approve transfers.
(m)	Conditions for our approval of transfer by you	§§ 7.2 and 7.3	Any of the conditions for transfer described in the Franchise Agreement attached to the Area Development Agreement that we deem applicable, and simultaneous transfer of Franchise Agreements executed pursuant to the Area Development Agreement.
(n)	Our right of first refusal to acquire your business	Not applicable	Not applicable
(o)	Our option to purchase your business	Not applicable	Not applicable
(p)	Your death or disability	Not applicable	Not applicable

Provision		Section in Area Development Agreement	Summary
(q)	Non-competition covenants during the term of the franchise	§ 8.2	Includes prohibition on engaging in any other business which predominantly sells Italian food products in an upscale environment; and soliciting or diverting customers to other businesses; and others.
(r)	Non-competition covenants after the franchise is terminated or expires	§ 8.3	Includes a two year prohibition similar to "q" (above), within the Development Area, or within 30 miles of any Patsy's Italian Restaurant then-operating under the System located anywhere.
(s)	Modification of the agreement	§ 15	Must be in writing executed by both parties.
(t)	Integration/merger clause	§ 15	Only the terms of the Area Development Agreement are binding. Our integration/merger clause does not disclaim the representations in this Disclosure Document.
(u)	Dispute resolution by arbitration or mediation	Not Applicable	Not applicable
(v)	Choice of forum	§ 16.3	All litigation must be conducted in the city where we have our headquarters, currently New York, New York (subject to state law)
(w)	Choice of law	§ 15	New York (subject to state law)

The provision of the Franchise Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

See the state addenda to the Franchise Agreement and disclosure document for special state disclosures.

ITEM 18
PUBLIC FIGURES

We do not use any public figure to promote our franchises.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of 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 the franchisor's management by contacting Salvatore Scognamillo, 236 West 56th Street, New York, New York 10019, (212) 247-3491, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

Systemwide Outlet Summary
For years 2023 to 2025

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2023	0	0	0
	2024	0	0	0
	2025	0	0	0
Company-Owned	2023	1	1	0
	2024	1	1	0
	2025	1	1	0
Total Outlets	2023	1	1	0
	2024	1	1	0
	2025	1	1	0

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2023 to 2025

Column 1 State	Column 2 Year	Column 3 Number of Transfers
All States	2023	0
	2024	0
	2025	0
Total	2023	0
	2024	0
	2025	0

Table No. 3

Status of Franchised Outlets
For years 2023 to 2025

Col 1 State	Col 2 Year	Col 3 Outlets at Start of Year	Col 4 Outlets Opened	Col 5 Termina-tions	Col 6 Non-Renewals	Col 7 Reacquired by Franchisor	Col 8 Ceased Operations – Other Reasons	Col 9 Outlets at End of the Year
All States	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Total	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0

Table No. 4

Status of Company-Owned Outlets
For years 2023 to 2025

Col 1 State	Col 2 Year	Col 3 Outlets at Start of Year	Col 4 Outlets Opened	Col 5 Outlets Reacquired from Franchisee	Col 6 Outlets Closed	Col 7 Outlets Sold to Franchisee	Col 8 Outlets at End of the Year
New York	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1

Col 1 State	Col 2 Year	Col 3 Outlets at Start of Year	Col 4 Outlets Opened	Col 5 Outlets Reacquired from Franchisee	Col 6 Outlets Closed	Col 7 Outlets Sold to Franchisee	Col 8 Outlets at End of the Year
	2025	1	0	0	0	0	1
Total	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1

Notes:

(1) The numbers are as of December 31 for each year.
(2) The company owned location identified above is owned by our affiliate PIR.

Table No. 5

Projected Openings as of December 31, 2025

Column 1 State	Column 2 Franchise Agreements Signed but Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Next Fiscal Year
All States	0	0	0
TOTAL	0	0	0

Notes:

A list of the names of all franchisees and area developers and the addresses and telephones numbers of their Restaurants is set forth in Exhibit E to this Disclosure Document.

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

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

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

ITEM 21
FINANCIAL STATEMENTS

Our audited financial statements for the period ended December 31, 2023, December 31, 2024 and December 31, 2025 are attached as Exhibit G to this Disclosure Document.

ITEM 22
CONTRACTS

The following agreements are attached in to this Disclosure Document:

Exhibit B – Franchise Agreement, including the following agreements:

- ADA Certification (as Exhibit B)
- Authorization Agreement for Prearranged Payments (as Exhibit D)
- Guaranty (as Exhibit E)
- Confidentiality and Non-Compete Agreements (as Exhibits F-1 and F-2)

Exhibit C – Area Development Agreement, including the following agreements:

- Guaranty Indemnification and Acknowledgment (as Exhibit D)

Exhibit J – Form of General Release

ITEM 23
RECEIPTS

Two copies of an acknowledgment of your receipt for this Disclosure Document appear as the last pages of the Disclosure Document.

EXHIBIT A TO THE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process. We may not yet be registered to sell franchises in any or all of these states.

CALIFORNIA

Department of Financial Protection and Innovation:
320 West 4th Street, Suite 750
Los Angeles, CA 90013
(213) 576-7500 Toll Free (866) 275-2677

(agent for service of process)

Commissioner of Department of Financial Protection and Innovation
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013
(213) 576-7500 Toll Free (866) 275-2677

CONNECTICUT

The Banking Commissioner
The Department of Banking
Securities and Business Investment Division
260 Constitution Plaza
Hartford, CT 06103-1800
(860) 240-8299

HAWAII

Commissioner of Securities
State of Hawaii, Dept. of Commerce & Consumer Affairs
Business Registration Division – Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, HI 96813
(844) 808-3222

ILLINOIS

Franchise Bureau
Office of the Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA
(state administrator)

Indiana Secretary of State
Securities Division, E-111
302 Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

(agent for service of process)
Indiana Secretary of State
200 West Washington Street, Room 201
Indianapolis, Indiana 46204
(317) 232-6531

MARYLAND
(state administrator)

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

(for service of process)
Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN
(state administrator)

State of Michigan
Department of Attorney General
Consumer Protection Division
525 W. Ottawa Street
Lansing, Michigan 48933
(517) 335-7632

(for service of process)
Consumer Protection Division
State of Michigan Department of Attorney General
P.O. Box 30755
Lansing, Michigan 48909

MINNESOTA
(state administrator)

Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198
(651) 539-1600

(for service of process)
Minnesota Commissioner of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198
(651) 539-1600

NEW YORK
(state administrator)
New York State Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8222

NORTH DAKOTA
(state administrator)

North Dakota Insurance & Securities Department
600 East Boulevard Avenue, Dept. 401
Bismarck, North Dakota 58505
(701) 328-2910

(for service of process)
North Dakota Insurance & Securities Department
Insurance Commissioner
600 East Boulevard Avenue, Dept. 401
Bismarck, North Dakota 58505
(701) 328-2910

OREGON

Department of Consumer and Business Services
Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter St. NE, Room 410
Salem, Oregon 97309
(503) 378-4140

RHODE ISLAND

Securities Division
Department of Business Regulation,
Bldg 68-2
John O. Pastore Center
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9527

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, 2nd Floor
Pierre, South Dakota 57501
(605) 773-3563

VIRGINIA

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804) 371-9051

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

WASHINGTON
(state administrator)

Department of Financial Institutions
Securities Division
P.O. Box 41200
Olympia, Washington 98504-1200
(360) 902-8760

(for service of process)
Director, Department of Financial Institutions
Securities Division
150 Israel Road S.W.
Tumwater, Washington 98501

WISCONSIN
(state administrator)

Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-8557

(for service of process)
Administrator, Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705

EXHIBIT B TO THE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT

PATSY'S OF NEW YORK FRANCHISE LLC
FRANCHISE AGREEMENT

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FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into on this _____ day of _____, 20__ (the "**Effective Date**"), by and between:

- Patsy's of New York Franchise LLC, a New York limited liability company whose principal place of business is 236 West 56th Street, New York, New York 10019 ("**Franchisor**"); and

- _____ a [resident of] [corporation organized in] [limited liability company organized in] *[select one]*, having offices at _____
_____
_____ ("**Franchisee**").

BACKGROUND:

A. Franchisor owns a format and system (the "**System**") relating to the establishment and operation of full-service upscale restaurants which operate at retail locations that display Franchisor's interior and exterior trade dress and feature and operate under the Proprietary Marks (as defined below) (each a "**Patsy's Italian Restaurant**"). Patsy's Italian Restaurants feature menus offering Neapolitan Italian cuisine, soft drinks and alcoholic beverages. A Patsy's Italian Restaurant operates using Franchisor's proprietary recipes, formulae and techniques ("**Proprietary Products**"), as well as other non-proprietary food, beverage, and other compatible items designated by Franchisor from time to time (collectively, "**Products**").

B. The distinguishing characteristics of the System include distinctive exterior and interior design, decor, color schemes, fixtures, and furnishings; recipes, standards and specifications for products, equipment, materials, and supplies; uniform standards, specifications, and procedures for operations; purchasing and sourcing procedures; procedures for inventory and management control; training and assistance; and marketing and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time.

C. The System is identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System including the mark "Patsy's Italian Restaurant" and/or other marks that Franchisor designates in the future (the "**Proprietary Marks**"). The Proprietary Marks are owned by one or more of Franchisor's affiliates that have licensed the Proprietary Marks to Franchisor so that Franchisor may sub-license them to its franchisees.

D. Franchisee desires to operate a Patsy's Italian Restaurant under the System using the Proprietary Marks, and wishes to enter into this agreement with Franchisor for that purpose, and to receive the training and other assistance provided by Franchisor in connection therewith.

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

NOW, THEREFORE, the parties agree as follows:

1. GRANT

1.1 Grant and Acceptance. Franchisor grants to Franchisee the right, and Franchisee hereby undertakes the obligation, upon the terms and conditions set forth in this Agreement to: (a) establish and operate a Patsy's Italian Restaurant (the "**Franchised Restaurant**"); (b) use, only in connection therewith, the Proprietary Marks and the System, as they may be changed, improved, or further developed from time to time by Franchisor; and, (c) operate the Franchised Restaurant only at the Approved Location (as defined in Section 1.2 below), all in accordance with this Agreement.

1.2 Approved Location. Franchisee shall develop and operate the Franchised Restaurant only at the site specified in Exhibit A to this Agreement as the "**Approved Location**". Franchisee shall not relocate the Franchised Restaurant without Franchisor's prior written consent, as provided in Section 8.19 below.

1.3 Limit on Sales. Franchisee's rights hereunder shall be limited to offering and selling Products at the Franchised Restaurant to retail customers for their consumption on the premises of the Franchised Restaurant at the Approved Location (the "**Premises**"); provided that all such activities shall be conducted only in accordance with the requirements of this Agreement and applicable laws and the procedures set forth in the Manuals (as defined in Section 10 below). Franchisee may apply in writing for Franchisor's approval to engage in off-Premises delivery or off-Premises catering activities, and if approved by Franchisor, Franchisee may engage in such activities pursuant to such programs, policies, terms, and conditions as Franchisor may establish from time to time. Franchisee shall not, without the prior written approval of Franchisor, sell or distribute, or offer to sell or distribute, Products through any other channel of distribution including, but not limited to: selling, distributing or otherwise providing any Products to third parties at wholesale, or for resale or distribution by any third party, and selling, distributing or otherwise providing any Products through catalogs, mail order, toll free numbers for delivery, or electronic means (e.g., the Internet).

1.4 Territory and Reserved Rights. Except as otherwise provided in this Agreement, during the term of this Agreement, Franchisor shall not establish or operate, nor license any other person to establish or operate, a Patsy's Italian Restaurant at any location within the territory specified in Exhibit A (the "**Territory**"). Franchisor retains the following rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Franchisee any rights therein:

1.4.1 To own, acquire, establish, and/or operate and license others to establish and operate, Patsy's Italian Restaurants under the System at any location outside the Territory, notwithstanding their proximity to the Territory or the Approved Location or their actual or threatened impact on the Franchised Restaurant's sales;

1.4.2 To own, acquire, establish and/or operate and license others to establish and operate, non-restaurant businesses under the Proprietary Marks, at any location within or outside the Territory;

1.4.3 To own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar or different from the Franchised Restaurant, at any location within or outside the Territory, notwithstanding their proximity to the Territory or the Approved Location or their actual or threatened impact on the Franchised Restaurant's sales;

1.4.4 To own, acquire, establish, and/or operate and license others to establish and operate, Patsy's Italian Restaurants under the Proprietary Marks at Non-Traditional Sites (as defined below) at any location within or outside the Territory. As used in this Agreement, "**Non-Traditional Sites**" shall mean outlets that serve primarily the customers located within the facility, such as captive audience facilities (including, without limitation, parks charging admission, stadiums, amusement parks and centers, theaters and art centers), limited purpose facilities (including, without limitation, airports, transportation centers, department stores, in-door shopping centers, business and industrial complexes, museums, educational facilities, hospitals, art centers, and recreational parks), limited access facilities (including, without limitation, military complexes, buyer club businesses, educational facilities, business and industrial complexes), and other types of institutional accounts;

1.4.5 To sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products (including any Products, including sauce in gallon bags and in jars) through grocery or convenience stores, food establishments or through outlets that are primarily retail in nature, or through mail order, toll free numbers, or the Internet, including those products bearing Franchisor's Proprietary Marks provided that distribution within the Territory shall not be from a Patsy's Italian Restaurant established under the System that is operated from within the Territory (except from a Patsy's Italian Restaurant at a Non-Traditional Site);

1.4.6 To (i) acquire one or more retail businesses that are the same as, or similar to, Patsy's Italian Restaurants then operating under the System (each an "**Acquired Business**"), which may be at any location within or outside of the Territory, notwithstanding their proximity to the Territory or the Approved Location or their actual or threatened impact on the Franchised Restaurant's sales, and to (ii) operate and/or license others to operate any Acquired Business under its existing name or as a Patsy's Italian Restaurant under the System, subject to the following conditions that apply to each Acquired Business located within the Territory:

1.4.6.1 Except as provided in Section 1.4.6.2 below, and provided that Franchisee is in compliance with this Agreement and all other agreements with Franchisor, Franchisor may, in its sole discretion, offer to Franchisee the option to purchase and operate, as a Patsy's Italian Restaurant, an Acquired Business that is purchased by Franchisor for operation by Franchisor or its affiliates. Franchisor shall provide Franchisee with written notice of Franchisor's purchase of the Acquired Business(es), the terms and conditions applicable to the Franchisee's option to purchase such Acquired Business(es), and such other information that Franchisor deems necessary to include in the notice. The terms and conditions offered to Franchisee shall include, without limitation, the following: (a) the purchase price will be based on Franchisor's purchase price for such Acquired Business, and if the Acquired Business was

part of an Acquired System (as defined below in Section 1.4.6.2), then Franchisee's purchase price for such Acquired Business shall be determined using a ratio equal to the sales during the prior year of such Acquired Business as compared to the total sales in such prior year of all Acquired Businesses purchased by Franchisor in the same transaction; and (b) the requirement that Franchisee enter into Franchisor's then-current form of System franchise agreement for the Acquired Business. If Franchisee does not elect to purchase, or fails to complete the purchase of, an Acquired Business, Franchisor shall have the right to operate the Acquired Business itself, or through its affiliates or third party licensees or franchisees, under any trade name or trademarks including the Proprietary Marks.

1.4.6.2 If an Acquired Business is part of a system of retail businesses that Franchisor acquires (an "**Acquired System**"), Franchisee shall have no right to purchase, and Franchisor shall not be obligated to offer Franchisee any option to purchase, any Acquired Business that is operated by a licensee or franchisee under the Acquired System. Franchisor may license such unit to be operated under any trade name or trademarks including the Proprietary Marks, and may also license to the licensee or franchisee additional units of the Acquired System that the licensee or franchisee has the right to develop and operate within the Territory.

2. TERM AND RENEWAL

2.1 Initial Term. This Agreement shall be in effect upon the Effective Date and, except as otherwise provided herein, this Agreement shall expire ten (10) years from the Effective Date.

2.2 Renewal. Franchisee may apply to operate the Franchised Restaurant for one (1) additional term of ten (10) years if the following conditions are met prior to renewal:

2.2.1 Franchisee shall give Franchisor written notice of Franchisee's election to renew at least six (6) months, but not more than twelve (12) months, prior to the end of the term of this Agreement;

2.2.2 Franchisee shall not have any past due monetary obligations or other outstanding obligations to Franchisor and its affiliates, the approved suppliers of the System, or the lessor of the Premises;

2.2.3 Franchisee shall not be in default of any provision of this Agreement, or successor hereto, or any other agreement between Franchisee and Franchisor or its affiliates, the approved suppliers of the System, or the lessor of the Premises, and Franchisee shall have substantially complied with all the terms and conditions of such agreements during the terms thereof;

2.2.4 Franchisee and Franchisor shall execute a mutual general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its affiliates, and their respective officers, directors, agents, and employees;

2.2.5 Franchisee shall execute the then-current form of franchise agreement offered by Franchisor, which shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement including requirements to pay additional and/or higher fees, except that Franchisee shall not be required to pay any initial franchise fee;

2.2.6 Franchisee shall comply with the then-current qualification and training requirements of Franchisor;

2.2.7 Franchisee shall make or provide for, in a manner satisfactory to Franchisor, such renovation and modernization of the Premises as Franchisor may reasonably require, including installation of new equipment and renovation of signs, furnishings, fixtures, and decor to reflect the then-current standards and image of the System;

2.2.8 Franchisee shall present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the Premises (or such other location acceptable to Franchisor) for the duration of the renewal term;

2.2.9 Franchisee, at the time of renewal, satisfies Franchisor's standards of financial responsibility and, if requested by Franchisor, Franchisee demonstrates to Franchisor that Franchisee has sufficient financial resources and means to continue to operate the Franchised Restaurant during the renewal term; and

2.2.10 Franchisee shall pay to Franchisor a renewal fee of Ten Thousand Dollars ($10,000).

3. DUTIES OF FRANCHISOR

3.1 Franchisor's Prototype Plans. Franchisor shall make available, at no charge to Franchisee, prototype design plans and specifications for the construction of a Patsy's Italian Restaurant and for its exterior and interior design and layout, fixtures, furnishings, equipment, and signs. Franchisee acknowledges that such standard design plans and specifications shall not contain the requirements of any federal, state or local law, code or regulation (including without limitation those concerning the Americans with Disabilities Act (the "**ADA**") or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a specific Patsy's Italian Restaurant, compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense. Franchisee understands and acknowledges that Franchisor has the right to modify the prototype design plans and specifications, and develop additional prototype design plans and specifications, as Franchisor deems appropriate from time to time (however Franchisor will not modify the prototype plans and specifications for the Franchised Restaurant developed pursuant to this Agreement once those prototype architectural plans and specifications have been given to Franchisee). Franchisee shall adapt the standard plans to the Franchised Restaurant's location, as provided in Section 5.3 hereof, subject to Franchisor's approval.

3.2 Initial Training. Franchisor shall provide its initial training for operators and managers ("**Initial Training**"), as described in Section 6 of this Agreement, for up to six (6)

trainees (unless this Agreement is for the third or subsequent Patsy's Italian Restaurant being developed pursuant to an Area Development Agreement between Franchisor and Franchisee (or an affiliate of Franchisee), in which event the terms set forth in Section 6.1.3 below shall apply with respect to the pre-opening training of Franchisee, the Designated Principal and any General Manager). Franchisor shall also provide such ongoing training as it may, from time to time, deem appropriate.

3.3 Opening Training. Franchisor will furnish to Franchisee, at Franchisee's premises and at Franchisor's expense, one (1) or more of Franchisor's representatives for the purpose of facilitating the opening of the Franchised Restaurant. During this training, such representative will also assist Franchisee in establishing and standardizing procedures and techniques essential to the operation of a Patsy's Italian Restaurant and shall assist in training personnel; however, Franchisee acknowledges that Franchisor shall not be responsible for training or offering guidance with respect to compliance with any laws, ordinances or other legal matters. Prior to the arrival of Franchisor's representative(s), Franchisee shall have completed all training of Franchisee's initial staff of employees for the Franchised Restaurant as shall be necessary for Franchisee to comply with its staffing obligations under Section 8.4 below. Should Franchisee request additional assistance from Franchisor in order to facilitate the opening of the Franchised Restaurant, and should Franchisor deem it necessary and appropriate to comply with the request, Franchisee shall pay Franchisor's per diem charges and Franchisor's out of pocket expenses in providing such additional assistance as set forth from time to time in the Manuals.

3.4 Loan of Manuals. Franchisor shall provide Franchisee with access during the term of this Agreement to one (1) copy of Franchisor's confidential operations manuals and other manuals, instructional materials, and written policies and correspondence (collectively, the "**Manuals**"), as more fully described in Section 10 hereof.

3.5 Advertising Programs and Materials. Franchisor shall review and have the right to approve or disapprove all advertising and promotional materials that Franchisee proposes to use, pursuant to Section 13 below. Franchisor shall administer the System or Cooperative Ad Funds, if such funds exist or are created, in the manner set forth in Section 13 below.

3.6 Grand Opening Advertising. Franchisor shall assist Franchisee in developing and conducting the Grand Opening Advertising Program (as described in Section 13.4 below), which program shall be conducted at Franchisee's expense.

3.7 Guidance. Franchisor may provide periodic advice or offer guidance to Franchisee in the marketing, management, and operation of the Franchised Restaurant as Franchisor determines at the time(s) and in the manner determined by Franchisor.

3.8 Inspections. Franchisor shall conduct, as it deems advisable, inspections of the operation of the Franchised Restaurant by Franchisee. Franchisee acknowledges that any evaluation or inspection that Franchisor or its designated agents or representatives conduct is conducted in order to protect Franchisor's interests in the System and Proprietary Marks and is not intended to exercise, and does not constitute, in whole or in part, control over the day-to-day operation of the Franchised Restaurant and Franchisee agrees to never contend otherwise.

3.9 List of Suppliers. Franchisor shall, in the Manuals (or otherwise in writing as determined by Franchisor), provide Franchisee with a list of suppliers designated and/or approved by Franchisor to supply Products, equipment, signage, materials and services to franchisees in the System.

3.10 Delegation. Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Agreement may be performed by any distributor, designee, employee, or agent of Franchisor, as Franchisor may direct.

3.11 Fulfillment of Obligations. In fulfilling its obligations pursuant to this Agreement, and in conducting any activities or exercising any rights pursuant to this Agreement, Franchisor (and its affiliates) shall have the right: (i) to take into account, as it sees fit, the effect on, and the interests of, its (and its affiliates') own activities and/or other franchised businesses and systems in which Franchisor has an interest; (ii) to share market and product research, and other proprietary and non-proprietary business information, with Franchisor's affiliates and/or other franchised businesses and systems in which Franchisor (or its affiliates) has an interest; (iii) to introduce proprietary and non-proprietary items or operational equipment used by the System into other franchised systems in which Franchisor has an interest; and/or (iv) to allocate resources and new developments between and among systems, and/or Franchisor's affiliates, as Franchisor sees fit. Franchisee understands and agrees that all of Franchisor's obligations under this Agreement are subject to this Section 3.11, and that nothing in this Section 3.11 shall in any way affect Franchisee's obligations under this Agreement.

4. FEES

4.1 Franchise Fee. The initial franchise fee Franchisee shall pay in consideration of the franchise granted herein shall be Seventy-Five Thousand Dollars ($100,000) (the "**Franchise Fee**"). The Franchise Fee shall be paid as specified in Exhibit A.

4.2 Refundability. Payment of the Franchise Fee shall be non-refundable in consideration of administrative and other expenses incurred by Franchisor in granting this franchise and for Franchisor's lost or deferred opportunity to franchise others.

4.3 Royalty Fees. For each month during the term of this Agreement, Franchisee shall: (a) pay Franchisor a continuing royalty fee in an amount equal to seven percent (7%) of the Gross Sales of the Franchised Restaurant ("**Royalty Fees**"); and (b) report to Franchisor, in the manner specified by Franchisor, its Gross Sales (a "**Sales Report**"). As used in this Agreement, the following terms shall apply:

4.3.1 The term "**Gross Sales**" means all revenue from the sale of all Products and all other income of every kind and nature related to, derived from, or originating from the Franchised Restaurant, whether at retail or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit; provided, however, that "Gross Sales" excludes any customer refunds, coupon sales, sales taxes, and/or other taxes collected from customers by Franchisee and actually transmitted to the appropriate taxing authorities. Gross Sales shall include the value of any type of complimentary items (promotional or non-promotional) given to the Franchised Restaurant's clientele.

Franchisee may not provide more than Fifty Thousand Dollars ($50,000) worth of such complimentary items in any year.

4.3.2 If a state or local law in which the Franchised Restaurant is located prohibits or restricts in any way Franchisee's ability to pay and Franchisor's ability to collect Royalty Fees or other amounts based on Gross Sales derived from the sale of alcoholic beverages at the Franchised Restaurant, then Franchisor and Franchisee shall increase the percentage rate for calculating Royalty Fees, and change the definition of Gross Sales to exclude sales of alcoholic beverages, in a manner such that the Royalty Fees to be paid by Franchisee, and received by Franchisor, shall be equal to such amounts as Franchisee would have been required to pay, and Franchisor would have received, if sales from alcoholic beverages were included from Gross Sales.

4.4 Advertising Fund Contributions. Franchisee shall make Advertising Fund in an amount Franchisor designates up to 2.0% of Franchisee's previous month's Gross Sales. These Advertising Fund contributions will be expended as provided for in Section 13.2 below.

4.5 When Payments Due. All payments required by Sections 4.3 and 4.4 above based on the Gross Sales for the preceding month, and the Sales Report required by Section 4.3 for the Gross Sales for the preceding month, shall be paid and submitted so as to be received by Franchisor by the fifteenth (15th) day after the close of each month. Franchisee shall deliver to Franchisor any and all reports, statements and/or other information required under Section 12.2 below, at the time and in the format reasonably requested by Franchisor. Franchisee shall establish an arrangement for electronic funds transfer or deposit of any payments required under this Section. Franchisee shall execute Franchisor's current form of "Authorization Agreement for Prearranged Payments (Direct Debits)," a copy of which is attached to this Agreement as Exhibit D, and Franchisee shall comply with the payment and reporting procedures specified by Franchisor in the Manuals. Franchisee expressly acknowledges and agrees that Franchisee's obligations for the full and timely payment of Royalty Fees and Advertising Contributions (and all other amounts provided for in this Agreement) shall be absolute, unconditional, fully earned, and due upon Franchisee's generation and receipt of Gross Sales. Franchisee shall not for any reason delay or withhold the payment of all or any part of those or any other payments due hereunder, put the same in escrow or set-off same against any claims or alleged claims Franchisee may allege against Franchisor, the Advertising Fund, the Cooperative Ad Fund or others. Franchisee shall not, on grounds of any alleged non-performance by Franchisor or others, withhold payment of any fee, including, without limitation, Royalty Fees or Advertising Contributions, nor withhold or delay submission of any reports due hereunder, including, without limitation, Sales Reports.

4.6 Designated Accountants and Fees. If required by Franchisor, Franchisee shall use a certified public accountant service designated or approved by Franchisor for bookkeeping and financial records management. Franchisee shall pay such service provider or Franchisor, as directed by Franchisor, a fee for these services for each month in such reasonable amount as the service provider or Franchisor may periodically designate.

4.7 Additional Payments. Franchisee shall pay to Franchisor, within fifteen (15) days of any written request by Franchisor which is accompanied by reasonable substantiating

material, any monies which Franchisor has paid, or has become obligated to pay, on behalf of Franchisee, by consent or otherwise under this Agreement.

4.8 Overdue Payments and Reports. Any payment, contribution, statement, or report not actually received by Franchisor on or before its due date shall be overdue. If any contribution or payment is overdue, Franchisee shall pay Franchisor immediately upon demand, in addition to the overdue amount: (i) a late payment fee in an amount equal to five percent (5%) of the overdue amount, and (ii) interest on the overdue amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies Franchisor may have.

4.9 No Subordination. Franchisee shall not subordinate to any other obligation its obligation to pay Franchisor the Royalty Fees and/or any other fee or charge payable to Franchisor, whether under this Agreement or otherwise.

5. SITE SELECTION, CONSTRUCTION AND OPENING OF BUSINESS

5.1 Identifying and Securing Sites. Franchisee shall, within one hundred eighty (180) days from the Effective Date, be solely responsible for identifying, submitting for Franchisor's approval, and securing a site for its Franchised Restaurant. The following terms and conditions shall apply to Franchisee's Franchised Restaurant:

5.1.1 Franchisee shall submit to Franchisor, in a form specified by Franchisor, a completed site approval package, which shall include a site approval form prescribed by Franchisor, an option contract, letter of intent, or other evidence satisfactory to Franchisor which describes Franchisee's favorable prospects for obtaining such site, photographs of the site, demographic statistics, and such other information or materials as Franchisor may reasonably require (collectively, the "**SAP**"). Franchisor shall have twenty (20) business days after receipt of the SAP from Franchisee to, in its sole discretion, approve or disapprove the proposed site for the Franchised Restaurant. In the event Franchisor does not approve a proposed site by written notice to Franchisee within said twenty (20) business days, such site shall be deemed disapproved by Franchisor. No site shall be deemed approved unless it has been expressly approved in writing by Franchisor.

5.1.2 Within sixty (60) business days of Franchisor's approval of a proposed site, Franchisee shall use its best efforts to secure such site, either through a lease/sublease that is acceptable to Franchisor, as provided in Section 5.2 below, or a binding purchase agreement. Franchisee shall immediately notify Franchisor of the execution of the approved lease or binding purchase agreement. The site approved and secured pursuant to this Agreement shall be specified as the Approved Location.

5.1.3 Franchisee hereby acknowledges and agrees that approval by Franchisor of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Restaurant or for any other purpose. Approval by Franchisor of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as

of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by Franchisor of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Franchisee's expectations as to revenue or operational criteria.

5.2 Lease Terms. If Franchisee will occupy the premises from which the Franchised Restaurant will be operated under a lease or sublease, Franchisee shall, prior to execution of such lease, submit the lease to Franchisor for its review and approval; provided, however, if pre-submission to Franchisor is not possible, then Franchisee may sign the lease only on the condition, agreed to in writing by the lessor, that the lease shall become null and void if Franchisor does not approve such lease. Franchisor's approval of the lease or sublease may be conditioned upon the inclusion of such provisions as Franchisor may reasonably require, including, without limitation, the terms and conditions set forth by Franchisor in the Manuals or otherwise in writing from time to time, a current list of which is included in Exhibit G to this Agreement.

5.3 Preparing a Location. Before commencing any construction of the Franchised Restaurant, Franchisee, at its expense, shall comply, to Franchisor's satisfaction, with all of the following requirements:

5.3.1 Franchisee shall employ a qualified, licensed architect or engineer who has been approved or designated (as described below) by Franchisor to prepare, subject to Franchisor's approval, preliminary plans and specifications for site improvement and/or construction of the Franchised Restaurant based upon prototype plans and/or specifications furnished by Franchisor, as described in Section 3.1 above. Franchisor shall have the right to designate one or more suppliers of design services and/or architecture services to supply such services to the System. If Franchisor designates a design firm and/or architecture firm prior to the time Franchisee commences to develop the Franchised Restaurant, Franchisee shall employ such designated supplier(s) to prepare all designs and plans for the Franchised Restaurant, unless Franchisee obtains Franchisor's prior written approval to use an alternative professional. If Franchisor has not designated a design firm or architecture firm, Franchisee shall be responsible for locating and employing a qualified design consultant and architect who is/are licensed in the jurisdiction in which the Franchised Restaurant will be located, and who is reputable and experienced in providing design and architecture services. Franchisee shall be solely responsible for payments for all design and architecture services. Franchisee acknowledges and agrees that Franchisor shall not be liable for the unsatisfactory performance of any contractor retained by Franchisee.

5.3.2 Franchisee shall comply with all federal, state and local laws, codes and regulations, including the applicable provisions of the ADA, regarding the construction, design and operation of the Franchised Restaurant. In the event Franchisee receives any

complaint, claim, or other notice alleging a failure to comply with the ADA, Franchisee shall provide Franchisor with a copy of such notice within five (5) days after receipt thereof.

5.3.3 Franchisee shall be responsible for obtaining all zoning classifications and clearances that may be required by state or local laws, ordinances, or regulations, or that may be necessary or advisable owing to any restrictive covenants relating to the Approved Location. After having obtained such approvals and clearances, Franchisee shall submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Franchisor's review and approval of plans shall be limited to review of such plans to assess compliance with Franchisor's design standards for Patsy's Italian Restaurants, including such items as trade dress, presentation of the Proprietary Marks, and the providing to the potential customer of certain products and services that are central to the functioning of Patsy's Italian Restaurants. Such review is not designed to assess compliance with federal, state or local laws and regulations, including the ADA, as compliance with such laws is the sole responsibility of Franchisee. Once approved by Franchisor, such final plans shall not thereafter be changed or modified without the prior written permission of Franchisor. Any such change made without Franchisor's prior written permission shall constitute a default and Franchisor may withhold its authorization to open the Franchised Restaurant until the unauthorized change is rectified (or reversed) to Franchisor's reasonable satisfaction. Prior to opening the Franchised Restaurant, and prior to renovating the Franchised Restaurant after its initial opening, Franchisee shall execute an ADA Certification in the form attached to this Agreement as Exhibit B that certifies in writing to Franchisor that the Franchised Restaurant and any proposed renovations comply with the ADA.

5.3.4 Franchisee shall obtain all permits and certifications required for the lawful construction and operation of the Franchised Restaurant and shall certify in writing to Franchisor that all such permits and certifications have been obtained.

5.3.5 Franchisee shall employ a qualified licensed general contractor who is acceptable to Franchisor to construct the Franchised Restaurant and to complete all improvements. Franchisee shall obtain and maintain in force during the entire period of construction the insurance required under Section 14 below.

5.3.6 Throughout the construction process, Franchisee shall comply with Franchisor's requirements and procedures for periodic inspections of the Premises, and shall fully cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request.

5.4 Opening Date. Unless delayed by the occurrence of events constituting "force majeure" as defined in Section 5.5 below, Franchisee shall construct, furnish, and open the Franchised Restaurant in accordance with this Agreement and shall open the Franchised Restaurant on the earlier of three hundred sixty (360) days following the Effective Date or one hundred eighty (180) days after we approve the site for the Franchised Restaurant. Time is of the essence. Franchisee shall provide Franchisor with written notice of its specific intended opening date and Franchisee's request for Franchisor's approval to open on such date, by no later than thirty (30) days prior to such intended opening date. Additionally, Franchisee shall comply with all other of Franchisor's pre-opening requirements, conditions and procedures (including,

without limitation, those regarding pre-opening scheduling and communications) as set forth in this Agreement, the Manuals, and/or elsewhere in writing by Franchisor, and shall obtain Franchisor's written approval prior to opening the Franchised Restaurant.

5.5 Force Majeure. As used in this Agreement, "**force majeure**" means an act of God, war, civil disturbance, act of terrorism, government action, fire, flood, accident, hurricane, earthquake, or other calamity, strike or other labor dispute, or any other cause beyond the reasonable control of Franchisee; provided, however, force majeure shall not include Franchisee's lack of adequate financing.

6. TRAINING

6.1 Initial Training and Attendees. Before opening the Franchised Restaurant, Franchisee shall have satisfied all initial training obligations required by Franchisor, which are as follows:

6.1.1 Franchisee (or, if Franchisee is other than an individual, the Designated Principal (defined in Section 8.3 below)) and, if applicable, the General Manager and up to five (5) additional persons as Franchisor may require, including any managers required by Franchisor to attend (a maximum of six (6) persons total), shall attend and successfully complete, to Franchisor's satisfaction, the initial training program offered by Franchisor at a location designated by Franchisor (unless this Agreement is for the third or subsequent Patsy's Italian Restaurant being developed pursuant to an Area Development Agreement between Franchisor and Franchisee (or an affiliate of Franchisee), in which event the requirements set forth in Section 6.1.3 below shall apply with respect to the pre-opening training of Franchisee, the Designated Principal and any General Manager). The duration of the initial training will be up to six (6) weeks, depending on the function of the individual attending such training. If any required attendee does not satisfactorily complete such training, Franchisor may require that a replacement person attend and successfully complete, to Franchisor's satisfaction, the initial training program.

6.1.2 If Franchisee is other than an individual, Franchisor may require (in addition to the training of the Designated Principal and General Manager) that any or all owners of beneficial interests in Franchisee (each a "**Principal**") who are individuals and own at least a ten percent (10%) beneficial interest in Franchisee, attend and successfully complete, to Franchisor's satisfaction, such portions of the initial training program as determined by Franchisor.

6.1.3 If this Agreement is for the third or subsequent Patsy's Italian Restaurant being developed pursuant to an Area Development Agreement between Franchisor and Franchisee (or an affiliate of Franchisee), then Franchisee shall be responsible for conducting the initial training of its Designated Principal, General Manager (if applicable), and any other member of its managerial personnel, in accordance with the requirements and conditions as Franchisor may from time to time establish for such training. Franchisor's requirements for the initial training Franchisee provides shall be set forth in the Manuals or other written materials and shall include, but are not limited to, the requirement that all such training activities be conducted: (a) by the Principals or personnel of Franchisee (or an affiliate of

Franchisee) who have completed Franchisor's initial training program to the satisfaction of the Franchisor, and who remain acceptable to Franchisor to provide initial training; and (b) following the procedures and conditions established by Franchisor. If Franchisor determines that the training provided by Franchisee does not satisfy Franchisor's standards and requirements, or that any newly trained individual is not trained to Franchisor's standards, then Franchisor may require that such newly trained individual(s) attend and complete an initial training program provided by Franchisor prior to the opening of the Franchised Restaurant.

6.1.4 Franchisee must satisfy all pre-opening training requirements under this Section 6.1 by no later than thirty (30) days prior to the schedule opening of the Franchised Restaurant.

6.2 New or Replacement Designated Principal and Managers. In the event that Franchisee's Designated Principal or (if required) General Manager ceases active employment in the Franchised Restaurant, Franchisee shall promptly enroll a qualified replacement who is acceptable to Franchisor in Franchisor's training program, provided that Franchisee may train replacement General Managers in accordance with Section 6.3 below. Any replacement Designated Principal and required manager shall complete the initial training program as soon as is practicable and in no event later than any time periods as Franchisor may specify from time to time in the Manuals and otherwise in writing. Franchisor reserves the right to review any Franchisee trained personnel and require that such persons attend and complete, to the satisfaction of Franchisor, the initial training program offered by Franchisor at a location designated by Franchisor.

6.3 Training by Franchisee of Additional or Replacement General Managers. Franchisee shall have the option of training any additional or replacement General Manager (following the training of the first General Manager by Franchisor) at the Franchised Restaurant or another Patsy's Italian Restaurant operated by Franchisee or its affiliates, provided: (a) that the training is conducted by the Designated Principal or other personnel who has completed Franchisor's initial training program, to the satisfaction of the Franchisor (and who remains acceptable to Franchisor to provide such training); (b) that the training is conducted in accordance with any requirements or standards as Franchisor may from time to time establish in writing for such training; and (c) Franchisee is in compliance with all agreements between Franchisee and Franchisor. Franchisor reserves the right to require Franchisee to pay Franchisor's then-current per diem charges for such training.

6.4 Refresher Training. Franchisor may also require that Franchisee, its Designated Principal and/or General Manager attend such refresher courses, seminars, and other training programs as Franchisor may reasonably require from time to time, provided that such training shall not exceed four (4) days per person each year, and attendance for up to three (3) days per person each year at conventions, if any, conducted for Franchisor's franchisees.

6.5 Training Costs. The cost of all training (instruction and required materials) shall be borne by Franchisor, except as provided in Section 6.7 below. All other expenses incurred in connection with training, including without limitation the costs of transportation, lodging, meals, wages, and worker's compensation insurance, shall be borne by Franchisee.

6.6 Location of Training. All training programs shall be at such times as may be designated by Franchisor. Training programs shall be provided at Franchisor's headquarters and/or such other locations as Franchisor may designate.

6.7 Additional On-site Training. If Franchisee requests that Franchisor provide additional on-site training or that any other training programs offered or required by Franchisor be conducted for Franchisee at the Franchised Restaurant, and Franchisor does in fact provide such additional training, then Franchisee agrees that it shall pay Franchisor's then-current per diem charges and out-of-pocket expenses, which shall be as set forth in the Manuals or otherwise in writing.

7. TECHNOLOGY

7.1 Computer Systems and Required Software. The following terms and conditions shall apply with respect to the Computer System and Required Software (both as defined below in this Section 7.1):

7.1.1 Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware are used by, between, or among Patsy's Italian Restaurants, and/or between Franchisee and the Franchised Restaurant and Franchisor, including without limitation: (a) back office and point of sale systems, data, audio, video, and voice storage, retrieval, and transmission systems; (b) Cash Register Systems (as defined in Subsection 7.1.3 below); (c) physical, electronic, and other security systems; (d) printers and other peripheral devices; (e) archival back-up systems; and (f) internet access mode and speed (collectively, the "**Computer System**").

7.1.2 Franchisor shall have the right, but not the obligation, to develop or have developed for it, or to designate: (a) computer software programs and accounting system software that Franchisee must use in connection with the Computer System ("**Required Software**"), which Franchisee shall install; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee shall install; (c) the tangible media upon which Franchisee shall record data; and (d) the database file structure of Franchisee's Computer System.

7.1.3 Franchisee shall record all sales on computer-based point of sale systems approved by Franchisor or on such other types of cash registers as may be designated by Franchisor in the Manuals or otherwise in writing ("**Cash Register Systems**"), which shall be deemed part of Franchisee's Computer System.

7.1.4 Franchisee shall make, from time to time, such upgrades and other changes to the Computer System and Required Software as Franchisor may request in writing (collectively, "**Computer Upgrades**").

7.1.5 Franchisee shall comply with all specifications issued by Franchisor with respect to the Computer System and the Required Software, and with respect to Computer Upgrades. Franchisee shall also afford Franchisor unimpeded access to Franchisee's Computer

System and Required Software as Franchisor may request, in the manner, form, and at the times requested by Franchisor.

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

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

7.4 Telecommunications. Franchisee shall comply with Franchisor's requirements (as set forth in the Manuals or otherwise in writing) with respect to establishing and maintaining telecommunications connections between Franchisee's Computer System and Franchisor's Extranet (as defined below), if any, and/or such other computer systems as Franchisor may reasonably require.

7.5 Extranet. Franchisor may establish a website providing private and secure communications between Franchisor, Franchisee, franchisees, licensees and other persons and entities as determined by Franchisor, in its sole discretion (an "**Extranet**"). Franchisee shall comply with Franchisor's requirements (as set forth in the Manuals or otherwise in writing) with respect to connecting to the Extranet and utilizing the Extranet in connection with the operation of the Franchised Restaurant. The Extranet may include, without limitation, the Manuals, training and other assistance materials, and management reporting solutions (both upstream and downstream, as Franchisor may direct). Franchisee shall purchase and maintain such computer software and hardware as may be required to connect to and utilize the Extranet.

7.6 Websites. As used in this Agreement, the term "**Website**" means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet

and World Wide Web home pages. In connection with any Website, Franchisee agrees to the following:

7.6.1 Franchisor shall have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Proprietary Marks, any or all of the Products, Patsy's Italian Restaurants, the franchising of Patsy's Italian Restaurants, and/or the System. Franchisor shall have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage. Franchisor shall also have the right to discontinue operation of the Website.

7.6.2 Franchisor shall have the right, but not the obligation, to designate one or more web page(s) to describe Franchisee and/or the Franchised Restaurant, with such web page(s) to be located within Franchisor's Website. Franchisee shall comply with Franchisor's policies with respect to the creation, maintenance and content of any such web pages; and Franchisor shall have the right to refuse to post and/or discontinue posting any content and/or the operation of any web page.

7.6.3 Franchisee shall not establish a separate Website without Franchisor's prior written approval (which Franchisor shall not be obligated to provide). If approved to establish a Website, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such Website. Franchisee specifically acknowledges and agrees that any Website owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval under Section 13 below.

7.6.4 Franchisor shall have the right to modify the provisions of this Section 7 relating to Websites as Franchisor shall solely determine is necessary or appropriate.

7.7 Online Use of Marks. Franchisee shall not use the Proprietary Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any e-mail address, domain name, and/or other identification of Franchisee in any electronic medium. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without Franchisor's prior written consent as to Franchisee's plan for transmitting such advertisements.

7.8 No Outsourcing without Prior Written Approval. Franchisee shall not hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, or any other of Franchisee's obligations without Franchisor's prior written approval therefor. Franchisor's consideration of any proposed outsourcing vendor(s) may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with Franchisor and Franchisee in a form that is reasonably provided by Franchisor.

7.9 Changes to Technology. Franchisee and Franchisor acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and

opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System, and Franchisee agrees that it shall abide by those reasonable new standards established by Franchisor as if this Section 7 were periodically revised by Franchisor for that purpose.

8. OTHER DUTIES OF FRANCHISEE

8.1 Details of Operation. Franchisee understands and acknowledges that every detail of the System and this Agreement is important to Franchisee, Franchisor, and other franchisees in order to develop and maintain high operating, quality and service standards, to increase the demand for the Products sold by all operators, to protect Patsy's Italian Restaurants operating under the System, and to protect the reputation and goodwill of Franchisor.

8.2 Compliance with the Agreement, including the Manuals. Franchisee shall operate the Franchised Restaurant in strict conformity with this Agreement and such standards and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing, and shall refrain from deviating from such standards, specifications, and procedures without the prior written consent of Franchisor.

8.3 Management of Business & Designated Principal. If Franchisee is other than an individual, prior to beginning training, Franchisee shall comply with the following:

8.3.1 Franchisee shall designate, subject to Franchisor's reasonable approval, one Principal who is both an individual person and owns at least a ten percent (10%) beneficial interest in Franchisee, and who shall be responsible for general oversight and management of the operations of the Franchised Restaurant on behalf of Franchisee (the "**Designated Principal**"). In the event the person designated as the Designated Principal dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to supervise the operations of the Franchised Restaurant, Franchisee shall promptly designate a new Designated Principal, subject to Franchisor's reasonable approval.

8.3.2 Franchisee shall inform Franchisor in writing whether Franchisee or, if Franchisee is other than an individual, the Designated Principal, will assume full-time responsibility for the daily supervision and operation of the Franchised Restaurant (the "**General Manager**").

8.3.3 Franchisee acknowledges and agrees that Franchisor shall have the right to rely upon either or both of the Designated Principal or General Manager to have been given by Franchisee the responsibility and decision-making authority regarding the Franchised Restaurant's operation and Franchisee's business.

8.4 Staffing. Franchisee agrees to maintain a competent, conscientious, staff (that is trained by Franchisee to Franchisor's standards and requirements) in numbers sufficient to promptly service customers and to take such steps as are necessary to ensure that its employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; comply with such uniforms and/or dress code as Franchisor may prescribe; and meet such minimum standards as Franchisor may establish from time to time in the Manuals. In no

way limiting the foregoing, Franchisee shall have on duty at all times a minimum of three (3) managers and/or hourly employees trained in management activities, who have completed all training and certifications required by Franchisor. Franchisee shall be solely responsible for all employment decisions and functions of the Franchised Restaurant, including those related to hiring, firing, wage and hour requirements, work assigned, working conditions, recordkeeping, supervision, and discipline of employees.

8.5 Use of Premises. Franchisee shall use the Premises solely for the operation of the Franchised Restaurant; shall keep the Franchised Restaurant open and in normal operation for such minimum hours and days as Franchisor may specify; and shall refrain from using or permitting the use of the Premises for any purpose or activity other than operation of the Franchised Restaurant at any time without first obtaining the written consent of Franchisor. As described in Section 1.3 herein, Franchisee shall not engage in catering or delivery except with Franchisor's prior written approval and only in accordance with the terms and conditions specified in writing by Franchisor, including without limitation guidelines and requirements relating to insurance coverage and vehicle use in such activities.

8.6 Conformity to Standards. To ensure that the highest degree of quality and service is maintained, Franchisee shall operate the Franchised Restaurant in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing. Although Franchisor retains the right to establish and periodically modify such methods, standards and specifications, Franchisee retains the right to and responsibility for the day-to-day management and operation of the Franchised Restaurant and implementing and maintaining such methods, standards and specifications at the Franchised Restaurant. Without limitation, Franchisee agrees as follows:

8.6.1 Franchisee shall, prior to opening the Franchised Restaurant, purchase and install, and thereafter maintain in sufficient supply, all fixtures, furnishings, equipment, decor, signs, supplies and materials as Franchisor may prescribe in the Manuals or otherwise in writing. Franchisee shall refrain from deviating therefrom by the use of any unapproved item without the prior written consent of Franchisor.

8.6.2 Franchisee shall, unless otherwise approved in writing by Franchisor, offer and sell at the Franchised Restaurant all those Products, and only those Products, that Franchisor specifies from time to time. Franchisee shall offer and sell the Products utilizing the ingredients and employing the preparation standards and techniques as specified by Franchisor. Franchisee is prohibited from offering or selling any products or services at or from the Franchised Restaurant that have not previously been authorized by Franchisor, and shall discontinue selling and offering for sale any Products that Franchisor disapproves, in writing, at any time. If Franchisee wishes to offer or sell any products or services that have not previously been authorized by Franchisor, Franchisee must first make a written request to Franchisor requesting authorization to offer or sell such products or services in accordance with Section 8.7 below. Franchisor may deny such approval for any reason.

8.6.3 Franchisee shall permit Franchisor or its agents, at any reasonable time, to remove samples of Products, without payment therefor, in amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether said samples meet

Franchisor's then-current standards and specifications. In addition to any other remedies it may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of the item has not previously been approved by Franchisor or if the sample fails to conform to Franchisor's specifications.

8.6.4 Franchisee shall be required to offer, sell and/or permit any other party Franchisor designates or approves to offer and sell beer, wine, or any form of liquor ("**Alcoholic Beverages**") at the Franchised Restaurant. Franchisee acknowledges and agrees that Alcoholic Beverages are required Products that Franchisee is required to offer and sell at the Franchised Restaurant, and Franchisee shall: (i) be solely responsible for complying with all with all laws and regulations relating to the Alcoholic Beverages and alcohol service and preparation; (ii) comply with Franchisor's standards, specifications and terms regarding the offer, sale, and presentation of Alcoholic Beverages as approved Products; and (c) obtain and maintain such additional insurance coverage as Franchisor may require pursuant to Section 14 of this Agreement with respect to the offer and sale of the Alcoholic Beverages.

8.6.5 Franchisor may designate an independent evaluation service to conduct a "mystery shopper" quality control and evaluation program with respect to Franchisor or affiliate-owned and/or franchised Patsy's Italian Restaurants. Franchisee agrees that the Franchised Restaurant will participate in such mystery shopper programs, as prescribed and required by Franchisor, provided that Franchisor-owned, affiliate-owned, and franchised Patsy's Italian Restaurants also will participate in such programs to the extent Franchisor has the right to require such participation. Franchisor shall have the right to require Franchisee to pay the then-current charges imposed by such evaluation service with respect to inspections of the Franchised Restaurant, and Franchisee agrees that it shall promptly pay such charges; provided, however, that such charges shall not exceed Five Hundred Dollars ($500) during each year of this Agreement.

8.6.6 Franchisee shall participate in all customer surveys and satisfaction audits, which may require that Franchisee provide discount or complimentary Products. Additionally, Franchisee shall participate in complaint resolution and other programs as Franchisor may reasonably establish for the System, which programs may include, without limitation, providing discounts or refunds to customers.

8.7 Purchases and Approved Suppliers. Franchisee shall purchase all equipment, fixtures, furnishings, signs, décor, supplies, services, and products (including the Products) required for the establishment and operation of the Franchised Restaurant from suppliers designated or approved in writing by Franchisor (as used in this Section 8.7 the term "supplier" shall include manufacturers, distributors and other forms of suppliers). In determining whether it will approve any particular supplier, Franchisor shall consider various factors, including, but not limited to, whether the supplier can demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's then-current standards and specifications for such items, whether the supplier possesses adequate quality controls and capacity to supply Franchisee's needs promptly and reliably, whether approval of the supplier would enable the System, in Franchisor's sole opinion, to take advantage of marketplace efficiencies, and whether the supplier has been approved in writing by Franchisor prior to any purchases by Franchisee

from such supplier, and has not thereafter been disapproved. Franchisor reserves the right to designate, at any time and for any reason, a single supplier for any equipment, supplies, services, or products (including any Products), and to require Franchisee to purchase exclusively from such designated supplier. Franchisor or an affiliate of Franchisor may be an exclusive designated supplier.

8.7.1 Notwithstanding anything to the contrary in this Agreement, Franchisee shall purchase Proprietary Products (which may include, but are not limited to, sauces and spice mixes) from Franchisor's designee(s), as set forth in Section 8.8 below (through such distributor or distributors as Franchisor may designate). Franchisor shall have the right to introduce additional, substitute new, or discontinue Proprietary Products from time to time.

8.7.2 If Franchisee desires to purchase any Products (except for Proprietary Products) or other items, equipment, supplies, services from suppliers other than those previously designated or approved by Franchisor, Franchisee must first submit to Franchisor a written request for authorization to purchase such items. Franchisee shall not purchase from any supplier until, and unless, such supplier has been approved in writing by Franchisor. Franchisor may deny such approval for any reason, including its determination to limit the number of approved suppliers. Franchisee must submit to Franchisor such information and samples as Franchisor may reasonably require, and Franchisor shall have the right to periodically require that its representatives be permitted to inspect such items and/or supplier's facilities, and that samples from the proposed supplier, or of the proposed items, be delivered for evaluation and testing either to Franchisor or to an independent testing facility designated by Franchisor. Permission for such inspections shall be a condition of the initial and continued approval of such supplier. A charge not to exceed the reasonable cost of the evaluation and testing shall be paid by Franchisee. Franchisor may also require that the supplier comply with such other requirements as Franchisor may deem appropriate, including payment of reasonable continuing inspection fees, administrative costs, and other fees.

8.7.3 Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria. Upon receipt of written notice of such revocation, Franchisee shall cease to sell or use any disapproved item, Products and/or cease to purchase from any disapproved supplier.

8.7.4 Nothing in the foregoing shall be construed to require Franchisor to approve any particular supplier, nor to require Franchisor to make available to prospective suppliers, standards and specifications for formulas, which Franchisor shall have the right to deem confidential.

8.7.5 Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at Franchisor's sole option, Franchisor may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally known suppliers who are willing to supply all or some Patsy's Italian Restaurants with some or all of the products and/or services that Franchisor requires for use and/or sale in the development and/or operation of Patsy's Italian Restaurants. In this event, Franchisor may limit the number of approved suppliers with whom Franchisee may deal, designate sources that

Franchisee must use for some or all Products and other products and services, and/or refuse any of Franchisee's requests if Franchisor believes that this action is in the best interests of the System or the franchised network of Patsy's Italian Restaurants. Franchisor shall have unlimited discretion to approve or disapprove of the suppliers who may be permitted to sell Products to Franchisee.

8.7.6 Franchisor and its affiliates may receive payments or other compensation from suppliers on account of such suppliers' dealings with Franchisee and other franchisees; and Franchisor may use all amounts so received for any purpose Franchisor and its affiliates deem appropriate.

8.8 Proprietary Products. Franchisee acknowledges and agrees that the Proprietary Products offered and sold at Patsy's Italian Restaurants are manufactured in accordance with Franchisor's and/or its affiliates' secret blends, standards, and specifications. In order to maintain the high standards of quality, taste, and uniformity associated with Proprietary Products sold at all Patsy's Italian Restaurants in the System, Franchisee agrees to purchase Proprietary Products only from Franchisor or its designee(s), and not to offer or sell any other items not approved by Franchisor at or from the Franchised Restaurant. In connection with the handling, storage, transport and delivery of any Proprietary Products purchased from Franchisor, its affiliates or designee(s), Franchisee acknowledges that any action or inaction by any third party (e.g., an independent carrier) in connection with the handling, storage, transport and delivery of the Proprietary Products shall not be attributable to nor constitute negligence of Franchisor. A request shall not be approved unless and until Franchisee receives written approval from Franchisor.

Franchisee agrees that the Franchised Restaurant will offer for sale all Proprietary Products and related products that Franchisor from time to time prescribes. Franchisee agrees that the Franchised Restaurant will not offer for sale or sell at the Approved Location or any other location in conjunction with the Proprietary Marks or any other marks any other products or services which have not been approved by Franchisor, which may include a prohibition on vending machines, coin-operated games or comparable devices. The parties agree that the handling of prohibited products, which are products other than the Proprietary Products or other products authorized by Franchisor, will result in damages to Franchisor, which damages the parties agree shall be measured as being Two Hundred Fifty Dollars ($250) for each day of such prohibited use. The amount of damages shall be immediately payable by Franchisee to Franchisor upon demand. Franchisor's right to collect such damages shall be in addition to any other right or remedy it may have, including the right to strictly enforce or terminate this Agreement.

8.9 Inspections. Franchisee shall permit Franchisor and its agents to enter upon the Premises at any time during normal business hours for the purpose of conducting inspections of the Premises and the operations of Franchisee. Franchisee shall cooperate with representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents, and without limiting other rights of Franchisor under this Agreement, shall take such steps as may be necessary to immediately correct any deficiencies detected during any such inspection. Should Franchisee, for any reason, fail to correct such

deficiencies within a reasonable time as determined by Franchisor, Franchisor shall have the right, but not the obligation, to correct any deficiencies which may be susceptible to correction by Franchisor and to charge Franchisee the actual expenses Franchisor incurs in the course of so acting, which shall be payable by Franchisee upon demand. The foregoing shall be in addition to such other remedies Franchisor may have.

8.10 Trademarked Items. Franchisee shall ensure that all advertising and promotional materials, signs, decorations, paper goods (including wrapping and containers for products, napkins, menus and all forms and stationery used in the Franchised Restaurant), Products, and other items specified by Franchisor bear the Proprietary Marks in the form, color, location, and manner prescribed by Franchisor. Franchisee shall place and illuminate all signs in accordance with Franchisor's specifications.

8.11 Participation in Promotions. Franchisee shall, in the manner directed by Franchisor in the Manuals or otherwise in writing, participate in promotional programs developed by Franchisor for the System. In no way limiting the foregoing, Franchisee agrees that if required by Franchisor:

8.11.1 Franchisee shall participate in all programs and services for frequent customers, senior citizens, children, and other categories, which may include providing discount or complimentary Products.

8.11.2 Franchisee shall sell or otherwise issue gift cards or certificates (together "**Gift Cards**") that have been prepared utilizing the standard form of Gift Card provided or designated by Franchisor, and only in the manner specified by Franchisor in the Manuals or otherwise in writing. Franchisee shall fully honor all Gift Cards that are in the form provided or approved by Franchisor regardless of whether a Gift Card was issued by Franchisee or another Patsy's Italian Restaurant. Franchisee shall sell, issue, and redeem (without any offset against any Royalty Fees) Gift Cards in accordance with procedures and policies specified by Franchisor in the Manuals or otherwise in writing, including those relating to procedures by which Franchisee shall request reimbursement for Gift Cards issued by other Patsy's Italian Restaurants and for making timely payment to Franchisor, other operators of Patsy's Italian Restaurants, or a third-party service provider for Gift Cards issued from the Franchised Restaurant that are honored by Franchisor or other Patsy's Italian Restaurant operators.

8.12 Health/Standards. Franchisee shall meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Restaurant under the Manuals and applicable health ordinances. Franchisee shall also comply with the requirements set forth in the Manuals for submitting to Franchisor a copy of a violation or citation relating to Franchisee's failure to maintain any health or safety standards in the operation of the Franchised Restaurant.

8.13 Maintenance of Premises. Franchisee shall maintain the Franchised Restaurant and the Premises in a clean and orderly condition and in excellent repair; and, in connection therewith, Franchisee shall, at its expense, make such repairs and replacements thereto (but no others without prior written consent of Franchisor) as may be required for that purpose, including such periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor as Franchisor may reasonably direct.

8.14 Ongoing Upgrades and Refurbishments. As set forth in Section 8.6.1, throughout the term of this Agreement, Franchisee shall maintain all fixtures, furnishings, equipment, decor, and signs as Franchisor may prescribe from time to time in the Manuals or otherwise in writing. Franchisee shall make such changes, upgrades, refurbishment, and replacements as Franchisor may periodically require, in the time frames specified by Franchisor.

8.15 Five-Year Refurbishment and Renovations. At the request of Franchisor, but not more often than once every five (5) years, unless sooner required by Franchisee's lease, Franchisee shall refurbish the Premises, at its expense, to conform to the restaurant design, trade dress, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new Patsy's Italian Restaurants. Such refurbishment may include structural changes, installation of new equipment and signs, remodeling, redecoration, and modifications to existing improvements, and shall be completed pursuant to such standards, specifications and deadlines as Franchisor may specify.

8.16 Compliance with Lease. Franchisee shall comply with all terms of its lease or sublease, its financing agreements (if any), and all other agreements affecting the operation of the Franchised Restaurant; shall undertake best efforts to maintain a good and positive working relationship with its landlord and/or lessor; and shall not engage in any activity which may jeopardize Franchisee's right to remain in possession of, or to renew the lease or sublease for, the Premises.

8.17 Obligations to Third Parties. Franchisee must at all times pay its distributors, contractors, suppliers, trade creditors, employees and other creditors promptly as the debts and obligations to such persons become due, and failure to do so shall constitute a breach of this Agreement.

8.18 Notice of Legal Actions. Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any suit to foreclose any lien or mortgage, or any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, including health agencies, which (i) relates to the operation of the Franchised Restaurant, (ii) may adversely affect the operation or financial condition of the Franchised Restaurant, or (iii) may adversely affect Franchisee's financial condition.

8.19 No Relocation. Franchisee shall not relocate the Franchised Restaurant from the Approved Location without the prior written approval of Franchisor. If Franchisee desires to relocate the Franchised Restaurant, the following terms and conditions shall apply:

8.19.1 Franchisee shall submit such materials and information as Franchisor may request for the evaluation of the requested plan of relocation. Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval for relocation: (i) Franchisee not be in default under any provision of this Agreement, or any other agreement between Franchisee and Franchisor; (ii) the proposed substitute location meets Franchisor's then-current standards for Patsy's Italian Restaurants and is located within Franchisee's Territory; (iii) the lease (if applicable) for the proposed substitute location must comply with Franchisor's then-current lease requirements for Patsy's Italian Restaurants (which may include the requirement

that the lease contain certain terms and conditions, which may be different than, or in addition to, those terms Franchisor required as of the Effective Date with respect to the Approved Location), and Franchisee must obtain Franchisor's approval of the proposed lease; (iv) Franchisee must possess the financial resources to meet the costs associated with relocating; and (v) Franchisee must enter into Franchisor's then-current form of Franchise Agreement (which shall replace this Agreement), provided that Franchisee shall not be required to pay an initial fee.

8.19.2 If, through no fault of Franchisee, the Premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) days thereafter, then Franchisee shall have forty five (45) days after such event in which to apply for Franchisor's approval to relocate and/or reconstruct the Premises, which approval shall not be unreasonably withheld and, in such event, the relocation fee described in Section 8.19.1 above shall not apply.

8.20 Franchisee Advisory Councils. If Franchisor should, during the term of this Agreement, form or require the formation of a franchisee advisory council or association (hereinafter "**Advisory Council**") or such successor council to serve as an advisory council to Franchisor with respect to advertising, marketing, and other matters relating to franchised Patsy's Italian Restaurants, Franchisee shall become a member of the Advisory Council. In such event, Franchisee shall pay to the Advisory Council all dues and assessments authorized by the Advisory Council and shall otherwise abide by the rules and regulations of the Advisory Council and shall at all times maintain its membership in the Advisory Council in good standing.

8.21 Changes to the System. Franchisee acknowledges and agrees that Franchisor may from time to time change or modify the System presently identified by the Proprietary Marks, as Franchisor deems appropriate, including without limitation to reflect the changing market and to meet new and changing consumer demands, and that variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and operations of Patsy's Italian Restaurants. Changes to the System may include, without limitation, the adoption and use of new, modified, or substituted products, services, equipment and furnishings, new techniques and methodologies, and (as described in Section 9 below) additional or substitute trademarks, service marks and copyrighted materials. Franchisee shall, upon reasonable notice and at its sole expense, accept, implement, use and display in the operation of the Franchised Restaurant any such changes in the System as if they were part of this Agreement as of the Effective Date. Additionally, Franchisor reserves the right, in its sole discretion, to vary the standards throughout the System, as well as the services and assistance that Franchisor may provide to some franchisees based upon the peculiarities of a particular site or circumstance, existing business practices, or other factors that Franchisor deems to be important to the operation of any Patsy's Italian Restaurant or the System. Franchisee shall have no recourse against Franchisor on account of any variation to any franchisee and shall not be entitled to require Franchisor to provide Franchisee with a like or similar variation hereunder.

8.22 Modifications Proposed by Franchisee. Franchisee shall not implement any change to the System (including the use of any product or supplies not already approved by Franchisor) without Franchisor's prior written consent. Franchisee acknowledges and agrees that, with respect to any change, amendment, or improvement in the System or use of additional

product or supplies for which Franchisee requests Franchisor's approval: (i) Franchisor shall have the right to incorporate the proposed change into the System and shall thereupon obtain all right, title, and interest therein without compensation to Franchisee, (ii) Franchisor shall not be obligated to approve or accept any request to implement change, and (iii) Franchisor may from time to time revoke its approval of a particular change or amendment to the System, and upon receipt of written notice of such revocation, Franchisee shall modify its activities in the manner described by Franchisor.

8.23 Pricing. Franchisor reserves the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices Franchisee may charge for products and services. These rights may include (without limitation) prescribing the maximum and/or minimum retail prices which Franchisee may charge customers for the Products and/or services offered by the Franchised Restaurant; recommending retail prices; advertising specific retail prices for some or all Products or services sold at the Franchised Restaurant; requiring Franchisee to participate in marketing, promotional and related campaigns which may directly or indirectly impact Franchisee's retail prices; and, otherwise mandating, directly or indirectly, the maximum and/or minimum retail prices which the Franchised Restaurant may charge the public for the Products and services it offers. Franchisor may engage in any such activity either periodically or throughout the term of this Agreement. Further, Franchisor may engage in such activity only in certain geographic areas (cities, states, regions) and not others, or with regard to certain subsets of franchisees and not others. Franchisee acknowledges that the prices Franchisor prescribes or suggests may or may not optimize the revenues or profitability of the Franchised Restaurant and Franchisee irrevocably waives any and all claims arising from the establishment or suggestion of the Franchised Restaurant's retail prices.

9. PROPRIETARY MARKS

9.1 Ownership. Franchisor represents with respect to the Proprietary Marks that:

9.1.1 Franchisor is the licensee of the owner of the Proprietary Marks, with all right, title, and interest in and to the Proprietary Marks.

9.1.2 Franchisor will take all steps reasonably necessary to preserve and protect the ownership and validity in and to the Proprietary Marks.

9.2 License to Franchisee. Franchisee's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of rights of Franchisor.

9.3 Terms of Franchisee's Usage. With respect to Franchisee's use of the Proprietary Marks, Franchisee agrees to:

9.3.1 Use only the Proprietary Marks designated by Franchisor, and to use them only in the manner authorized and permitted by Franchisor;

9.3.2 Use the Proprietary Marks only for the operation of the business franchised hereunder and only at the location authorized hereunder, or in Franchisor-approved advertising for the business conducted at or from that location;

9.3.3 Operate and advertise the Franchised Restaurant only under the Proprietary Marks without prefix or suffix, unless otherwise authorized or required by Franchisor.

9.3.4 Not use the Proprietary Marks as part of its corporate or other legal name, or as part of any e-mail address, domain name, or other identification of Franchisee in any electronic medium. Franchisee may, as necessary to conduct the business of the Franchised Restaurant and to obtain governmental licenses and permits for the Franchised Restaurant, indicate that Franchisee shall be operating the Franchised Restaurant under the trade name "Patsy's Italian Restaurant", provided that Franchisee shall also clearly identify itself as the owner and operator of the Franchised Restaurant;

9.3.5 Identify itself as the owner of the Franchised Restaurant (in the manner required by Franchisor) in conjunction with any use of the Proprietary Marks, including on invoices, order forms, receipts, and business stationery, as well as at such conspicuous locations on the Premises as Franchisor may designate in writing;

9.3.6 Not use the Proprietary Marks to incur any obligation or indebtedness on behalf of Franchisor;

9.3.7 Execute any documents deemed necessary by Franchisor to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability; and

9.3.8 Promptly notify Franchisor of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to Franchisor's license of, the right of Franchisor to use and to license others to use, or Franchisee's right to use the Proprietary Marks. Franchisee acknowledges that Franchisor has the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. Franchisor has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. Franchisor shall defend Franchisee against any third-party claim, suit, or demand arising out of Franchisee's use of the Proprietary Marks. If Franchisor, in its sole discretion, determines that Franchisee has used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Franchisor. If Franchisor, in its sole discretion, determines that Franchisee has not used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Franchisee. In the event of any litigation relating to Franchisee's use of the Proprietary Marks, Franchisee shall execute any and all documents and do such acts as may, in the opinion of Franchisor, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee's use of the Proprietary Marks in a manner inconsistent with

the terms of this Agreement, Franchisor agrees to reimburse Franchisee for its out-of-pocket costs in doing such acts.

9.4 Franchisee Acknowledgments. Franchisee expressly understands and acknowledges that:

9.4.1 Franchisor is the licensee of the owner of the Proprietary Marks, with all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them, and that Franchisor has the right to use, and license others to use, the Proprietary Marks;

9.4.2 During the term of this Agreement and after its expiration or termination, Franchisee shall not directly or indirectly contest the validity of Franchisor's right to use and to license others to use, the Proprietary Marks;

9.4.3 Franchisee's use of the Proprietary Marks does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks;

9.4.4 Any and all goodwill arising from Franchisee's use of the Proprietary Marks shall inure solely and exclusively to the benefit of Franchisor, and, upon expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Proprietary Marks;

9.4.5 The right and license of the Proprietary Marks granted hereunder to Franchisee is nonexclusive, and Franchisor thus has and retains the rights, among others: (a) to use the Proprietary Marks itself in connection with selling the Products; (b) to grant other licenses for the Proprietary Marks; and (c) to develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses thereto without providing any rights therein to Franchisee; and

9.4.6 Franchisor shall have the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder at the sole discretion of Franchisor.

10. MANUALS

10.1 The Manuals and Furnishings to Franchisee. In order to protect the reputation and goodwill of Franchisor and to maintain the high standards of operation under the System, Franchisee shall operate the Franchised Restaurant in accordance with the standards, methods, policies, and procedures specified in the Manuals. The Manuals may be set forth in several volumes, computer disks, other electronic stored data, and videotapes, including such amendments thereto, as Franchisor may publish from time to time. Additionally, Franchisee acknowledges and agrees that Franchisor may provide a portion or all (including updates and amendments) of the Manuals, and other instructional information and materials in, or via, electronic media, including without limitation, through the use of computer disks, or the Internet.

10.2 The Manuals are Proprietary and Confidential. Franchisee shall treat the Manuals, any other materials created for or approved for use in the operation of the Franchised Restaurant, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain such information (both in electronic and other formats) as proprietary and confidential. Franchisee shall not download, copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, or otherwise make the same available to any unauthorized person, except as authorized in advance by the Franchisor.

10.3 The Manuals Remain Franchisor's Property. The Manuals shall remain the sole property of Franchisor and shall be accessible only from a secure place on the Premises, and shall be returned to Franchisor, as set forth in Section 17.8 below, upon the termination or expiration of this Agreement.

10.4 Revisions to the Manuals. Franchisor may from time to time revise the contents of the Manuals, and Franchisee expressly agrees to comply with each new or changed standard. Franchisee shall ensure that the Manuals are kept current at all times. In the event of any dispute as to the contents of the Manuals, the terms of the master copies maintained at the home office of Franchisor shall be controlling.

11. CONFIDENTIAL INFORMATION

11.1 Agreement with respect to Confidentiality. Franchisee acknowledges and agrees that it shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person or entity any confidential information, knowledge, or know-how concerning Franchisor, the System, the Products and/or the marketing, management or operations of the Franchised Restaurant that may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement. Franchisee shall divulge such confidential information only to such of its employees as must have access to it in order to operate the Franchised Restaurant. Any and all information, knowledge, know-how, and techniques which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others.

11.2 Individual Covenants of Confidentiality. At Franchisor's request, Franchisee shall require its manager(s) and any personnel having access to any of Franchisor's confidential information to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by Franchisee at the Franchised Restaurant. Such covenants shall be in a form satisfactory to Franchisor (the current forms of which are included in Exhibit F to this Agreement), which shall include specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

11.3 Remedies for Breach. Franchisee acknowledges that any failure to comply with the requirements of this Section 11 will cause Franchisor irreparable injury, and Franchisee agrees to pay all court costs and reasonable attorney's fees incurred by Franchisor in obtaining

specific performance of, or an injunction against violation of, the requirements of this Section 11.

11.4 Grantback. Franchisee agrees to disclose to Franchisor all ideas, concepts, methods, techniques and products conceived or developed by Franchisee, its affiliates, owners or employees during the term of this Agreement relating to the development and/or operation of the Franchised Restaurant. Franchisee hereby grants to Franchisor and agrees to procure from its affiliates, owners or employees a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques in all restaurant businesses operated by Franchisor or its affiliates, franchisees and designees. Franchisor shall have no obligation to make any payments to Franchisee with respect to any such ideas, concepts, methods, techniques or products. Franchisee agrees that Franchisee will not use or allow any other person or entity to use any such concept, method, technique or product without obtaining Franchisor's prior written approval.

12. ACCOUNTING AND RECORDS

12.1 Books and Records. With respect to the operation and financial condition of the Franchised Restaurant, Franchisor may require that Franchisee adopt, until otherwise specified by Franchisor, a fiscal year that coincides with Franchisor's then-current fiscal year, as specified by Franchisor in the Manuals or otherwise in writing. Franchisee shall maintain for a period of not less than seven (7) years during the term of this Agreement, and, for not less than seven (7) years following the termination, expiration, or non-renewal of this Agreement, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manuals or otherwise in writing, including but not limited to: (i) daily transaction reports; (ii) cash receipts journal and general ledger; (iii) cash disbursements and weekly payroll journal and schedule; (iv) monthly bank statements, deposit slips and cancelled checks; (v) all tax returns; (vi) suppliers' invoices (paid and unpaid); (vii) dated daily and weekly transaction journal; (viii) semi-annual fiscal period balance sheets and fiscal period profit and loss statements; and (ix) such other records as Franchisor may from time to time request.

12.2 Franchisee's Reports to Franchisor. In addition to the Sales Reports required pursuant to Section 4.3 above, Franchisee shall:

12.2.1 Prepare by the twentieth (20th) day of each calendar month a balance sheet and profit and loss statement and an activity report for the last preceding calendar month, which shall be in the form prescribed by Franchisor. Franchisee shall maintain and submit such statements and reports to Franchisor at the times as Franchisor may designate or otherwise request.

12.2.2 Submit to Franchisor on April 15th of the year following the end of each calendar year, unless Franchisor designates in writing a different due date, during the term of this Agreement, a profit and loss statement for such year and a balance sheet as of the last day of such year, prepared on an accrual basis in accordance with U.S. generally accepted accounting principles ("**GAAP**"), including but not limited to all adjustments necessary for fair presentation of the financial statements. Franchisee shall certify such financial statements to be true and correct. Additionally, Franchisor reserves the right to require Franchisee to prepare (or cause to

be prepared) and provide to Franchisor annual financial statements, (that includes a fiscal year-end balance sheet, an income statement of the Franchised Restaurant for such fiscal year reflecting all year-end adjustments, and a statement of changes in cash flow of Franchisee), and to require that such statements be prepared on a review basis by an independent certified public accountant (who Franchisor may require to be retained in accordance with Section 4.6). Franchisee shall provide such additional information, if any, as Franchisor may reasonably require in order for Franchisor to meet its obligations under GAAP.

12.2.3 Franchisee shall maintain its books and records, and provide all statements and reports to Franchisor, using the standard statements, templates, categories, and chart of accounts that Franchisor provides to Franchisee.

12.2.4 Submit to Franchisor such other periodic reports, forms and records as specified, and in the manner and at the time as specified in the Manuals or as Franchisor shall otherwise require in writing from time to time (including without limitation the requirement that Franchisee provide or make available to Franchisor certain sales and financial information in electronic format and/or by electronic means).

12.3 Inspection and Audit. Franchisor and its agents shall have the right at all reasonable times to examine and copy, at the expense of Franchisor, the books, records, accounts, and/or business tax returns of Franchisee. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee. If an inspection should reveal that any contributions or payments have been understated in any statement or report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount understated upon demand, in addition to 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 an inspection discloses an understatement in any statement or report of two percent (2%) or more, Franchisee shall, in addition to repayment of monies owed with interest, reimburse Franchisor for any and all costs and expenses connected with the inspection (including travel, lodging and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

13. MARKETING AND PROMOTION

13.1 Franchisee's Advertising Obligations. Recognizing the value of marketing and promotion, and the importance of the standardization of marketing and promotion programs to the furtherance of the goodwill and public image of the System, Franchisee and Franchisor agree as follows:

13.1.1 Franchisor reserves the right to require that Franchisee, during each month, spend and/or contribute on advertising and promotion amounts to advertise and to promote the Franchised Restaurant (together, the "**Advertising Obligation**"). The Advertising Obligation shall be in the form of the following: (i) contributions paid to the Advertising Fund, pursuant to Section 13.2 below, (ii) contributions paid to any Cooperative Ad Fund, as may be established pursuant to Section 13.3 below, and/or (iii) expenditures by Franchisee on "local advertising and promotion" pursuant to Section 13.5. The Advertising Obligation shall not exceed five percent (5.0%) of Franchisee's Gross Sales.

13.1.2 The Advertising Obligation is the minimum requirement only, and that Franchisee may, and is encouraged to, expend additional funds for marketing and promotion. In addition to the Advertising Obligation, Franchisee shall undertake and complete the Grand Opening Advertising Program, as provided in Section 13.4 below.

13.2 Advertising Fund. Franchisor shall have the right at any time, in its sole discretion, to establish a fund for system-wide advertising and promotion of the System (the "**Advertising Fund**"). As provided in Section 4.4 above, Franchisee agrees to pay Franchisor Advertising Fund contributions during the existence of the Advertising Fund. Franchisee will be entitled to a credit against its minimum local advertising and promotion requirement as set forth in Section 13.5 for contributions made to the Advertising Fund. The Advertising Fund shall be maintained and administered by Franchisor as follows:

13.2.1 Franchisor shall direct all marketing programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisor is not obligated, in administering the Advertising Fund, to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Advertising Fund.

13.2.2 The Advertising Fund, all contributions thereto, and any earnings thereon shall be used exclusively to meet any and all costs of maintaining, administering, directing, conducting, and preparing marketing, advertising, public relations, and/or promotional programs and materials, and any other activities including socially responsible activities, which Franchisor believes will enhance the image of the System, including, among other things, the costs of preparing and conducting media marketing campaigns; direct mail advertising; marketing surveys and other public relations activities; employing advertising and/or public relations agencies to assist therein; sponsorship of organizations and events; purchasing promotional items; conducting and administering in-store promotions; and providing promotional and other marketing materials and services to the Patsy's Italian Restaurants operating under the System.

13.2.3 Franchisee shall contribute to the Advertising Fund by separate payment made payable (or as otherwise directed for payment) to Franchisor. All sums paid by Franchisee to the Advertising Fund shall be accounted for separately and shall not be used to defray any of the expenses of Franchisor, except for such reasonable costs, salaries and overhead, if any, as Franchisor may incur in activities reasonably related to the direction and implementation of the Advertising Fund and marketing programs for operators and the System, including costs of personnel for creating and implementing marketing, advertising, and promotional programs. The Advertising Fund and any earnings from it shall not otherwise inure to the benefit of Franchisor. Franchisor shall maintain separate bookkeeping accounts for the Advertising Fund.

13.2.4 Franchisor, upon request, shall provide Franchisee with an annual accounting of Advertising Fund receipts and disbursements.

13.2.5 Franchisor reserves the right, in its sole discretion, to discontinue the Advertising Fund upon written notice to Franchisee.

13.2.6 Franchisor may, but is not required to, make available to Franchisee from time to time, marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, and similar marketing and promotional materials produced from contributions to the Advertising Fund. Franchisee acknowledges and agrees that it shall be reasonable for Franchisor to not provide any such materials to Franchisee during any period in which Franchisee is not in full compliance with its obligations to contribute to the Advertising Fund. Additionally, if monies of the Advertising Fund are used to produce point of sale materials, or other samples or other promotional materials and items, Franchisor may, on the behalf of the Advertising Fund, sell such items to franchisees in the System at a reasonable price, and any proceeds from the sale of such items or materials shall be contributed to the Advertising Fund.

13.3 Cooperative Ad Fund. Franchisor shall have the right to designate any geographical area for purposes of establishing a regional or local market advertising fund ("**Cooperative Ad Fund**"). If a Cooperative Ad Fund is established for the geographic area in which the Franchised Restaurant is located, Franchisee shall become a member of such Cooperative Ad Fund within thirty (30) days after the date on which the Cooperative Ad Fund commences operation, or at the time the Franchisee commences operation hereunder. In no event shall Franchisee be required to be a member of more than one (1) Cooperative Ad Fund. The following provisions shall apply to each such Cooperative Ad Fund:

13.3.1 Each Cooperative Ad Fund shall be organized and governed in a form and manner, and shall commence operations on a date, approved in advance by Franchisor in writing. Unless otherwise specified by Franchisor, the activities carried on by each Cooperative Ad Fund shall be decided by a majority vote of its members. Any Patsy's Italian Restaurant that Franchisor operates in the region shall have the same voting rights as those owned by its franchisees. Each Patsy's Italian Restaurant owner shall be entitled to cast one (1) vote for each Patsy's Italian Restaurant its owns that belongs to the Cooperative Ad Fund. Any disputes arising among or between Franchisee, other franchisees in the Cooperative Ad Fund, and/or the Cooperative Ad Fund shall be resolved in accordance with the rules and procedures set forth in the Cooperative Ad Fund's governing documents.

13.3.2 Each Cooperative Ad Fund shall be organized for the exclusive purpose of administering regional or local advertising programs and developing, subject to Franchisor's approval, standardized promotional materials for use by the members in local advertising and promotion.

13.3.3 Franchisee shall contribute to the Cooperative Ad Fund one half of one percent (0.5%) of Franchisee's Gross Sales, unless the members of the Cooperative Ad Fund, by a majority vote conducted in accordance with the rules, bylaws, or other governing documents of the Cooperative Ad Fund, agree to increase the Cooperative Ad Fund contribution. Franchisee will be entitled to a credit against its minimum local advertising and promotion requirement as set forth in Section 13.5 for contributions made to a Cooperative Ad Fund.

13.3.4 Franchisee shall submit its required contributions to the Cooperative Ad Fund at the time required by Franchisor, together with such statements or reports as may be required by Franchisor or by the Cooperative Ad Fund with Franchisor's prior written approval. If so requested by Franchisor in writing, Franchisee shall submit its payments and reports to the Cooperative Ad Fund directly to Franchisor for distribution to the Cooperative Ad Fund.

13.3.5 Franchisor maintains the right to terminate any Cooperative Ad Fund. A Cooperative Ad Fund shall not be terminated, however, until either: (a) all monies in that Cooperative Ad Fund have been expended for advertising and/or promotional purposes; or (b) Franchisor has transferred the unexpended monies to the Advertising Fund in the event there are no longer any Patsy's Italian Restaurants operating within the geographic area covered by such Cooperative Ad Fund.

13.4 Grand Opening Advertising. Franchisee shall expend a minimum of Fifty Thousand Dollars ($50,000) for grand opening advertising and promotional programs in conjunction with the Franchised Restaurant's initial grand opening, pursuant to a grand opening marketing plan developed by Franchisor or developed by Franchisee and approved in writing by Franchisor (the "**Grand Opening Advertising Program**"). The Grand Opening Advertising Program shall be executed and completed within thirty (30) days after the Franchised Restaurant commences operation. Franchisee shall submit to Franchisor, for Franchisor's prior written approval, a marketing plan and samples of all advertising and promotional material not prepared or previously approved by Franchisor. Franchisor reserves the right to require Franchisee to deposit with Franchisor the funds required under this Section 13.4 to distribute as may be necessary to conduct the Grand Opening Advertising Program.

13.5 Local Advertising. Franchisee shall comply with the following with respect to "local advertising and promotion" for the Franchised Restaurant:

13.5.1 After Franchisee's obligations under the Grand Opening Advertising Program have been fully satisfied, and continuing through the end of the term of this Agreement, Franchisee agrees to expend each month a minimum of the lesser between $1,500 and 5.0% of Franchisee's previous month's Gross Sales on local advertising and promotion (defined below). Franchisee shall account for such expenditures on a routine basis and shall prepare, in accordance with the schedule and procedures specified by Franchisor from time to time, detailed reports describing the amount of money expended on local advertising and promotion. Franchisee shall maintain all such statements, reports and records, and shall submit same to Franchisor as Franchisor may specify in the Manuals or otherwise request of Franchisee. Additionally, at the request of Franchisor, Franchisee shall submit bills, statements, invoices, or other documentation satisfactory to Franchisor to evidence Franchisee's advertising or marketing activities.

13.5.2 As used in this Agreement, the term "**local advertising and promotion**" shall refer to advertising and promotion related directly to the Franchised Restaurant, and shall, unless otherwise specified, consist only of the direct costs of purchasing advertising materials (including, but not limited to, camera-ready advertising and point of sale materials), media (space or time), promotion, direct out-of-pocket expenses related to costs of advertising and sales promotion (including, but not limited to, advertising agency fees and

expenses, cash and "in-kind" promotional payments to landlords, postage, shipping, telephone, and photocopying), and such other activities and expenses as Franchisor, in its sole discretion, may specify. Franchisor may provide to Franchisee, in the Manuals or otherwise in writing, information specifying the types of advertising and promotional activities and costs which shall not qualify as "local advertising and promotion," including, without limitation, the value of advertising coupons, and the costs of products provided for free or at a reduced charge for charities or other donations.

13.5.3 Upon written notice to Franchisee, Franchisor may require Franchisee to participate in mandatory promotions as Franchisor may develop and implement from time to time.

13.6 Standards for Advertising. All advertising, marketing and promotion to be used by Franchisee, the Advertising Fund or any Cooperative Ad Fund shall be in such media and of such type and format as Franchisor may approve, shall be conducted in a dignified manner, and shall conform to such standards and requirements as Franchisor may specify. Franchisee shall not use any marketing or promotional plans or materials that are not provided by Franchisor unless and until Franchisee has submitted the materials to Franchisor, pursuant to the procedures and terms set forth in Section 13.7 herein.

13.7 Franchisor's Approval of Proposed Plans and Materials. If Franchisee desires to use marketing and promotional plans and materials that have not been provided or previously approved by Franchisor, Franchisee shall submit samples of all such marketing and promotional plans and materials to Franchisor (as provided in Section 24 herein) for prior approval (including prices to be charged). If written notice of disapproval is not received by Franchisee from Franchisor within five (5) business days of the date of receipt by Franchisor of such samples or materials, Franchisor shall be deemed to have approved them.

13.8 Directory Listings. Franchisee shall, at its expense and in addition to its expenditures for local advertising and promotion, obtain listings in the white and yellow pages of local telephone directories. Franchisee shall comply with Franchisor's specifications concerning such listings, including the form and size of such listings, and the number of directories in which such listings shall be placed. Additionally, Franchisee shall be required to obtain listings in and/or advertise with Franchisor and other franchisees in the System, on electronic yellow page directories and other on-line directories as Franchisor may designate. Franchisor reserves the right to place such, and subsequently modify or remove, on-line listings and advertisements on behalf of Franchisee. For any listings or advertisements posted by or on behalf of Franchisee, Franchisee shall promptly pay, upon demand by Franchisor, its pro-rata share of the costs. Additionally, these activities may be carried out through the use of the Advertising Fund.

13.9 Ownership of Advertising Plans and Materials. Franchisee acknowledges and agrees that any and all copyrights in and to advertising and promotional materials developed by or on behalf of Franchisee which bear the Proprietary Marks shall be the sole property of Franchisor, and Franchisee agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor to give effect to this provision. Any advertising, marketing, promotional, public relations, or sales concepts, plans, programs, activities, or materials proposed or developed by

Franchisee for the Franchised Restaurant or the System and approved by Franchisor may be used by Franchisor and other operators under the System of Franchisor without any compensation to Franchisee.

14. INSURANCE

14.1 Insurance. Franchisee shall procure at its expense and maintain in full force and effect during the term of this Agreement, an insurance policy or policies protecting Franchisee and Franchisor, and their officers, directors, partners and employees against any loss, liability, personal injury, death, or property damage or expense whatsoever arising or occurring upon or in connection with Franchisee's operations and the Franchised Restaurant, as Franchisor may reasonably require for their own and Franchisee's protection. Franchisor and such of its respective affiliates shall be named additional insured in such policy or policies.

14.2 Coverages. Such policy or policies shall be written by an insurance company satisfactory to Franchisor in accordance with standards and specifications set forth in the Manuals or otherwise in writing; provided, however, that Franchisor shall have the right to designate from time to time, one or more insurance companies as the insurance carrier(s) for Patsy's Italian Restaurants, and if required by Franchisor, Franchisee shall be obtain its insurance coverage from the designated insurance company (or companies). The policy or policies shall include, at a minimum (except as different coverages, umbrella coverages, and policy limits may reasonably be specified for all Franchisees from time to time by Franchisor in the Manuals or otherwise in writing) the following:

14.2.1 Builder's risk insurance that satisfies the standards and specifications set forth by Franchisor in the Manuals or otherwise in writing to cover any period(s) of renovation or construction at the Franchised Restaurant.

14.2.2 All risks coverage insurance on the Franchised Restaurant and all fixtures, equipment, supplies and other property used in the operation of the Franchised Restaurant, for full repair and replacement value of the equipment, improvements and betterments, without any applicable co-insurance clause, except that an appropriate deductible clause shall be permitted.

14.2.3 Worker's compensation and employer's liability insurance as well as such other insurance as may be required by statute or rule of the state in which the Franchised Restaurant is located and operated. If Franchisee is permitted to and elects not to have worker's compensation insurance for its owners and officers, Franchisee shall have alternative coverages at all times for work-related injuries.

14.2.4 Comprehensive general liability insurance with limits of at least One Million Dollars ($1,000,000) per occurrence, and Three Million Dollars ($3,000,000) general aggregate, and product liability insurance with limits of at least Two Million Dollars ($2,000,000) general aggregate limit including the following coverages: personal injury (employee and contractual inclusion deleted); products/completed operation; and tenant's legal liability; insuring Franchisor and Franchisee against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal

injuries or property damage resulting from, or occurring in the course of, or on or about or otherwise relating to the Franchised Restaurant, provided that the required amounts herein may be modified from time to time by Franchisor to reflect inflation or future experience with claims.

14.2.5 Automobile liability insurance, and property damage liability, including owned, non-owned, and hired vehicle coverage, with at least Five Hundred Thousand Dollars ($500,000) combined single limit, and One Million Dollars ($1,000,000) general aggregate limit.

14.2.6 Host liquor liability with at least Three Million Dollars ($3,000,000) per occurrence.

14.2.7 Excess liability coverage over general liability, automobile liability, liquor liability and employer's liability, with at least Four Million Dollars ($4,000,000) per occurrence.

14.2.8 Such insurance and types of coverage as may be required by the terms of any lease for the Premises, or as may be required from time to time by Franchisor.

14.2.9 Business interruption insurance for actual losses sustained of no less coverage than One Million Dollars ($1,000,000) per occurrence.

14.3 Certificates of Insurance. The insurance afforded by the policy or policies respecting liability shall not be limited in any way by reason of any insurance which may be maintained by Franchisor. Prior to commencing any renovations or construction at the Franchised Restaurant, Franchisee shall provide Franchisor with a Certificate of Insurance for the builder's risk insurance required under Section 14.2.1. At least thirty (30) days prior to the opening of the Franchised Restaurant, but in no event later than the date on which Franchisee acquires an interest in the real property on which it will develop and operate the Franchised Restaurant, and thereafter on an annual basis, Franchisee shall provide Franchisor with a Certificate of Insurance showing compliance with the foregoing requirements (except with respect to the builder's risk insurance, which shall have already been in effect pursuant to Section 14.2.1 above). Such certificate shall state that said policy or policies will not be canceled or altered without at least thirty (30) days prior written notice to Franchisor and shall reflect proof of payment of premiums. Maintenance of such insurance and the performance by Franchisee of the obligations under this Paragraph shall not relieve Franchisee of liability under the indemnity provision set forth in this Agreement. Franchisee acknowledges that minimum limits as required above may be modified by Franchisor in its sole discretion from time to time, by written notice to Franchisee.

14.4 Franchisor's Right to Procure Insurance for Franchisee. Should Franchisee, for any reason, not procure and maintain such insurance coverage as required by this Agreement, Franchisor shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance coverage and to charge same 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.

15. TRANSFER OF INTEREST

15.1 Franchisor's Rights to Transfer. Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, and any designated assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, Franchisee expressly affirms and agrees that Franchisor may sell its assets, its Proprietary Marks, or its System; may sell its securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

15.2 No Transfers Without Franchisor's Approval. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee or the Principals of Franchisee if Franchisee is not an individual, and that Franchisor has granted this franchise in reliance on Franchisee's or Franchisee's Principals' business skill, financial capacity, and personal character. Accordingly:

15.2.1 Franchisee shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber: (a) the rights and/or obligations of Franchisee under this Agreement; or (b) any material asset of Franchisee or the Franchised Restaurant.

15.2.2 If Franchisee is a corporation or limited liability company, Franchisee shall not, without the prior written consent of Franchisor, issue any voting securities or securities convertible into voting securities, and the recipient of any such securities shall become a Principal under this Agreement, if so designated by Franchisor.

15.2.3 If Franchisee is a partnership or limited partnership, the partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner shall automatically be deemed a Principal of Franchisee.

15.2.4 A Principal shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber any interest of the Principal in Franchisee, as such is identified in Exhibit C.

15.3 Conditions on Transfer. Franchisor shall not unreasonably withhold any consent required by Section 15.2 above; provided, that if the proposed transfer alone or together with other previous, simultaneous, or proposed transfers would have the effect of changing control of Franchisee, results in the assignment of the rights and obligations of Franchisee under this Agreement, or transfers the ownership interest in all or substantially all of the assets of the Franchised Restaurant or the business franchised hereunder, Franchisor shall have the right to require any or all of the following as conditions of its approval:

15.3.1 All of Franchisee's monetary obligations and all other outstanding obligations to Franchisor, its affiliates, and the approved suppliers of the System have been satisfied in full;

15.3.2 Franchisee shall not be in default under any provision of this Agreement, any other agreement between Franchisee and Franchisor or its affiliate, the approved suppliers of the System, or the lessor (or sublessor) for the Premises;

15.3.3 Each transferor (and, if the transferor is other than an individual, the transferor and such owners of beneficial interest in the transferor as Franchisor may request) shall have executed a general release in a form satisfactory to Franchisor of any and all claims against Franchisor and its affiliates and their respective officers, directors, agents, and employees (provided, however, that all rights enjoyed by the Franchisee and any causes of action arising in his/her favor from the provisions of Article 33 of the GBL and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied);

15.3.4 The transferee of a Principal shall be designated as a Principal and each transferee who is designated a Principal shall enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in Franchisee. Additionally, the transferee and/or such owners of the transferee as Franchisor may request shall guarantee the performance of the transferee's obligations in writing in a form satisfactory to Franchisor;

15.3.5 The transferee shall demonstrate to Franchisor's satisfaction that the terms of the proposed transfer do not place an unreasonable financial or operational burden on the transferee, and that the transferee (or, if the transferee is other than an individual, such owners of beneficial interest in the transferee as Franchisor may request) meets Franchisor's then-current application qualifications (which may include educational, managerial, socially responsible, and business standards, good moral character, business reputation, and credit rating); has the aptitude and ability to operate the Franchised Restaurant and absence of conflicting interests; and has adequate financial resources and capital to operate the Franchised Restaurant;

15.3.6 At Franchisor's option, Franchisee shall execute the form of franchise agreement then being offered to new System franchisees, and such other ancillary agreements required by Franchisor for the business franchised hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, higher and/or additional fees;

15.3.7 If so requested by Franchisor, Franchisee, at its expense, shall upgrade the Franchised Restaurant, and other equipment to conform to the then-current standards and specifications of new Patsy's Italian Restaurants then being established in the System, and shall complete the upgrading and other requirements within the time specified by Franchisor;

15.3.8 The transferor shall remain liable for all of the obligations to Franchisor in connection with the Franchised Restaurant that arose prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

15.3.9 The transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) and the transferee's manager (if applicable) shall, at the transferee's expense, successfully attend and successfully complete any training programs then in effect for operators and managers upon such terms and conditions as Franchisor may reasonably require;

15.3.10 Franchisee shall pay a transfer fee in an amount equal to Twenty-Five Thousand Dollars ($25,000) to compensate Franchisor for its expenses incurred in connection with the transfer; and

15.3.11 The transferor(s), at the request of Franchisor, shall agree in writing to comply with the covenants set forth in Section 18 below.

15.4 Additional Terms. For any transfer not covered by Section 15.3, each transferee shall, in addition to the requirement of obtaining Franchisor's consent as provided in Section 15.2, be subject to the requirements of Sections 15.3.3 and 15.3.4 above (with respect to execution of releases and personal guarantees).

15.5 Security Interests. Neither Franchisee nor any Principal shall grant a security interest in, or otherwise encumber, any of the assets or securities of Franchisee, including the Franchised Restaurant unless Franchisee satisfies the requirements of Franchisor, which include, without limitation, execution of an agreement by the secured party in which it acknowledges the creditor's obligations under this Section 15, and agrees that in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option (but not the obligation) to be substituted as obligor to the secured party and to cure any default of Franchisee, and, in the event Franchisor exercises such option, any acceleration of indebtedness due to Franchisee's default shall be void.

15.6 Right of First Refusal. If Franchisee or any Principal desires to accept any bona fide offer from a third party to purchase Franchisee, any material asset of Franchisee, or any direct or indirect interest in Franchisee, Franchisee or such Principal shall promptly notify Franchisor, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of the written transfer request and the required information and documentation related to the offer (including any information that Franchisor may reasonably request to supplement or clarify information provided to Franchisor with the written transfer request), to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party; provided, however, a spouse, domestic partner, parent or child of the seller shall not be considered a third party for purposes of this Section 15.6. If Franchisor elects to purchase the seller's interest, closing on such purchase shall occur within forty-five (45) days from the date of notice to the seller of the election to purchase by Franchisor, or, if longer, on the same timetable as contained in the *bona fide* offer.

15.6.1 Any material change thereafter in the terms of the offer from the third party or by Franchisee, or a change in the identity of the third party, shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Failure of Franchisor to exercise the option afforded by this Section 15.6 shall not

constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 15, with respect to a proposed transfer.

15.6.2 If the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, Franchisor shall designate an independent appraiser to make a binding determination. The cost of any such appraisal shall be shared equally by Franchisor and Franchisee. If Franchisor elects to exercise its right under this Section 15.6, Franchisor shall have the right to set off all amounts due from Franchisee, and one-half (½) of the cost of the appraisal, if any, against any payment to the seller.

15.7 Death of a Principal. Upon the death of a Principal, the deceased's executor, administrator, or other personal representative shall transfer the deceased's interest to a third party approved by Franchisor within twelve (12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the deceased's estate, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer the deceased's interest to a third party approved by Franchisor within twelve (12) months after the deceased's death.

15.8 Permanent Disability of Controlling Principal. Upon the permanent disability of any Principal with a controlling interest in Franchisee, Franchisor shall have the right to require such interest to be transferred to a third party in accordance with the conditions described in this Section 15 within six (6) months after notice to Franchisee. "**Permanent Disability**" shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months and from which condition recovery within six (6) consecutive months from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 15.8 as of the date of refusal. Franchisor shall pay the cost of the required examination.

15.9 Notice to Franchisor of Death or Permanent Disability. Upon the death or permanent disability of any Principal of Franchisee, such person or his representative shall promptly notify Franchisor of such death or claim of permanent disability. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as any *inter vivos* transfer.

15.10 Limited Exceptions. Notwithstanding anything to the contrary in this Section 15:

15.10.1 Franchisee shall not be required to pay the transfer fee due under Section 15.3.10 above, if the transferee: (a) is a spouse, domestic partner, parent, or direct lineal

descendant or sibling of Franchisee or of a Principal of Franchisee (or more than one of such persons), provided that the transferee has been involved in, and is knowledgeable regarding, the operations of the Franchised Restaurant; (b) is a Principal of Franchisee; or (c); is a transferee under Sections 15.7 or 15.8 above.

15.10.2 If Franchisee is an individual and seeks to transfer this Agreement to a corporation, partnership, or limited liability company formed for the convenience of ownership, the conditions of Sections 15.3.6 (signing a new franchise agreement), 15.3.7 (upgrading the Franchised Restaurant), and 15.3.10 (transfer fee) shall not apply, and Franchisee may undertake such transfer, provided that Franchisee owns one hundred percent (100%) of the equity interest in the transferee entity, and the Franchisee personally guarantees, in a written guaranty satisfactory to Franchisor, the performance of the obligations of the Franchisee under the Franchise Agreement.

15.11 Securities Offerings. All materials required for any offering of securities or partnership interests in Franchisee by federal or state law shall be submitted to Franchisor by the offeror for review prior to filing with any government agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for review prior to their use. No offering shall imply, by use of the Proprietary Marks or otherwise, that Franchisor is participating in an underwriting, issuance, or offering of securities of either Franchisee or Franchisor; and review by Franchisor of any offering shall be limited solely to the subject of the relationship between Franchisee and Franchisor. At its option, Franchisor may require the offering materials to contain written statements or disclaimers prescribed by Franchisor including, but not limited to, any limitations stated above in this paragraph. Franchisee and the other participants in the offering must fully indemnify Franchisor in connection with the offering. For each proposed offering, Franchisee shall reimburse Franchisor for its actual costs and expenses associated with reviewing the proposed offering materials, including legal and accounting fees. Franchisee shall give Franchisor written notice at least sixty (60) days prior to the date of commencement of any offering or other transaction covered by this Section 15.11. Any such offering shall be subject to prior written consent of Franchisor and right of first refusal as provided in Section 15.6.

15.12 No Waiver. The consent of Franchisor to any transfer pursuant to this Section 15 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be a waiver of the right of Franchisor to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

15.13 Bankruptcy. If Franchisee or any person holding any interest (direct or indirect) in Franchisee becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of the ownership of Franchisee, Franchisee's obligations and/or rights hereunder and/or any material assets of Franchisee, shall be subject to all of the terms of this Section 15.

15.14 No Transfers in Violation of Law. Notwithstanding anything to the contrary in this Agreement, no transfer shall be made if the transferee, any of its affiliates, or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

16. DEFAULT AND TERMINATION

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

16.2 Termination Upon Notice. Franchisee shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon the provision of notice to Franchisee (in the manner provided under Section 24 hereof), upon the occurrence of any of the following events of default:

16.2.1 If Franchisee fails to complete all pre-opening obligations and to open the Franchised Restaurant within the time limits as provided in Section 5.4 above;

16.2.2 If Franchisee or any of its Principals is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the Products, the goodwill associated therewith, or the interest of Franchisor therein;

16.2.3 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Restaurant;

16.2.4 If Franchisee's action or inaction, at any time, results in the loss of the right to possession of the Premises, or forfeiture of the right to do or transact business in the jurisdiction where the Franchised Restaurant is located;

16.2.5 If Franchisee or any Principal purports to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 15 hereof;

16.2.6 If Franchisee knowingly maintains false books or records, or knowingly submits any false statements or reports to Franchisor;

16.2.7 If, contrary to the terms of Sections 9 or 10 hereof, Franchisee discloses or divulges the contents of the Manuals or other confidential information provided to Franchisee by Franchisor;

16.2.8 If Franchisee fails to comply with the covenants in Section 18.2 below or fails to timely obtain execution of the covenants required under Section 18.5 below;

16.2.9 If Franchisee misuses or makes any unauthorized use of the Proprietary Marks or any other identifying characteristics of the System, or if Franchisee otherwise operates the Franchised Restaurant in a manner that materially impairs the reputation or goodwill associated with the System, Proprietary Marks, Products, or the rights of Franchisor therein;

16.2.10 If Franchisee, after curing a default pursuant to Sections 16.3 or 16.4 hereof, commits the same default again, whether or not cured after notice;

16.2.11 If Franchisee commits three (3) or more defaults under this Agreement in any twelve (12) month period, whether or not each such default has been cured after notice (this provision in no way limits Section 16.2.10 above);

16.2.12 If Franchisee at any time ceases to operate or otherwise abandons the Franchised Restaurant for a period of three (3) consecutive days unless such closure is approved in writing by Franchisor, or excused by *force majeure*;

16.2.13 If Franchisee's or any of its owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or Franchisee or any of its owners otherwise violate any such law, ordinance, or regulation; and

16.2.14 If Franchisee breaches any material provision of this Agreement which breach is not susceptible to cure.

16.3 Notice and Opportunity to Cure - 7 Days. Upon the occurrence of any of the following events of default, Franchisor may, at its option, terminate this Agreement by giving written notice of termination (in the manner set forth under Section 24 hereof) stating the nature of the default to Franchisee at least seven (7) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to the satisfaction of Franchisor, and by promptly providing proof thereof to Franchisor within the seven (7) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee, effective immediately upon the expiration of the seven (7) day period or such longer period as applicable law may require.

16.3.1 If Franchisee fails, refuses, or neglects promptly to pay any monies owing to Franchisor or its affiliates when due;

16.3.2 If Franchisee refuses to permit Franchisor to inspect the Premises, or the books, records, or accounts of Franchisee upon demand; or

16.3.3 If Franchisee fails to operate the Franchisor during such days and hours specified in the Manuals (this provision in no way limits Section 16.2.12).

16.4 Notice and Opportunity to Cure - 30 Days. Except as otherwise provided in Sections 16.1, 16.2 and 16.3 of this Agreement, upon any other default by Franchisee, Franchisor may terminate this Agreement by giving written notice of termination (in the manner set forth under Section 24 hereof) stating the nature of the default to Franchisee at least thirty (30) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to the satisfaction of Franchisor, and by promptly providing proof thereof to Franchisor within the thirty (30) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee, effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

16.5 Franchisor's Alternate Remedies Upon Franchisee's Default. In addition to, and without limiting, Franchisor's other rights and remedies under this Agreement, any other agreement or applicable law, upon the occurrence of any event giving rise to Franchisor's right to terminate this Agreement under the preceding Subsections 16.2, 16.3 and 16.4, Franchisor may instead elect, at its sole option and upon providing Franchisee written notice, to take any or all of the following actions without terminating this Agreement:

16.5.1 temporarily or permanently reduce the size of the Territory, in which case the restrictions on Franchisor or its affiliates under Section 1 above will not apply in any geographic area removed from the preceding territorial boundaries;

16.5.2 temporarily remove information concerning the Franchised Restaurant from any Website or extranet operated for the network of Patsy's Italian Restaurants, and/or restrict Franchisee's or the Franchised Restaurant's participation in other programs or benefits offered on or through any such Website or extranet;

16.5.3 require Franchisee to engage a third party accounting firm Franchisor approves to conform to the bookkeeping, accounting, reporting and recordkeeping system requirements and formats Franchisor prescribes;

16.5.4 require Franchisee to pay Franchisor Five Hundred Dollars ($500) for each day the condition giving rise to Franchisor's right to terminate continues to exist to help offset Franchisor's increased administrative expenses associated with Franchisee's failure to comply with the terms of this Agreement;

16.5.5 suspend Franchisee's and the Franchised Restaurant's right to participate in any advertising, marketing, promotional, or public relations programs that Franchisor or the Advertising Fund provide, authorize, or administer; or

16.5.6 assume, or appoint a third party to assume, management of the Franchised Restaurant.

17. OBLIGATIONS UPON TERMINATION OR EXPIRATION

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

17.1 Stop Operating. Franchisee shall immediately cease to operate the Franchised Restaurant, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former operator of Franchisor in connection with the promotion or operation of any other business.

17.2 Stop Using the System. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures, and techniques associated with the System; the Proprietary Mark "Patsy's Italian Restaurant" and all other Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee shall cease to use all signs, marketing materials, displays, stationery, forms, products, and any other articles which display the Proprietary Marks.

17.3 Cancel Assumed Names. Franchisee shall take such action as may be necessary to cancel any assumed name registration or equivalent registration obtained by Franchisee which contains the mark "Patsy's Italian Restaurant" or any other Proprietary Marks, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

17.4 The Premises. Franchisee shall, at the option of Franchisor, assign to Franchisor any interest which Franchisee has in any lease or sublease for the Premises. In the event Franchisor does not elect to exercise its option to acquire the lease or sublease for the Premises, Franchisee shall make such modifications or alterations to the Premises immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of the Premises from that of Patsy's Italian Restaurants under the System, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose. In the event Franchisee fails or refuses to comply with the requirements of this Section 17.4, Franchisor shall have the right to enter upon the Premises, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand. Additionally, if Franchisor does not elect to exercise the option to acquire the lease/sublease, Franchisee shall comply with Section 18.3 below regarding a Competitive Business (as defined in Section 18.2.3 below).

17.5 Phone Numbers and Directory Listings. In addition, Franchisee shall cease use of all telephone numbers and any domain names, websites, e-mail addresses, and any other identifiers, whether or not authorized by Franchisor, used by Franchisee while operating the Franchised Restaurant, and shall promptly execute such documents or take such steps necessary to remove reference to the Franchised Restaurant from all trade or business telephone directories, including "yellow" and "white" pages, or at Franchisor's request transfer same to Franchisor. Franchisee hereby authorizes Franchisor to instruct issuers of any telephone and internet domain name services, and other providers to transfer any such telephone numbers, domain names, websites, addresses, and any other identifiers to Franchisor upon termination of this Agreement,

without need for any further approval from Franchisee. Without limiting the foregoing, if requested by Franchisor, Franchisee shall provide, during the term or upon termination of this Agreement, written confirmation of Franchisor's rights under this Section 17.5. Franchisee agrees that it shall sign such documents and do such things (without cost to Franchisee) that may be reasonably requested by Franchisor in order to implement this Section 17.5.

17.6 No Use of Proprietary Marks or Trade Dress in other Businesses. Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which, in the sole discretion of Franchisor, is likely to cause confusion, mistake, or deception, or which, in the sole discretion of Franchisor, is likely to dilute the rights of Franchisor in and to the Proprietary Marks. Franchisee further agrees not to utilize any designation of origin, description, or representation (including but not limited to reference to Franchisor, the System, or the Proprietary Marks) which, in the sole discretion of Franchisor, suggests or represents a present or former association or connection with Franchisor, the System, or the Proprietary Marks.

17.7 Pay Franchisor All Amounts Due. Franchisee shall promptly pay all sums owing to Franchisor and its affiliates. In the event of termination for any default of Franchisee, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default and termination, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by Franchisee and on the Premises at the time of default.

17.8 Return of Manuals and Confidential Information. Franchisee shall, at its own expense, immediately deliver to Franchisor the Manuals and all other records, computer disks, correspondence, and instructions containing confidential information relating to the operation of the Franchised Restaurant (and any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be the property of Franchisor.

17.9 Franchisor's Option to Purchase Certain Assets. Franchisor shall have the option, to be exercised within thirty (30) days after termination, to purchase from Franchisee any or all of the furnishings, equipment, signs, fixtures, supplies, or inventory of Franchisee related to the operation of the Franchised Restaurant, at the lesser of Franchisee's cost or fair market value. The cost for such items shall be determined based upon a five (5) year straight-line depreciation of original costs. For equipment that is five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the equipment's original cost. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from Franchisee.

17.10 Comply with Covenants. Franchisee and its Principals shall comply with the covenants contained in Section 18.3 of this Agreement.

17.11 Liquidated Damages. If Franchisor terminates this Agreement with cause, Franchisee must pay Franchisor liquidated damages equal to the average monthly Royalty Fees paid for the twelve (12) month period prior to termination of this Agreement multiplied by the

lesser of twenty-four (24) and the number of months remaining from the date of termination of this Agreement through the end of the term of this Agreement.

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages Franchisor would incur from this Agreement's termination and the loss of cash flow from Royalty Fees due to, among other things, the complications of determining what costs, if any, Franchisor might have saved and how much the Royalty Fees would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

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

18. COVENANTS

18.1 Full Time and Best Efforts. Franchisee covenants that, during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee (or, if Franchisee is not an individual, the Designated Principal) or Franchisee's fully trained General Manager shall devote full time and best efforts to the management and operation of the Franchised Restaurant.

18.2 During the Agreement Term. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable, specialized training and confidential information, including information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity:

18.2.1 Divert or attempt to divert any present or prospective business or customer of any Patsy's Italian Restaurant to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System; or

18.2.2 Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any more than a one percent (1%) interest in (as owner or otherwise) any Competitive Business (as defined below). A "**Competitive Business**" shall be considered to be retail food businesses with menu offerings consisting predominantly of Italian cuisine offered in an upscale environment. Furthermore, Franchisee acknowledges and agrees that Franchisee shall be considered in default under this Agreement and that this Agreement will be subject to termination as provided in Section 16.2.8 herein, in the event that a person in the immediate family (including spouse, domestic partner, parent or child) of Franchisee (or, if Franchisee is

other than an individual, each Principal that is subject to these covenants) engages in a Competitive Business that would violate this Section 18.2.2 if such person was subject to the covenants of this Section 18.2.2.

18.3 After the Agreement and After a Transfer. Franchisee covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period of two (2) years commencing upon the date of: (a) a transfer permitted under Section 15 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 18.3; or (e) any or all of the foregoing:

18.3.1 Franchisee shall not either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business that is, or is intended to be, located at the Approved Location, within the Territory, within a radius of thirty (30) miles of any other Patsy's Italian Restaurant located anywhere; provided, however, that this provision shall not apply to the operation by Franchisee of any business under the System under a franchise agreement with Franchisor; or

18.3.2 Franchisee shall not sublease, assign, or sell Franchisee's interest in any lease, sublease, or ownership of the Premises or assets of the Franchised Restaurant to a third party for the operation of a Competitive Business, or otherwise arrange or assist in arranging for the operation by a third party of a Competitive Business.

18.4 Exception for Ownership in Public Entities. Sections 18.2.2 and 18.3 shall not apply to ownership by Franchisee of a less than five percent (5%) beneficial interest in the outstanding equity securities of any corporation which has securities registered under the Securities Exchange Act of 1934.

18.5 Personal Covenants. At the request of Franchisor, Franchisee shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Section 18 (including covenants applicable upon the termination of a person's relationship with Franchisee) and the provisions of Sections 10 and 15 of this Agreement (as modified to apply to an individual) from any or all of the following persons: (a) the Designated Principal, (b) all managers and other personnel employed by Franchisee who have received or will receive training and/or other confidential information; and, (c) all officers, directors, and Principals who have or will receive training or access to confidential information, or who are or may be involved in the management and operation of the Franchised Restaurant. Every covenant required by this Section 18.5 shall be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

18.6 Covenants as Independent Clauses. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 18 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to

which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 18.

18.7 Franchisor's Right to Reduce Scope of the Covenants. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section 18, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 25 hereof.

18.8 Covenants Survive Claims. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 18; provided, however, any claims Franchisee may have against Franchisor may be brought in a separate proceeding. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 18.

19. CORPORATE, LIMITED LIABILITY COMPANY, OR PARTNERSHIP FRANCHISEE

19.1 List of Principals. If Franchisee is a corporation, limited liability company, or partnership, each Principal of Franchisee, and the interest of each Principal in Franchisee, shall be identified in Exhibit C hereto. Franchisee shall maintain a list of all Principals and immediately furnish Franchisor with an update to the information contained in Exhibit C upon any change, which shall be made only in compliance with Section 15 above.

19.2 Guaranties. Such Principals as Franchisor may require shall execute a guaranty, indemnification, and acknowledgment of Franchisee's obligations under this Agreement in the form attached hereto as Exhibit E. As set forth in Section 8.3, the Designated Principal shall at all times have at least a ten percent (10%) interest in Franchisee.

19.3 Corporations and Limited Liability Companies. If Franchisee is a corporation or limited liability company, Franchisee shall comply with the following requirements:

19.3.1 Franchisee shall be newly organized and its governing documents shall at all times provide that its activities are confined exclusively to operating the Franchised Restaurant.

19.3.2 Franchisee shall, upon request of Franchisor, promptly furnish to Franchisor copies of Franchisee's articles of incorporation, bylaws, articles of organization, operating agreement and/or other governing documents, and any amendments thereto, including the resolution of the Board of Directors or members authorizing entry into this Agreement.

19.3.3 Franchisee shall maintain stop-transfer instructions against the transfer on its records of any equity securities; and each stock certificate or issued securities of Franchisee shall conspicuously endorse upon its face a statement, in a form satisfactory to

Franchisor, which references the transfer restrictions imposed by this Agreement; provided, however, that the requirements of this Section 19.3.3 shall not apply to a publicly held corporation.

19.4 Partnerships and Limited Liability Partnerships. If Franchisee or any successor to or assignee of Franchisee is a partnership or limited liability partnership, Franchisee shall comply with the following requirements:

19.4.1 Franchisee shall be newly organized and its partnership agreement shall at all times provide that its activities are confined exclusively to operating the Franchised Restaurant.

19.4.2 Franchise shall furnish Franchisor with a copy of its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto.

19.4.3 The partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.

20. TAXES, PERMITS, AND INDEBTEDNESS

20.1 Taxes. Franchisee shall promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Restaurant. Franchisee shall pay to Franchisor an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless the tax is credited against income tax otherwise payable by Franchisor.

20.2 Dispute About Taxes. In the event of any *bona fide* dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law, but in no event shall Franchisee permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against the Premises of the Franchised Restaurant, or any improvements thereon.

20.3 Compliance with Laws. Franchisee shall comply with all federal, state, and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Restaurant, including licenses to do business, fictitious name registrations, sales tax permits, and fire clearances.

Without limiting the generality of this Section 20.3, Franchisee and its owners agree to comply, and to assist Franchisor to the fullest extent possible in Franchisor's efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, Franchisee and its owners certify, represent, and warrant that none of Franchisee's property or interests is subject to being blocked under, and that Franchisee and its owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" mean Executive Order 13224 issued by the

President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by Franchisee or its owners, or any blocking of Franchisee's or its owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement, as provided in Subsection 16.2.13 above.

21. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

21.1 No Fiduciary Relationship. Franchisee and Franchisor understand and agree that this Agreement does not create a fiduciary relationship between them, that Franchisee and Franchisor are and will be independent contractors, and that nothing in this Agreement is intended to make either Franchisee or Franchisor a general or special agent, joint venturer, partner, or employee of the other for any purpose. Franchisee agrees to identify itself conspicuously in all dealings with customers, suppliers, public officials, Franchised Restaurant personnel, and others as the Franchised Restaurant's owner under a franchise Franchisor has granted and to place notices of independent ownership on the forms, business cards, stationery, advertising, and other materials Franchisor requires at any time and from time to time.

None of Franchisee's employees or other personnel will be considered to be Franchisor's employees or personnel. Neither Franchisee nor any of Franchisee's employees or personnel whose compensation Franchisee pay may in any way, directly or indirectly, expressly or by implication, be construed to be Franchisor's employee or personnel for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state, provincial, or federal governmental agency. Franchisor will not have the power to hire or fire Franchisee's employees or personnel. Franchisee expressly agrees, and will never contend otherwise, that Franchisor's authority under this Agreement to certify certain of Franchisee's employees or personnel for qualification to perform certain functions for the Franchised Restaurant does not directly or indirectly vest in Franchisor the power to hire, fire or control any such employee. Franchisee acknowledges and agrees, and will never contend otherwise, that Franchisee alone will exercise day-to-day control over all operations, activities and elements of the Franchised Restaurant and that under no circumstance shall Franchisor do so or be deemed to do so. Franchisee further acknowledges and agrees, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the System which Franchisee is required to comply with under this Agreement, whether set forth in the Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Franchised Restaurant, which Franchisee alone controls, but only constitute standards Franchisee must adhere to when exercising Franchisee's control of the day-to-day operations of the Franchised Restaurant.

21.2 Public Notice. During the term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor operating the Franchised Restaurant pursuant to a franchise agreement from Franchisor. Franchisee agrees to take such action as may be necessary to do so, including exhibiting a notice of that fact in a conspicuous place at the Premises, the content of which Franchisor reserves the right to specify.

21.3 **No Assumption of Liability**. Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on the behalf of Franchisor, or to incur any debt or other obligation in the name of Franchisor; and Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of Franchisee in its operation of the Franchised Restaurant or for any claim or judgment arising therefrom against Franchisee or Franchisor.

21.4 **Indemnification**. Franchisee shall indemnify and hold Franchisor, Franchisor's owners and affiliates, and their respective officers, directors, and employees (the "**Indemnitees**") harmless against any and all causes of action, claims, losses, costs, expenses, liabilities, litigation, damages or other expenses (including, but not limited to, settlement costs and attorneys' fees) arising directly or indirectly from, as a result of, or in connection with the operation of the Franchised Restaurant, employment matters in connection with the Franchised Restaurant, and/or Franchisee's conduct under this Agreement (notwithstanding any claims that the Indemnitees are or were negligent). Franchisee agrees that with respect to any threatened or actual litigation, proceeding or dispute which could directly or indirectly affect any of the Indemnitees, the Indemnitees shall have the right, but not the obligation, in their discretion, to: (i) choose counsel, (ii) direct, manage and/or control the handling of the matter; and (iii) settle on behalf of the Indemnitees, and/or Franchisee, any claim against the Indemnitees. All vouchers, canceled checks, receipts, receipted bills or other evidence of payments for any such losses, liabilities, costs, damages, charges or expenses of whatsoever nature incurred by any Indemnitee shall be taken as prima facie evidence of Franchisee's obligation hereunder.

22. APPROVALS AND WAIVERS

22.1 **Approval Requests**. Whenever this Agreement requires the prior authorization, approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor, and such approval or consent must be obtained in writing.

22.2 **Non-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 or 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 hereof. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's rights nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder 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.

23. WARRANTIES OF FRANCHISEE

23.1 Reliance by Franchisor. Franchisor entered into this Agreement in reliance upon the statements and information submitted to Franchisor by Franchisee in connection with this Agreement. Franchisee represents and warrants that all such statements and information submitted by Franchisee in connection with this Agreement are true, correct and complete in all material respects. Franchisee agrees to promptly advise Franchisor of any material changes in the information or statements submitted.

23.2 Compliance with Laws. Franchisee represents and warrants to Franchisor that neither Franchisee (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

24. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

25. ENTIRE AGREEMENT

This Agreement, the attachments hereto, and the documents referred to herein constitute the entire Agreement between Franchisor and Franchisee concerning the subject matter hereof, and supersede any prior agreements, no other representations having induced Franchisee to execute this Agreement. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing in this Agreement, however, is intended to disclaim the representations Franchisor made to Franchisee in the Franchise Disclosure Document.

26. SEVERABILITY AND CONSTRUCTION

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

26.2 Terms Surviving this Agreement. Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination or assignment of this Agreement (regardless of cause for termination), or assignment shall survive such expiration, termination.

26.3 No Rights on Third Parties. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, officers, directors, shareholders, agents, and employees of Franchisor, and such successors and assigns of Franchisor as may be contemplated by Section 15 hereof, any rights or remedies under or by reason of this Agreement.

26.4 Full Scope of Terms. Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order.

26.5 Franchisor's Application of its Rights. Franchisor shall have the right to operate, develop and change the System in any manner that is not specifically precluded by this Agreement. Whenever Franchisor has reserved in this Agreement a right to take or withhold an action, or are deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or omit an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make its decision or exercise its rights, on the basis of the information readily available to Franchisor, and its judgment of what is in its best interests and/or in the best interests of the Franchisor's franchise network, at the time its decision is made, without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by Franchisor; (ii) the decision or action of Franchisor will promote its financial or other individual interest; (iii) Franchisor's decision or the action it take applies differently to Franchisee and one or more other franchisees or Franchisor's company-owned operations; or (iv) Franchisor's decision or the exercise of its right or discretion is adverse to Franchisee's interests. In the absence of an applicable statute, Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of Franchisor right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

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

26.7 Electronic Signatures. The counterparts of this Agreement and all ancillary documents executed or delivered in connection with this Agreement may be executed and signed by electronic signature by any of the parties to this Agreement, and delivered by electronic or digital communications to any other party to this Agreement, and the receiving party may rely on the receipt of such document so executed and delivered by electronic or digital communications signed by electronic signature as if the original has been received. For the purposes of this Agreement, electronic signature means, without limitation, an electronic act or acknowledgement (e.g., clicking an "I Accept" or similar button), sound, symbol (digitized signature block), or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign the record.

27. APPLICABLE LAW AND DISPUTE RESOLUTION

27.1 Governing Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement; all relations between the parties; and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of New York without recourse to New York's (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of New York, and if the Franchised Restaurant is located outside of New York and the provision would be enforceable under the laws of the state in which the Franchised Restaurant is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Section 27.1 is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of New York, or any other state, which would not otherwise apply.

27.2 Jurisdiction/Venue. Any litigation arising out of or related to this Agreement or any related agreement; any breach of this Agreement or any related agreement; the relations between the parties (as defined below); and, any and all disputes between the parties, whether sounding in law or equity, will be instituted, litigated through conclusion and, if necessary, appealed through final, irrevocable judgment in a state or federal district court of competent jurisdiction situated in the state, county and judicial district in which our principal place of business is then located. Franchisee hereby irrevocably submits himself/herself/itself to the jurisdiction of any such court and waives all questions of personal jurisdiction for the purpose of carrying out this provision. Franchisee agrees that any dispute as the venue for litigation will be submitted to and resolved exclusively by such aforementioned court. Notwithstanding the foregoing, however, with respect to any action for monies owed, injunctive or other extraordinary or equitable relief, or involving possession or disposition of, or other relief relating to, Franchisee's Franchised Restaurant, Franchisor may bring such an action in any state or federal district court which has jurisdiction. Franchisee hereby waives and covenants never to assert or claim that the venue designated for litigation by this Agreement is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including any claim under the judicial doctrine of "forum non conveniens"). As used in this section of the Agreement, the term "parties" includes Franchisee; Franchisee's guarantor(s); if Franchisee is a business entity, Franchisee's owners, officers, directors, shareholders, partners, members, managers, agents,

representatives, independent contractors, servants and employees (as applicable) and, as to each of them, whether acting in their corporate or individual capacity; any other individual entity acting or purporting to act by, through, under or under authority granted by Franchisee; and, any affiliate of each of the foregoing.

27.3 No Rights Exclusive of Other Rights. 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 provided herein or permitted by law or equity, but each shall be cumulative of every other right or remedy.

27.4 Waiver of Jury Trial. Franchisee, its guarantors and its other parties (as defined in Section 27.2) hereby irrevocably waive, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special, consequential or other similar damages in any action or proceeding whatsoever between the parties to this Agreement (as defined in Section 27.2) and/or any of their affiliates, and Franchisee and such others covenant never to advance or pursue any such claim for punitive damages. Franchisee and such others agree that in the event of a dispute, Franchisee and such others shall be limited to the recovery from us of any actual damages sustained by Franchisee or them.

27.5 Waiver of Punitive Damages. Franchisee, its guarantors and its other parties (as defined in Section 27.2) hereby irrevocably waive, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special, consequential or other similar damages in any action or proceeding whatsoever between the parties to this Agreement (as defined in Section 27.2) and/or any of their affiliates, and Franchisee and such others covenant never to advance or pursue any such claim for punitive damages. Franchisee and such others agree that in the event of a dispute, Franchisee and such others shall be limited to the recovery from us of any actual damages sustained by Franchisee or them.

27.6 Injunctive Relief. Franchisee explicitly affirms and recognizes the unique value and secondary meaning attached to the Franchised Restaurant and the Proprietary Marks. Accordingly, Franchisee agrees that any noncompliance by Franchisee with the terms of this Agreement, or any unauthorized or improper use of the Franchised Restaurant or the Proprietary Marks by Franchisee, will cause irreparable damage to Franchisor and other System franchisees. Franchisee therefore agrees that if Franchisee engages in this non-compliance, or unauthorized and/or improper use of the Franchised Restaurant or Proprietary Marks, during or after the of this Agreement, Franchisor will be entitled to both temporary and permanent injunctive relief against Franchisee from any court of competent jurisdiction, in addition to all other remedies which Franchisor may have at law. Franchisee consents to the entry of these temporary and permanent injunctions.

27.7 Costs and Attorneys' Fees. Franchisor will be entitled to recover from Franchisee reasonable attorneys' fees, experts' fees, court costs and all other expenses of litigation, if Franchisor prevails in any action instituted against Franchisee to secure or protect its rights under this Agreement, or to enforce the terms of this Agreement, or in any action commenced or joined in by Franchisee against Franchisor. In addition, if Franchisor becomes a party to any action or proceeding arising out of or relating to this Agreement, any and all related agreements, the Franchised Restaurant; as a result of any claimed or actual act, error or omission

of Franchisee (and/or any of its officers, directors, shareholders, management, employees, contractors and/or representatives) or the Franchised Restaurant; by virtue of statutory, "vicarious", "principal/agent" or other liabilities imposed on us as a result of Franchisor's status as your franchisor; or if Franchisor becomes a party to any litigation or any insolvency proceeding involving Franchisee pursuant to any bankruptcy or insolvency code (including any adversary proceedings in conjunction with bankruptcy or insolvency proceedings), then Franchisee will be liable to, and must promptly reimburse Franchisor for, the reasonable attorneys' fees, experts' fees, court costs, travel and lodging costs and all other expenses Franchisor incurs in such action or proceeding regardless of whether such action or proceeding proceeds to judgment. In addition, Franchisor will be entitled to add all costs of collection, interest, attorneys' fees and experts' fees to its proof of claim in any insolvency or bankruptcy proceeding Franchisee files.

28. ACKNOWLEDGMENTS

28.1 Franchisee's Investigation of the Business Possibilities. Franchisee acknowledges that it has conducted an independent investigation of the business of operating a Patsy's Italian Restaurant, and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of Franchisee (or, if Franchisee is a corporation, partnership or limited liability company, the ability of its principals) as (an) independent businessperson(s). Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

28.2 Receipt of FDD and Complete Agreement. Franchisee acknowledges that it received 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" at least fourteen (14) days prior to the date on which this Agreement was executed or any payment by Franchisee for the franchise rights granted under this Agreement.

28.3 Franchisee Read the Agreement and Consulted. Franchisee acknowledges that it has read and understood this Agreement, the attachments hereto, and agreements relating thereto, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

28.4 Franchisee's Responsibility for Operation of the Franchised Restaurant. Although Franchisor retains the right to establish and periodically modify System standards, which Franchisee has agreed to maintain in the operation of the Franchised Restaurant, Franchisee retains the right and sole responsibility for the day-to-day management and operation of the Franchised Restaurant and the implementation and maintenance of System standards at the Franchised Restaurant.

28.5 No Conflicting Obligations. Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would

preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

28.6 Different Franchise Offerings to Others. Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

28.7 Success Depends on Franchisee. Franchisee acknowledges that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon Franchisee's ability as an independent businessperson, his/her active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. Franchisor does not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.

28.8 No Guarantees. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received nor relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement in duplicate on the date first above written.

PATSY'S OF NEW YORK FRANCHISE LLC Franchisor	_____ Franchisee
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____
Address for Notices:	Address for Notices:
Patsy's of New York Franchise LLC 236 West 56th Street New York, New York 10019 Attn: Department of Franchising	_____ _____ _____ Telephone:_____ Fax:_____ Attn:_____

With copy to:

David W. Oppenheim, Esq.
Greenberg, Traurig, LLP
500 Campus Drive, Suite 400
Florham Park, New Jersey 07932
Phone - (973) 443-3263
Facsimile - (973) 295-1323
E-mail – David.Oppenheim@gtlaw.com

PATSY'S OF NEW YORK FRANCHISE LLC
FRANCHISE AGREEMENT
EXHIBIT A
DATA SHEET

1. The Approved Location for the Franchised Restaurant shall be _____ _____ (See Section 1.2).

2. The Territory shall be (subject to the terms of the Agreement, including but not limited to Section 1.4 of the Agreement) as follows, and which Territory is reflected on the map attached to this Exhibit A:

3. Franchise Fee. The initial franchise fee shall be $100,000. The initial franchise fee is determined and payable as follows *(check the appropriate set of boxes)*:

☐ If this Agreement is the first agreement executed by Franchisee and Franchisor relating to the Franchised Restaurant (i.e., an Area Development Agreement relating to the Franchised Restaurant was not signed), then $100,000 was paid upon execution of this Agreement.

☐ If this Agreement is executed pursuant to an Area Development Agreement, and is:

☐ For Franchisee's first Patsy's Italian Restaurant, then $100,000 was paid upon execution of the Area Development Agreement as part of an area development fee and such amount is credited as full payment of initial franchise fee.

☐ For Franchisee's second or later Patsy's Italian Restaurant, then $50,000 was paid as part of an area development fee and such amount is credited towards the initial franchise fee this Agreement, and $50,000 was paid upon the execution of the Franchise Agreement for such Restaurant.

Initial: _____ Date: _____
Franchisee

Initial: _____ Date: _____
Patsy's of New York Franchise LLC

PATSY'S OF NEW YORK FRANCHISE LLC
FRANCHISE AGREEMENT
EXHIBIT B
ADA CERTIFICATION

Patsy's of New York Franchise LLC ("**Franchisor**") and _____ ("**Franchisee**") are parties to a franchise agreement dated _____ for the operation of a Patsy's Italian Restaurant at _____ (the "**Franchised Restaurant**"). In accordance with Section 5.5 of the Franchise Agreement, Franchisee certifies to Franchisor that, to the best of Franchisee's knowledge, the Franchised Restaurant and its adjacent areas comply with all applicable federal, state and local accessibility laws, statutes, codes, rules, regulations and standards, including but not limited to the Americans with Disabilities Act. Franchisee acknowledges that it is an independent contractor and the requirement of this certification by Franchisee does not constitute ownership, control, leasing or operation of the Franchised Restaurant. Franchisee acknowledges that Franchisee has relied on the information contained in this certification. Furthermore, Franchisee acknowledge its obligation under this Franchise Agreement to indemnify Franchisor and the officers, directors, and employees of Franchisor in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with Franchisee's compliance with the Americans with Disabilities Act, as well as the costs, including attorneys' fees, related to the same.

Franchisee _____

By: _____

Name: _____

Title: _____

PATSY'S OF NEW YORK FRANCHISE LLC
FRANCHISE AGREEMENT
EXHIBIT C
LIST OF PRINCIPALS AND DESIGNATED PRINCIPAL

The following identifies all of Franchisee's Principals (as defined in Section 6.1 of the Franchise Agreement):

Name of Principal	Address	Interest (%) with description
		Total: 100%

FRANCHISEE'S DESIGNATED PRINCIPAL

The following identifies Franchisee's Designated Principal (as defined in Section 8.3 of the Franchise Agreement):

Name and Title	Address, telephone number, and e-mail address	Interest (%) (with description) if any

PATSY'S OF NEW YORK FRANCHISE LLC
FRANCHISE AGREEMENT
EXHIBIT D
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS

_____ (Name of Person or Legal Entity)
_____ (ID Number)

The undersigned depositor ("**Depositor**") hereby authorizes Patsy's of New York Franchise LLC ("**Franchisor**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below ("**Depository**") ("**Bank**") to debit or credit such account(s) pursuant to Franchisor's instructions.

Depository	Brand	
City	State	Zip Code
Bank Transit/ABA Number	Account Number	

This authorization is to remain in full and force and effect until sixty (60) days after Franchisor has received written notification from Franchisee of its termination.

_____
Depositor

By:_____

Name:_____

Title:_____

Date:_____

PATSY'S OF NEW YORK FRANCHISE LLC
FRANCHISE AGREEMENT
EXHIBIT E-1
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to Patsy's of New York Franchise LLC ("**Franchisor**") to enter the Patsy's of New York Franchise LLC Franchise Agreement between Franchisor and _____ ("**Franchisee**"), dated _____, 20__ (the "**Agreement**"), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and Franchisor's successors and assigns that all of Franchisee's monetary obligations under the Agreement will be punctually paid and performed and that all monetary obligations will be punctually paid and performed.

Upon demand by Franchisor, the undersigned each hereby jointly and severally agree to immediately make each payment required of Franchisee under the Agreement and waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; or (d) give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee, and the undersigned each hereby jointly and severally waive notice of same and agree to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned each hereby jointly and severally agree to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all of the covenants contained in Sections 11, 15, 17, and 18 of the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the Proprietary Marks or System licensed to Franchisee under the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

Guarantor represents and warrants to Franchisor that neither Guarantor (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

Any and all notices required or permitted under this guarantee provision shall be in writing and shall be personally delivered, in the manner provided under Section 24 of this Agreement.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 27 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of New York. In the event of any conflict of law, the laws of the State of New York shall prevail (without regard to, and without giving effect to, the application of New York conflict of law rules).

IN WITNESS WHEREOF, the undersigned has signed this guarantee provision as of the date of this Agreement.

GUARANTOR(S)

_____

_____

_____

PATSY'S OF NEW YORK FRANCHISE LLC
FRANCHISE AGREEMENT
EXHIBIT E-2
OWNERS

1. **Owners**: List the full name and mailing address of each person or entity who directly or indirectly owns an equity or voting interest in the Franchisee, and describe the nature of the interest.

Name:_____ Number of Ownership Interests Owned: _____
Address:_____ % of Total Ownership Interests: _____
_____ Number of Ownership Interests Owner is
_____ Entitled to Vote: _____
_____ Other Interest (Describe):_____
_____

Name:_____ Number of Ownership Interests Owned: _____
Address:_____ % of Total Ownership Interests: _____
_____ Number of Ownership Interests Owner is
_____ Entitled to Vote: _____
_____ Other Interest (Describe):_____
_____

Name:_____ Number of Ownership Interests Owned: _____
Address:_____ % of Total Ownership Interests: _____
_____ Number of Ownership Interests Owner is
_____ Entitled to Vote: _____
_____ Other Interest (Describe):_____
_____

Name:_____ Number of Ownership Interests Owned: _____
Address:_____ % of Total Ownership Interests: _____
_____ Number of Ownership Interests Owner is
_____ Entitled to Vote: _____
_____ Other Interest (Describe):_____
_____

Name:_____ Number of Ownership Interests Owned: _____
Address:_____ % of Total Ownership Interests: _____
_____ Number of Ownership Interests Owner is
_____ Entitled to Vote: _____
_____ Other Interest (Describe):_____
_____

2. **Designated Principal Owners**: The following individuals named in Paragraph 1 are designed as Principal Owners, although they do not hold five percent (5%) or more of the equity ownership interests in Franchisee;

Name:_____ Name:_____

Name:_____ Name:_____

Name:_____ Name:_____

Name:_____ Name:_____

3. **Management**: As required pursuant to the Franchise Agreement, the following Principal Owners shall have supervisory responsibilities in connection with the operation of the Restaurant:

Name:_____

Name:_____

Name:_____

4. **Ownership Structure and Initial Capitalization**: Franchisee and its Owners represent and warrant that the ownership structure and initial capitalization of Franchisee is as follows:

OWNERSHIP STRUCTURE

Owner	Number of Ownership Interests	Percentage Ownership

As of the date hereof there are _____ (_____) Ownership Interests authorized and there are _____ (_____) Ownership Interests which are issued and outstanding. There are no other authorized classes of shares.

INITIAL CAPITALIZATION

FRANCHISOR:

PATSY'S OF NEW YORK FRANCHISE LLC

By:_____
Print Name:_____
Title:_____

FRANCHISEE:

CORPORATION, LIMITED LIABILITY COMPANY, PARTNERSHIP:

_____
[Name]

By:_____
Print Name:_____
Title:_____

INDIVIDUALS:

_____
[Print Name]

_____
[Print Name]

PATSY'S OF NEW YORK FRANCHISE LLC
FRANCHISE AGREEMENT
EXHIBIT F - 1
CONFIDENTIALITY AND NON-COMPETE AGREEMENT
FOR FRANCHISEE'S PRINCIPALS AND EXECUTIVES

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("**Agreement**") is made this _____ day of _____, 20___, by and between _____ ("**us**" "**we**" "**our**" or the "**Franchisee**"), and _____, who is a Principal, member, partner, or officer of Franchisee ("**you**" or the "**Member**").

Introduction

Patsy's of New York Franchise LLC (the "**Franchisor**") and its affiliates developed and own a format and system (the "**System**") for establishing, operating, and licensing upscale restaurants that offer Neapolitan Italian Cuisine, soft drinks and alcoholic beverages. These businesses use Franchisor's trade dress, System, and operate under the name "Patsy's Italian Restaurant" and marks (each is referred to as a "**Patsy's Italian Restaurant**").

Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a Patsy's Italian Restaurant (the "**Franchised Restaurant**") under the terms and conditions of the Franchise Agreement.

In connection with your ownership and position with Franchisee, you will be will be trained by us and/or you will learn of Franchisor's confidential information and know-how concerning the methods of operation of a Patsy's Italian Restaurant and the System.

Now, therefore, it is agreed that as a consideration of your relationship with Franchisee and the rights granted to Franchisee under the Franchise Agreement, you acknowledge and agree that you will comply with all of the following obligations:

1. **Patsy's Italian Restaurant Confidential Information**. You agree that you will not, at any time (whether during or after the term of the Franchise Agreement or the time of your relationship with Franchisee), communicate or divulge Patsy's Italian Restaurant Confidential Information to any Person, and that you will not use Patsy's Italian Restaurant Confidential Information for your own benefit or for the benefit of any other Person.

2. **Definitions**. As used in this Agreement, the following terms are agreed to have the following meanings:

a. The term "**Patsy's Italian Restaurant Confidential Information**" means any information, knowledge, or know-how concerning the methods of operation of the Franchised Restaurant and the System that may you may learn of or that otherwise becomes known to you during the term of the Franchise Agreement or the time of your relationship with Franchisee (whether or not Franchisor or we have specifically designated that information as "confidential"). Patsy's Italian

Restaurant Confidential Information may include, among other things, operational, sales, promotional, marketing, and administrative methods, procedures, and techniques. However, Patsy's Italian Restaurant Confidential Information does not include information that you can show came to your attention before it was disclosed to you by us or Franchisor; and Patsy's Italian Restaurant Confidential Information also does not include information that, at or after the time when we or Franchisor disclosed it to you, is a part of the public domain through no act on your part or through publication or communication by other Persons who are lawfully entitled to publish or communicate that information.

b. The term "**Person**" means any person, persons, partnership, entity, association, or corporation (other than the Franchisor or Franchisee).

c. The term "**Post-Term Period**" means a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 15 of the Franchise Agreement; (b) expiration or termination of the Franchise Agreement (regardless of the cause for termination); (c) termination of your relationship with Franchisee for any reason; and/or (d) a final order of a court of competent jurisdiction enforcing of this Agreement.

3. <u>Covenants Not to Compete</u>.

a. You understand and acknowledge that due to your relationship with us, you will receive valuable specialized training and access to Patsy's Italian Restaurant Confidential Information.

b. You covenant and agree that during the term of the Franchise Agreement, unless Franchisor gives you prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person:

i. Divert or attempt to divert any current or potential business account or customer of the Franchised Restaurant (or of any Patsy's Italian Restaurant) to any Person, whether by direct or indirect suggestion, referral, inducement, or otherwise;

ii. Do or perform, directly or indirectly, any act that might injure or be harmful to the goodwill associated with Franchisor and the System; and/or

iii. Directly or indirectly for yourself or on behalf of, or in conjunction with any Person, own, maintain, operate, engage in, or have any interest in any business that is the same as or similar to the Franchised Restaurant.

c. You covenant and agree that during the term Post-Term Period, unless Franchisor gives you its prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person, own,

maintain, operate, engage in, or have any interest in any business that is the same as or similar to the Franchised Restaurant, if that business is located (or if it is intended to be located) within the Territory or within a radius of thirty (30) miles of any other Patsy's Italian Restaurant located anywhere.

4. **Legal and Equitable Remedies**. You understand, acknowledge, and agree that if you do not comply with the requirements of this Agreement, you will cause irreparable injury to Franchisor, and that:

a. We will have the right to enforce this Agreement and any of its provisions by going to a court and obtaining an injunction, specific performance, or other equitable relief, without prejudice to any other rights and remedies that we may have for breach of this Agreement;

b. You will not raise wrongful termination or other defenses to the enforcement of this Agreement (although you will have the right to raise those issues in a separate legal action); and

c. You must reimburse Franchisor for any court costs and reasonable attorney's fees that Franchisor incurs as a result of your violation of this Agreement and having to go to court to seek enforcement.

5. **Severability**. Each of the provisions of this Agreement may be considered severable from the others. If a court should find that we or Franchisor may not enforce a clause in this Agreement as written, but the court would allow us or Franchisor to enforce that clause in a way that is less burdensome to you, then you agree that you will comply with the court's less-restrictive interpretation of that clause.

6. **Delay**. No delay or failure by us or Franchisor to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that right or any other right set out in this Agreement. No waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

7. **Third-Party Beneficiary**. You acknowledge and agree that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

IN WITNESS WHEREOF, Member has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this _____ day of _____, 20__.

MEMBER

Signature:_____

Printed Name:_____

PATSY'S OF NEW YORK FRANCHISE LLC
FRANCHISE AGREEMENT
EXHIBIT F - 2
CONFIDENTIALITY AND NON-COMPETE
FOR FRANCHISEE'S EMPLOYEES

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("**Agreement**") is made this _____ day of _____, 20___, by and between _____ ("**us**" "**we**" "**our**" or the "**Franchisee**"), and _____, an employee of Franchisee ("**you**" or the "**Employee**").

Introduction

Patsy's of New York Franchise LLC (the "**Franchisor**") and its affiliates developed and own a format and system (the "**System**") for establishing, operating, and licensing upscale restaurants that specialize in Neapolitan Italian cuisine and offer soft drinks and alcoholic beverages. These businesses use Franchisor's trade dress, System, and operate under the name "Patsy's Italian Restaurant" and marks (each is referred to as a "**Patsy's Italian Restaurant**").

Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a Patsy's Italian Restaurant (the "**Franchised Restaurant**") under the terms and conditions of the Franchise Agreement.

In connection with starting or continuing your employment with Franchisee, you will be trained by us and you will learn of Franchisor's confidential information and know-how concerning the methods of operation of a Patsy's Italian Restaurant and the System.

Now, therefore, it is agreed that as a consideration of starting or continuing your employment, as a condition to your employment and the compensation that we have paid to you (and/or will pay you after today), you acknowledge and agree that you will comply with all of the following obligations:

1. Patsy's Italian Restaurant Confidential Information. You agree that you will not, at any time (whether during or after your time of employment with us), communicate or divulge Patsy's Italian Restaurant Confidential Information to any Person, and that you will not use Patsy's Italian Restaurant Confidential Information for your own benefit or for the benefit of any other Person.

2. Definitions. As used in this Agreement, the following terms are agreed to have the following meanings:

a. The term "**Patsy's Italian Restaurant Confidential Information**" means any information, knowledge, or know-how concerning the methods of operation of the Franchised Restaurant and the System that may you may learn of or that otherwise becomes known to you during the time of your employment with us (whether or not the Franchisor or we have specifically designated that information as "confidential"). Patsy's Italian Restaurant Confidential Information may

include, among other things, operational, sales, promotional, marketing, and administrative methods, procedures, and techniques. However, Patsy's Italian Restaurant Confidential Information does not include information that you can show came to your attention before it was disclosed to you by us or Franchisor; and Patsy's Italian Restaurant Confidential Information also does not include information that, at or after the time when we disclosed it to you, is a part of the public domain through no act on your part or through publication or communication by other Persons who are lawfully entitled to publish or communicate that information.

b. The term "**Person**" means any person, persons, partnership, entity, association, or corporation (other than the Company or Franchisor).

c. The term "**Post-Term Period**" means a continuous uninterrupted period of (check as applicable) □ one (1) year if you are a manager or perform managerial responsibilities, or □ six (6) months a non-managerial employee from the date of: (a) termination of your employment with us for any reason; and/or (b) a final order of a court of competent jurisdiction enforcing of this Agreement.

3. <u>Covenants Not to Compete</u>.

a. You understand and acknowledge that due to your employment with us, you will receive valuable specialized training and access to Patsy's Italian Restaurant Confidential Information.

b. You covenant and agree that during the term of your employment, unless Franchisor gives you its prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person:

i. Divert or attempt to divert any current or potential business account or customer of the Franchised Restaurant (or of any Patsy's Italian Restaurant) to any Person, whether by direct or indirect suggestion, referral, inducement, or otherwise;

ii. Do or perform, directly or indirectly, any act that might injure or be harmful to the goodwill associated with Franchisor and the System; and/or

iii. Directly or indirectly for yourself or on behalf of, or in conjunction with any Person, own, maintain, operate, engage in, or have any interest in any business that is the same as or similar to the Franchised Restaurant.

c. You covenant and agree that during the term Post-Term Period, unless Franchisor gives you its prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person, own,

maintain, operate, engage in, or have any interest in any business that is the same as or similar to the Franchised Restaurant, if that business is located (or if it is intended to be located) within a radius of thirty (30) miles of any other Patsy's Italian Restaurant located anywhere at that time.

4. **Legal and Equitable Remedies**. You understand, acknowledge, and agree that if you do not comply with the requirements of this Agreement, you will cause irreparable injury to Franchisor, and that:

a. We will have the right to enforce this Agreement and any of its provisions by going to a court and obtaining an injunction, specific performance, or other equitable relief, without prejudice to any other rights and remedies that we may have for breach of this Agreement;

b. You will not raise wrongful termination or other defenses to the enforcement of this Agreement (although you will have the right to raise those issues in a separate legal action); and

c. You must reimburse Franchisor for any court costs and reasonable attorney's fees that Franchisor incurs as a result of your violation of this Agreement and having to go to court to seek enforcement.

5. **Severability**. Each of the provisions of this Agreement may be considered severable from the others. If a court should find that we or Franchisor may not enforce a clause in this Agreement as written, but the court would allow us or Franchisor to enforce that clause in a way that is less burdensome to you, then you agree that you will comply with the court's less-restrictive interpretation of that clause.

6. **Delay**. No delay or failure by us or Franchisor to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that right or any other right set out in this Agreement. No waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

7. **Third-Party Beneficiary**. You acknowledge and agree that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with us.

IN WITNESS WHEREOF, Employee has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this _____ day of _____, 20__.

EMPLOYEE

Signature:_____

Printed Name:_____

PATSY'S OF NEW YORK FRANCHISE LLC
FRANCHISE AGREEMENT
EXHIBIT G
LEASE TERMS

In accordance with Section 5.2 of this Franchise Agreement, Franchisee's lease or sublease for the premises of the Franchised Restaurant shall contain terms acceptable to Franchisor, which may include (but are not limited to) the following:

1. The initial term of the lease, or initial term together with renewal terms, will be for not fewer than ten (10) years.

2. A provision stating that the lessor consents to Franchisee's use and display of the Proprietary Marks and signage as Franchisor may prescribe from time to time for the Franchised Restaurant, subject only to the provisions of applicable law.

3. A provision that Franchisee shall have the right to alter, renovate, add, remodel, modify, and/or change the premises and/or other improvements upon the premises as Franchisee may deem desirable, provided that if any such alterations, renovations, additions, modifications, remodeling and/or changes to the premises and/or improvements upon the premises affect the exterior, structural elements or foundation of the premises, Franchisee shall first obtain the consent of the lessor, which consent shall not be unreasonably withheld, conditioned or delayed.

4. A provision that the premises be used solely for the operation of a franchised Patsy's Italian Restaurant, which is currently: a sit-down upscale restaurant offering for sale various types of food, beverages and related products for on premises consumption, such products may include without limitation the following: Neapolitan Italian cuisine, beverages (which may include the sale of alcoholic beverages, provided that alcoholic beverages will be for on-premises consumption only) and promotional items such as shirts, hats and other items displaying the "Patsy's Italian Restaurant" logo, all as may be permitted under the relevant franchise agreement signed for the Franchised Restaurant.

5. A provision that requires the lessor to concurrently provide Franchisor with a copy of any written notice of deficiency under the lease sent to Franchisee, and that the lessor will provide Franchisor with written notice specifying deficiencies that Franchisee did not cure.

6. A provision that grants to Franchisor, in its sole discretion, the right (but not obligation) to cure any deficiency under the lease within thirty (30) days after the expiration of the period in which Franchisee had to cure any such default should Franchisee fail to do so.

7. A provision acknowledging that, in the event the Franchise Agreement for the Franchised Restaurant expires or is terminated: (a) Franchisee is obligated under the Franchise Agreement to take certain steps to de-identify the location as a Patsy's Italian Restaurant operated by Franchisee; and (b) the lessor will cooperate fully with Franchisor in enforcing such provisions of the Franchise Agreement against the Franchisee, including allowing Franchisor, its employees and agents to enter and remove signs, decor and materials bearing or displaying any

Proprietary Marks, designs or logos of Franchisor, provided that the lessor shall not be required to bear any expense thereof.

8. A provision that expressly states that any default under the lease shall constitute a default under the Franchise Agreement, and that the termination of the Franchise Agreement shall constitute a default under the lease.

9. 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.

10. A provision that expressly requires that, if requested by Franchisor, the lessor of the premises will provide Franchisor all sales and other information the lessor may have related to the operation of the Franchised Restaurant.

11. Franchisee is restricted from accepting any requirement under the lease that seeks to impose any restrictions (territorial or otherwise) on the development or operation of other Patsy's Italian Restaurants by Franchisee, Franchisor, or any other person or entity.

12. A provision that the lessor agrees that Franchisee may not assign the lease or sublease all or any part of its occupancy rights thereunder without Franchisor's prior written consent.

13. A provision that the lessor's consent to an assignment of the lease or subletting of the Premises will not be required in connection with an assignment or subletting Franchisor, or any parent, subsidiary or affiliated corporation of Franchisor or Franchisee, or another operator that has been approved by Franchisor to be the franchisee for the Franchised Restaurant.

14. A provision that prohibits the lessor from selling or leasing, or allowing the sublease of, space in the building or on the property to any person or entity for a retail food business that will consist predominantly of Italian cuisine offered in an upscale environment. Additionally, the lessor shall not sell and shall prohibit any other tenant or subtenant in the building, or on the property, from engaging in activities predominantly related to the sale of Italian cuisine. In the event lessor does not comply with these restrictions, Franchisor will have the right to seek an injunction prohibiting the occupancy by the new competing business or against the existing tenant as the case may be.

EXHIBIT C TO THE DISCLOSURE DOCUMENT
AREA DEVELOPMENT AGREEMENT

PATSY'S OF NEW YORK FRANCHISE LLC

AREA DEVELOPMENT AGREEMENT

_____
Area Developer Name

_____
Development Area

_____
Date

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AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (the "**Agreement**") is made and entered into on this ____ day of _____, 20__ (the "**Effective Date**"), by and between:

- Patsy's of New York Franchise LLC, a New York limited liability company whose principal place of business is 236 West 56th Street, New York, New York 10019 ("**Franchisor**"); and

- _____ a [resident of] [corporation organized in] [limited liability company organized in] *[select one]*, having offices at _____ _____ _____ _____ ("**Area Developer**").

BACKGROUND

A. Franchisor owns a format and system (the "**System**") relating to the establishment and operation of upscale restaurants which operate at retail locations that display Franchisor's interior and exterior trade dress and feature and operate under the Proprietary Marks (as defined below) (each a "**Patsy's Italian Restaurant**"). Patsy's Italian Restaurants feature menus offering Neapolitan Italian cuisine, soft drinks and alcoholic beverages. A Patsy's Italian Restaurant operates using Franchisor's proprietary recipes, formulae and techniques, as well as other non-proprietary food, beverage, and other compatible items designated by Franchisor from time to time (collectively, "**Products**").

B. The distinguishing characteristics of the System include distinctive exterior and interior design, decor, color schemes, fixtures, and furnishings; recipes, standards and specifications for products, equipment, materials, and supplies; uniform standards, specifications, and procedures for operations; purchasing and sourcing procedures; procedures for inventory and management control; training and assistance; and marketing and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time.

C. The System is identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System including the mark "Patsy's Italian Restaurant" and other marks that Franchisor designates in the future (the "**Proprietary Marks**"). The Proprietary Marks are owned by one or more of Franchisor's affiliates that have licensed the Proprietary Marks to Franchisor so that Franchisor may sub-license them to its franchisees.

D. Area Developer desires to obtain certain development rights to open and operate Patsy's Italian Restaurants under the System and the Proprietary Marks, as well as to receive other assistance provided by Franchisor in connection therewith.

NOW THEREFORE, the parties agree as follows:

1. GRANT

1.1 Grant and Acceptance. Franchisor grants development rights to Area Developer, and Area Developer undertakes the obligation, pursuant to the terms and conditions of this Agreement, to develop no less than the number of Patsy's Italian Restaurants (the "**Franchised Restaurants**") as set forth in Exhibit A to this Agreement. In this regard, the parties further agree that:

1.1.1 Each Franchised Restaurant developed hereunder shall be operated pursuant to a separate Patsy's of New York Franchise LLC Franchise Agreement (a "**Franchise Agreement**") that shall be executed as provided in Section 3.4 below.

1.1.2 For each Franchised Restaurant to be developed under this Agreement, Area Developer shall execute the Franchise Agreement for such Franchised Restaurant in accordance with the deadlines set forth in the development schedule specified in Paragraph 1 of Exhibit A to this Agreement (the "**Development Schedule**").

1.1.3 Each Franchised Restaurant developed hereunder shall be at a specific location, which shall be designated in the Franchise Agreement, that is within in the area described in Paragraph 2 of Exhibit A to this Agreement (the "**Development Area**").

1.2 Development Area. Except as otherwise set forth herein (including, without limitation, the rights retained by Franchisor as described in Section 1.3), during the term of this Agreement, and so long as Area Developer is in compliance with its obligations under this Agreement and all of the Franchise Agreements between Area Developer (including any affiliate of Area Developer), Franchisor shall not establish or operate, or license anyone other than Area Developer to establish or operate, a Patsy's Italian Restaurant under the Proprietary Marks and System at any location that is within the Development Area.

1.3 Franchisor's Reserved Rights. Notwithstanding anything to the contrary, Franchisor retains the rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Area Developer any rights therein:

1.3.1 To own, acquire, establish, and/or operate and license others to establish and operate, Patsy's Italian Restaurants under the System at any location outside the Development Area notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Franchised Restaurants;

1.3.2 To own, acquire, establish and/or operate and license others to establish and operate, non-restaurant businesses under the Proprietary Marks, at any location within or outside the Development Area.

1.3.3 To own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar or different from Patsy's Italian Restaurants, at any location within or

outside the Development Area notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Franchised Restaurants;

1.3.4 To own, acquire, establish, and/or operate and license others to establish and operate, Patsy's Italian Restaurants under the Proprietary Marks at Non-Traditional Sites (as defined below) at any location within or outside the Development Area. As used in this Agreement, "**Non-Traditional Sites**" shall mean outlets that serve primarily the customers located within the facility, such as captive audience facilities (examples include, but are not limited to, parks charging admission, stadiums, amusement parks and centers, theaters and art centers), limited purpose facilities (examples include, but are not limited to, airports, transportation centers, department stores, in-door shopping centers, business and industrial complexes, museums, educational facilities, hospitals, art centers, and recreational parks), limited access facilities (examples include, but are not limited to, military complexes, buyer club businesses, educational facilities, business and industrial complexes), and other types of institutional accounts.

1.3.5 To sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products (including the Products) through grocery or convenience stores or through outlets that are primarily retail in nature, or through mail order, toll free numbers, or the Internet, including those products bearing Franchisor's Proprietary Marks, provided that distribution within the Development Area shall not be from a Patsy's Italian Restaurant established under the System that is operated from within the Development Area (except from a Patsy's Italian Restaurant at a Non-Traditional Site);

1.3.6 To (i) acquire one or more retail businesses that are the same as, or similar to, Patsy's Italian Restaurants then operating under the System (each an "**Acquired Business**"), which may be at any location within or outside the Development Area notwithstanding their proximity to the Development Area or their actual or threatened impact on sales or development of any of the Franchised Restaurants, and to (ii) operate and/or license others to operate any Acquired Business under its existing name or as a Patsy's Italian Restaurant under the System, subject to the following conditions that apply to each Acquired Business located within the Development Area:

1.3.6.1 Except as provided in Section 1.3.6.2 below, and provided that Area Developer is in compliance with this Agreement and any other agreement with Franchisor, Franchisor may, in its sole discretion, offer to Area Developer the option to purchase and operate, as a Patsy's Italian Restaurant, an Acquired Business that is purchased by Franchisor for operation by Franchisor or its affiliates. In such event, Franchisor shall provide Area Developer with written notice of Franchisor's purchase of the Acquired Business(es), the terms and conditions applicable to the Area Developer's option to purchase such Acquired Business(es), and such other information that Franchisor deems necessary to include in the notice. The terms and conditions offered to Area Developer shall include, without limitation, the following: (a) the purchase price will be based on Franchisor's purchase price for such Acquired Business, and if the Acquired Business was part of an Acquired System (as defined below in Section 1.3.6.2), then Area Developer's purchase price for such Acquired Business shall be determined using a ratio equal to the sales during the prior year of such Acquired Business as compared to the total sales in such prior year of all Acquired Businesses purchased by Franchisor in the same

transaction; and (b) the requirement that Area Developer enter into Franchisor's then-current form of System franchise agreement for the Acquired Business, provided that Area Developer shall not be required to pay an initial franchise fee for an Acquired Business. If Area Developer does not elect to purchase, or fails to complete the purchase of, an Acquired Business, Franchisor shall have the right to operate itself, or through its affiliates or third party licensees or franchisees, the Acquired Business under any trade name or trademarks including the Proprietary Marks.

1.3.6.2 If an Acquired Business is part of a system of retail businesses that Franchisor acquires (an "**Acquired System**"), Area Developer shall have no right to purchase, and Franchisor shall not be obligated to offer Area Developer any option to purchase, any Acquired Business that is operated by a licensee or franchisee under the Acquired System. Franchisor may license such unit to be operated under any trade name or trademarks including the Proprietary Marks, and may also license to the licensee or franchisee additional units of the Acquired System that the licensee or franchisee has the right to develop and operate within the Development Area.

1.4 No Rights to Use the System. This Agreement is not a Franchise Agreement, and does not grant to Area Developer any right to use the Proprietary Marks or the System or to sell or distribute any Products. Area Developer's rights to use the Proprietary Marks and System will be granted solely under the terms of the Franchise Agreement.

2. TERM

Unless sooner terminated in accordance with the provisions of this Agreement, this Agreement shall commence on the date hereof and shall expire on the execution date of the last franchise agreement executed pursuant to this Agreement (the "**Expiration Date**").

3. DEVELOPMENT OBLIGATIONS

3.1 Time is of the Essence. Recognizing that time is of the essence, Area Developer shall comply strictly with the Development Schedule. Area Developer acknowledges and agrees that the Development Schedule requires that Area Developer have executed and delivered to Franchisor Franchise Agreements for a cumulative number of Franchised Restaurants by the end of the time periods specified in Exhibit A.

3.2 Identifying and Securing Sites. Area Developer shall be solely responsible for identifying, submitting for Franchisor's approval, and securing specific sites for each Franchised Restaurant. The following terms and conditions shall apply to each Franchised Restaurant to be developed hereunder:

3.2.1 Area Developer shall submit to Franchisor, in a form specified by Franchisor, a completed site approval package, which shall include a site approval form prescribed by Franchisor, an option contract, letter of intent, or other evidence satisfactory to Franchisor which describes Area Developer's favorable prospects for obtaining such site, photographs of the site, demographic statistics, and such other information or materials as Franchisor may reasonably require (collectively, the "**SAP**"). Franchisor shall have twenty (20) business days after receipt of the SAP from Area Developer to approve or disapprove, in its sole

discretion, the proposed site for the Franchised Restaurant. In the event Franchisor does not approve a proposed site by written notice to Area Developer within said twenty (20) business days, such site shall be deemed disapproved by Franchisor. No site shall be deemed approved unless it has been expressly approved in writing by Franchisor.

3.2.2 Following Franchisor's approval of a proposed site, Area Developer shall use its best efforts to secure such site, either through a lease/sublease that is acceptable to Franchisor, as provided in Section 3.3 below, or a binding purchase agreement, and shall do so within sixty (60) business days of approval of the site by Franchisor. Area Developer shall immediately notify Franchisor of the execution of the approved lease or binding purchase agreement. The site approved and secured pursuant to this Agreement shall be specified as the "Approved Location" under the Franchise Agreement executed pursuant Section 3.4 below.

3.2.3 Area Developer hereby acknowledges and agrees that approval by Franchisor of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Restaurant or for any other purpose. Approval by Franchisor of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Area Developer and Franchisor acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by Franchisor of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Area Developer's expectations as to revenue or operational criteria.

3.3 Lease Terms. For each Franchised Restaurant to be developed hereunder, if Area Developer will occupy the premises from which the Franchised Restaurant will be operated under a lease or sublease, Area Developer shall, prior to execution of such lease, submit the lease to Franchisor for its review and approval; provided, however, if pre-submission to Franchisor is not possible, then Area Developer may sign the lease only on the condition, agreed to in writing by the lessor, that the lease shall become null and void if Franchisor does not approve such lease. Franchisor's approval of the lease or sublease may be conditioned upon the inclusion of such provisions as Franchisor may reasonably require, including, without limitation, the terms and conditions set forth by Franchisor in the Manuals or otherwise in writing from time to time, a current list of which is included in Exhibit E to this Agreement.

3.4 Franchise Agreements. With respect to the Franchise Agreements to be executed for the Franchised Restaurants to be developed pursuant to this Agreement, the following terms and conditions shall apply:

3.4.1 The Franchise Agreement for the first Franchised Restaurant to be developed under this Agreement shall be the form of Franchise Agreement attached hereto in Exhibit C.

3.4.2 The Franchise Agreement for each subsequent Franchised Restaurant to be developed under this Agreement shall be Franchisor's then-current form of Franchise Agreement, the terms of which may differ from the terms of the Franchise Agreement attached hereto including, without limitation, a higher and/or additional fees; provided, however, so long as Area Developer is in compliance with this Agreement, then initial franchise fee shall be as set forth in Section 4.3 below, and if the royalty fee rate is higher for the then-current form of franchise agreement, the royalty fee rate under the Franchise Agreement that Area Developer executes shall be the same as the royalty fee rate set forth in the form of Franchise Agreement attached hereto in Exhibit C.

3.4.3 Franchisor shall permit one or more Franchise Agreements to be executed by entities other than Area Developer; provided that (a) each such franchisee entity is controlled by, or under common control with, Area Developer, and (b) the Area Developer and all Principals (as defined in Section 9.1 below) of Area Developer requested by Franchisor execute guarantees, guarantying to Franchisor the timely payment and performance of the franchisee's obligations under the Franchise Agreement.

3.4.4 Provided that Area Developer is in compliance with this Agreement, after Area Developer locates and secures a site pursuant to Sections 3.2 and 3.3 above, Area Developer (or an affiliate of Area Developer pursuant to Section 3.4.3 above) shall execute the Franchise Agreement for such Franchised Restaurant, as provided in this Section 3.4. Area Developer shall thereafter comply with all pre-opening and opening requirements set forth in the Franchise Agreement relating to the Franchised Restaurant.

3.5 Force Majeure Events. Area Developer shall not be responsible for non-performance or delay in performance occasioned by a "**force majeure,**" which means an act of God, war, civil disturbance, act of terrorism, government action, fire, flood, accident, hurricane, earthquake, or other calamity, strike or other labor dispute, or any other cause beyond the reasonable control of Area Developer; provided, however, force majeure shall not include Area Developer's lack of adequate financing. If any delay occurs, any applicable time period hereunder shall be automatically extended for a period equal to the time lost; provided, however, that Area Developer shall make reasonable efforts to correct the reason for such delay and give Franchisor prompt written notice of any such delay.

4. AREA DEVELOPMENT FEE AND INITIAL FRANCHISE FEES

4.1 Area Development Fee. In consideration of the development rights granted herein, upon execution of this Agreement, Area Developer shall pay an area development fee ("**Area Development Fee**") that is equal to the Franchise Fee (as defined 4.3) for the first Franchised Restaurant plus Fifty Thousand Dollars ($50,000) for each additional Franchised Restaurant that Area Developer must develop in order to comply with the Development Schedule, the aggregate amount of which is specified in Paragraph 3 of Exhibit A to this Agreement. Receipt of the Area Development Fee is hereby acknowledged. The Area Developer acknowledges and agrees that the Area Development Fee is fully earned and nonrefundable in consideration of administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the rights granted herein to Area

Developer, even if Area Developer does not enter into any Franchise Agreements pursuant to this Agreement.

4.2 Credit Towards Franchise Fee. If Area Developer is in compliance with its obligations under this Agreement and any other agreement with Franchisor, then upon execution of each Franchise Agreement, Franchisor will credit towards the Franchise Fee (which amounts are set forth in Section 4.3 below) for said Franchise Agreement, the portion of the Area Development Fee that was attributable to such Franchised Restaurant. In no circumstances will Franchisor grant credits in excess of the total Area Development Fee paid by Area Developer.

4.3 Franchise Fees. Notwithstanding anything to the contrary in any of the Franchise Agreements, the initial franchise fee (the "**Franchise Fee**") that shall be paid by Area Developer for each Franchised Restaurant to be developed pursuant to the Development Schedule shall be One Hundred Thousand Dollars ($100,000) for each Franchised Restaurant, which shall be paid in full upon execution of the Franchise Agreement for such Franchised Restaurant, less any credit that may be applied pursuant to Section 4.2 above.

5. DUTIES OF THE PARTIES

5.1 Franchisor's Assistance. Franchisor shall furnish to Area Developer the following:

5.1.1 Site selection guidelines, including Franchisor's minimum standards for Patsy's Italian Restaurant sites and sources regarding demographic information, and such site selection counseling and assistance as Franchisor may deem advisable.

5.1.2 Such on-site evaluation as Franchisor deems advisable in response to Area Developer's request for site approval for each Franchised Restaurant; provided, however, that Franchisor shall not provide on-site evaluation for any proposed site prior to the receipt of a SAP for such site prepared by Area Developer pursuant to Section 3.2.

5.2 Designated Principal. If Area Developer is other than an individual, Area Developer shall designate, subject to Franchisor's reasonable approval, one Principal (as defined in Section 9.1) who is both an individual person and owns at least a ten percent (10%) of Area Developer, and who shall be responsible for general oversight and management of the development of the Franchised Restaurants under this Agreement and the operations of all such Franchised Restaurants open and in operation on behalf of Area Developer (the "**Designated Principal**"). Area Developer acknowledges and agrees that Franchisor shall have the right to rely upon the Designated Principal to have been given, by Area Developer, the responsibility and decision-making authority regarding the Area Developer's business and operation. In the event the person designated as the Designated Principal becomes incapacitated, leaves the employ of Area Developer, transfers his/her interest in Area Developer, or otherwise ceases to supervise the development of the Franchised Restaurants, Area Developer shall promptly designate a new Designated Principal, subject to Franchisor's reasonable approval.

5.3 Records and Reports to Franchisor. Area Developer shall, at Area Developer's expense, comply with the following requirements to prepare and submit to Franchisor the following reports, financial statements and other data, which shall be prepared in the form and

using the standard statements and chart of accounts as Franchisor may prescribe from time to time:

5.3.1 No later than the twentieth (20th) day of each calendar month, Area Developer shall have prepared a profit and loss statement reflecting all Area Developer's operations during the last preceding calendar month, for each Restaurant. Area Developer shall prepare profit and loss statements on an accrual basis and in accordance with generally accepted accounting principles. Area Developer shall submit such statements to Franchisor at such times as Franchisor may designate or as Franchisor may otherwise request.

5.3.2 On April 15th of the year following the end of Area Developer's fiscal year, a complete annual financial statement (prepared according to generally accepted accounting principles), on a compilation basis, and if required by Franchisor, such statements shall be prepared by an independent certified public accountant.

5.3.3 Such other forms, reports, records, information, and data as Franchisor may reasonably designate.

5.4 Maintaining Records. Area Developer shall maintain during the term of this Agreement, and shall preserve for at least seven (7) years from the dates of their preparation, and shall make available to Franchisor at Franchisor's request and at Area Developer's expense, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles.

5.5 Area Developer to Provide Training. Area Developer agrees that, notwithstanding anything to the contrary in any Franchise Agreement, Area Developer shall be responsible for conducting the initial training of all required trainees (including without limitation the owners and management personnel) for the third (3rd) and any subsequent Franchised Restaurants developed under this Agreement, in accordance with the requirements and conditions as Franchisor may from time to time establish for the initial training. By no later than the time Area Developer is seeking Franchisor's approval to develop the third (3rd) Franchised Restaurant under this Agreement, Area Developer shall be have completed to Franchisor's satisfaction all requirements and conditions necessary to obtain Franchisor's approval for Area Developer to conduct such training.

6. DEFAULT AND TERMINATION

6.1 Automatic Termination. Area Developer shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Area Developer, if Area Developer, or any of Area Developer's partners, if Area Developer is a partnership, or any of its officers, directors, shareholders, or members, if Area Developer is a corporation or limited liability company, becomes insolvent or makes a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Area Developer or such a petition is filed against and not opposed by Area Developer; if Area Developer is adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of Area Developer or other custodian for Area Developer's business or assets is filed and consented to by Area Developer; if a receiver or other custodian (permanent or temporary) of Area Developer's

assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against Area Developer; if final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); if Area Developer is dissolved; if execution is levied against any asset of Area Developer or Area Developer's Franchised Restaurants; if suit to foreclose any lien or mortgage against any asset of Area Developer or Area Developer's Franchised Restaurants is instituted against Area Developer and not dismissed within sixty (60) days; or if any asset of Area Developer's or any Franchised Restaurant of Area Developer's shall be sold after levy thereupon by any sheriff, marshal, or constable.

6.2 Termination Upon Notice. Area Developer shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder or take any of the actions described in Section 6.5 below, without affording Area Developer any opportunity to cure the default, effective immediately upon the provision of notice to Area Developer (in the manner provided under Section 10 hereof), upon the occurrence of any of the following events of default:

6.2.1 If the Franchise Agreement for any Franchised Restaurant operated by Area Developer (or an entity affiliated with Area Developer) is terminated.

6.2.2 If Area Developer (or an officer or director of, or a shareholder in, Area Developer (or an entity affiliated with Area Developer) if Area Developer is a corporation, or a member or manager of Area Developer, if Area Developer is a limited liability company, or a general or limited partner of Area Developer, if Area Developer is a partnership) is convicted of a felony, a crime involving moral turpitude, or any other crime or action that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein.

6.2.3 If Area Developer or any Principal purports to transfer any rights or obligations under this Agreement or any the assets of Area Developer in a manner that is contrary to the terms of Section 7 of this Agreement.

6.3 Notice and Opportunity to Cure – For a Missed Deadline. Failure by Area Developer to meet a deadline under the Development Schedule (a "**Missed Deadline**") shall constitute a default under this Agreement. Franchisor shall, for one (1) Missed Deadline, provide Area Developer with a reasonable opportunity to cure such default by Franchisor notifying Area Developer in writing of a new date for the Missed Deadline (without change to any other deadline in the Development Schedule). If Area Developer fails to come into compliance with the Development Schedule by such new deadline, and/or upon the occurrence of another Missed Deadline, Franchisor, in its discretion, may terminate this Agreement and all rights granted hereunder without affording Area Developer any further opportunity to cure the default, effective immediately upon the delivery of written notice to Area Developer (in the manner set forth in Section 10 of this Agreement); or Franchisor, in its discretion, may elect, in lieu of terminating this Agreement, to take any of the actions described in Section 6.5 below.

6.4 Notice and Opportunity to Cure Other Defaults. Except as otherwise provided in Sections 6.1, 6.2 , and 6.3 above, if Area Developer fails to comply with any material term and

condition of this Agreement, such action shall constitute a default under this Agreement and, upon the occurrence of any such default, Franchisor may terminate this Agreement by giving written notice of termination stating the nature of such default to Area Developer at least thirty (30) days prior to the effective date of termination; provided, however, that Area Developer may avoid termination by curing the default to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor within the 30-day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement and all rights granted hereunder (including but not limited to, the right to develop new Franchised Restaurants) will terminate without further notice to Area Developer effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

6.5 Franchisor's Other Options Upon Default. Franchisor, in its discretion, may elect, in lieu of terminating this Agreement, to use other remedial measures for Area Developer's breach of this Agreement, which include, but are not limited to: (i) termination of the credit towards Franchise Fees granted in Section 4.2 hereof; (ii) loss of the limited exclusivity, or reduction in the scope of protections, granted to Area Developer under Section 1.2 herein for the Development Area; (iii) reduction in the scope of the Development Area; (iv) reduction in the number of Franchised Restaurants to be developed by Area Developer; and/or (v) Franchisor's retention of all area development fees paid, or owed, by Area Developer. If Franchisor exercises said right, Franchisor shall not have waived its right to, in the case of future defaults, exercise all other rights and invoke all other provisions that are provided in law and/or set out under this Agreement.

6.6 No Further Rights. Upon termination or expiration of this Agreement, Area Developer shall have no right to establish or operate any Patsy's Italian Restaurant for which a Franchise Agreement has not been executed by Franchisor at the time of termination or expiration. Franchisor's remedies for Area Developer's breach of this Agreement shall include, without limitation, Area Developer's loss of its right to develop additional Franchised Restaurants under this Agreement, and Franchisor's retention of all area development fees paid or owed by Area Developer. Upon termination or expiration, Franchisor shall be entitled to establish, and to franchise others to establish, Patsy's Italian Restaurants in the Development Area, except as may be otherwise provided under any Franchise Agreement which has been executed between Franchisor and Area Developer or, as permitted under Section 3.4.3 of this Agreement, Area Developer's affiliates.

7. TRANSFER OF INTEREST

7.1 Franchisor's Rights to Transfer. Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, and any designated assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, Area Developer expressly affirms and agrees that Franchisor may sell its assets, its Proprietary Marks, or its System; may sell its securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

7.2 No Transfers Without Franchisor's Approval. Area Developer understands and acknowledges that Franchisor has granted the rights hereunder in reliance on the business skill, financial capacity, and personal character of Area Developer or the Principals of Area Developer if Area Developer is not an individual. Accordingly, neither Area Developer nor any Principal shall sell, assign, transfer, pledge or otherwise encumber any direct or indirect interest in the Area Developer (including any direct or indirect interest in a corporate or partnership Area Developer), the rights or obligations Area Developer under this Agreement, or any material asset of the Area Developer's business, without the prior written consent of Franchisor, which shall be subject to Sections 7.3 and 7.4 below and to all of the conditions and requirements for transfers set forth in the Franchise Agreement attached to this Agreement as Exhibit C that Franchisor deems applicable to a proposed transfer under this Agreement.

7.3 Simultaneous Transfers. Area Developer understands and acknowledges that any consent to a transfer of this Agreement shall, unless waived, be conditioned on, among other factors, the requirement that the proposed transfer of this Agreement is to be made in conjunction with a simultaneous transfer of all Franchise Agreements executed pursuant to this Agreement to the same approved transferee.

7.4 Transfer Fee. At the request of Franchisor, Area Developer shall pay a transfer fee of an amount equal to Ten Thousand Dollars ($10,000) for each Franchised Restaurant that remains to be developed and opened in order to satisfy the Development Schedule, but not less than fifty percent (50%) of the Area Development Fee paid. Additionally, for any Franchise Agreements executed pursuant to this Agreement that are transferred, the transfer fee due under such Franchise Agreement(s) shall be paid to Franchisor pursuant to the terms of such Franchise Agreement(s).

7.5 Transfer to Entity Formed by Area Developer. Notwithstanding anything to the contrary in this Section 7, if Area Developer is an individual and seeks to transfer this Agreement to a corporation, partnership, or limited liability company formed for the convenience of ownership, the conditions of Sections 7.4 shall not apply, and Area Developer may undertake such transfer, provided that Area Developer owns one hundred percent (100%) of the equity interest in the transferee entity, and the Area Developer personally guarantees, in a written guaranty satisfactory to Franchisor, the performance of the obligations of the Area Developer under this Agreement.

8. COVENANTS

8.1 Confidential Information. Area Developer shall at all times preserve in confidence any and all materials and information furnished or disclosed to Area Developer by Franchisor, and shall disclose such information or materials only to such of Area Developer's employees or agents who must have access to it in connection with their employment. Area Developer shall not at any time, during the term of this Agreement or thereafter, without Franchisor's prior written consent, copy, duplicate, record, or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

8.2 During the Term. Area Developer specifically acknowledges that, pursuant to this Agreement, Area Developer will receive valuable specialized training and confidential information, which may include, without limitation, information regarding the operational, sales, advertising and promotional methods and techniques of Franchisor and the System. Area Developer covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Area Developer shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation:

8.2.1 Divert or attempt to divert any business or customer of any Patsy's Italian Restaurant or of any unit under the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

8.2.2 Unless released in writing by the employer, employ or seek to employ any person who is at that time employed by Franchisor or by any other franchisee or area developer of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment.

8.2.3 Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any more than a one percent (1%) interest in (as owner or otherwise) any Competitive Business (as defined below). A "**Competitive Business**" shall be considered to be retail food businesses with menu offerings consisting predominantly of Italian cuisine offered in an upscale environment. Furthermore, Area Developer acknowledges and agrees that Area Developer shall be considered in default under this Agreement and that this Agreement will be subject to immediate termination as provided in Section 6.2 herein, in the event that a person in the immediate family (including spouse, domestic partner, parent or child) of Area Developer (or, if Area Developer is other than an individual, each Principal that is subject to these covenants) engages in a Competitive Business that would violate this Section 8.2.3 if such person was subject to the covenants of this Section 8.2.3.

8.3 After the Agreement and After a Transfer. Area Developer covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period of two (2) years from the date of (a) a transfer permitted under Section 7 above; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 8.3; or (e) any or all of the foregoing, Area Developer shall not either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, partnership, corporation, or other entity, own, maintain, operate, engage in, or have any interest in any Competitive Business, which is, or is intended to be (i) located within the Development Area (other than those Franchised Restaurants provided for in the Development Schedule), or makes offers and sales into the Development Area; or (ii) located within a radius of thirty (30) miles of any other Patsy's Italian Restaurant located anywhere. Provided, however, that this provision shall not apply to the operation by Area Developer of any business under the System under a franchise agreement with Franchisor.

8.4 Exception for Ownership in Public Entities. Sections 8.2 and 8.3 hereof shall not apply to ownership by Area Developer of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation. As used in this Agreement, the term "**publicly held corporation**" refers to a corporation which has outstanding securities that have been registered under the federal Securities Exchange Act of 1934.

8.5 Personal Covenants. At the request of Franchisor, Area Developer shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Section 8 (including covenants applicable upon the termination of a person's relationship with Area Developer) and the provisions of Sections 6 and 7 of this Agreement (as modified to apply to an individual) from any or all of the following persons: (a) the Designated Principal, (b) all managers and other personnel employed by Area Developer who have received or will receive training and/or other confidential information; and (c) all officers, directors, and Principals who have or will receive training or access to confidential information, or who are or may be involved in the operation or development of the Franchised Restaurants. Every covenant required by this Section 8.5 shall be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

8.6 Covenants as Independent Clauses. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 8 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Area Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 8.

8.7 Franchisor's Right to Reduce Scope of the Covenants. Area Developer understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 8.2 and 8.3 in this Agreement, or any portion thereof, without Area Developer's consent, effective immediately upon receipt by Area Developer of written notice thereof; and Area Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 15 hereof.

8.8 Covenants Survive Claims. Area Developer expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 8. Area Developer agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 8.

8.9 Compliance with Laws. Area Developer represents and warrants to Franchisor that neither Area Developer (including, without limitation, any and all of its employees, directors, officers and other representatives) nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

9. CORPORATE, LIMITED LIABILITY COMPANY, OR PARTNERSHIP AREA DEVELOPER

9.1 List of Principals. If Area Developer is a corporation, limited liability company, or partnership, each owner of beneficial interest in Area Developer (each a "**Principal**"), and the interest of each Principal in Area Developer, shall be identified in Exhibit B to the Agreement. Area Developer shall maintain a list of all Principals and immediately furnish Franchisor with an update to the information contained in Exhibit B upon any change, which shall be made only in compliance with Section 7 above.

9.2 Guaranties. Such Principals as Franchisor may request shall execute a guarantee, indemnification, and acknowledgment of Area Developer's obligations under this Agreement in the form attached hereto as Exhibit D. As set forth in Section 5.2 above, the Designated Principal shall at all times have at least a ten percent (10%) interest in Area Developer.

9.3 Corporations and Limited Liability Companies. If Area Developer is a corporation or limited liability company, Area Developer shall comply with the following requirements:

9.3.1 Area Developer shall be newly organized and its governing documents shall at all times provide that its activities are confined exclusively to developing and operating the Franchised Restaurants.

9.3.2 Area Developer shall, upon request of Franchisor, promptly furnished to Franchisor copies of Area Developer's articles of incorporation, bylaws, articles of organization, operating agreement and/or other governing documents, and any amendments thereto, including the resolution of the Board of Directors or members authorizing entry into this Agreement.

9.3.3 Area Developer shall maintain stop-transfer instructions against the transfer on its records of any equity securities; and each stock certificate or issued securities of Area Developer shall conspicuously endorse upon its face a statement, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement; provided, however, that the requirements of this Section 9.3.3 shall not apply to a publicly held corporation.

9.4 Partnerships and Limited Liability Partnerships. If Area Developer or any successor to or assignee of Area Developer is a partnership or limited liability partnership, Area Developer shall comply with the following requirements:

9.4.1 Area Developer shall be newly organized and its partnership agreement shall at all times provide that its activities are confined exclusively to developing and operating the Franchised Restaurants.

9.4.2 Area Developer shall furnish Franchisor with a copy of its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto.

9.4.3 The partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.

10. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

11. PERMITS AND COMPLIANCE WITH THE LAWS

11.1 Compliance with Laws. Area Developer shall comply with all federal, state, and local laws, rules and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business contemplated under this Agreement.

11.2 Notice of Actions. Area Developer shall notify Franchisor in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of Area Developer and/or any Franchised Restaurant established under this Agreement.

12. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

12.1 No Fiduciary Relationship. Area Developer is an independent contractor. Franchisor and Area Developer are completely separate entities and are not fiduciaries, partners, joint venturers, or agents of the other in any sense and neither shall have the power to bind the other. No act or assistance given by either party to the other pursuant to this Agreement shall be construed to alter the relationship.

12.2 Public Notice. During the term of this Agreement, Area Developer shall hold itself out to the public as an independent contractor operating the business pursuant to an area development agreement with Franchisor. Area Developer agrees to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of the fact in a conspicuous place in Area Developer's offices, the content of which Franchisor reserves the right to specify.

12.3 No Assumption of Liability. Nothing in this Agreement authorizes Area Developer to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of Area Developer in Area Developer's operations hereunder, or for any claim or judgment arising therefrom against Area Developer or Franchisor.

12.4 Indemnification. Area Developer shall indemnify and hold Franchisor, Franchisor's owners and affiliates, and their respective officers, directors, and employees (the "**Indemnitees**") harmless against any and all causes of action, claims, losses, costs, expenses, liabilities, litigation, damages or other expenses (including, but not limited to, settlement costs and attorneys' fees) arising directly or indirectly from, as a result of, or in connection with Area Developer's operation of the business contemplated hereunder (notwithstanding any claims that the Indemnitees are or were negligent). Area Developer agrees that with respect to any threatened or actual litigation, proceeding or dispute which could directly or indirectly affect any of the Indemnitees, the Indemnitees shall have the right, but not the obligation, in their discretion, to: (i) choose counsel, (ii) direct, manage and/or control the handling of the matter; and (iii) settle on behalf of the Indemnitees, and/or Area Developer, any claim against the Indemnitees. All vouchers, canceled checks, receipts, receipted bills or other evidence of payments for any such losses, liabilities, costs, damages, charges or expenses of whatsoever nature incurred by any Indemnitee shall be taken as prima facie evidence of Area Developer's obligation hereunder.

13. APPROVALS AND WAIVERS

13.1 Approval Requests. Whenever this Agreement requires the prior approval or consent of Franchisor, Area Developer shall make a timely written request to Franchisor therefor, and such approval or consent shall be in writing. Franchisor shall respond to Area Developer's timely requests in a reasonably timely and prompt manner.

13.2 Non-waiver. No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Area Developer with any obligation or condition hereunder, and no custom or 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 hereof. Waiver by Franchisor of any particular default by Area Developer shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Area Developer of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's rights nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Area Developer of any terms, covenants or conditions of this Agreement.

14. SEVERABILITY AND CONSTRUCTION

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

parties hereto; and said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

14.2 Terms Surviving this Agreement. Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination or assignment of this Agreement (regardless of cause for termination), or assignment shall survive such expiration, termination.

14.3 No Rights on Third Parties. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Area Developer, Franchisor, officers, directors, shareholders, agents, and employees of Franchisor, and such successors and assigns of Franchisor as may be contemplated by Section 15 hereof, any rights or remedies under or by reason of this Agreement.

14.4 Full Scope of Terms. Area Developer expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order.

14.5 Franchisor's Application of its Rights. Franchisor shall have the right to operate, develop and change the System in any manner that is not specifically precluded by this Agreement. Whenever Franchisor has reserved in this Agreement a right to take or withhold an action, or are deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Area Developer a right to take or omit an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make its decision or exercise its rights, on the basis of the information readily available to Franchisor, and its judgment of what is in its best interests and/or in the best interests of the Franchisor's franchise network, at the time its decision is made, without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by Franchisor; (ii) the decision or action of Franchisor will promote its financial or other individual interest; (iii) Franchisor's decision or the action it take applies differently to Area Developer and one or more other franchisees or Franchisor's company-owned operations; or (iv) Franchisor's decision or the exercise of its right or discretion is adverse to Area Developer's interests. In the absence of an applicable statute, Franchisor will have no liability to Area Developer for any such decision or action. Franchisor and Area Developer intend that the exercise of Franchisor right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Area Developer agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Area Developer's rights and obligations hereunder.

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

15. ENTIRE AGREEMENT

This Agreement, the attachments hereto, and the documents referred to herein constitute the entire Agreement between Franchisor and Area Developer concerning the subject matter hereof, and supersede any prior agreements, no other representations having induced Area Developer to execute this Agreement. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing in this Agreement, however, is intended to disclaim the representations Franchisor made to Area Developer in the Franchise Disclosure Document.

16. APPLICABLE LAW AND DISPUTE RESOLUTION

16.1 Governing Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement; all relations between the parties; and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of New York without recourse to New York's (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of New York, and if the Franchised Restaurant is located outside of New York and the provision would be enforceable under the laws of the state in which the Franchised Restaurant is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Section 16.1 is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of New York, or any other state, which would not otherwise apply.

16.2 Jurisdiction/Venue. Any litigation arising out of or related to this Agreement or any related agreement; any breach of this Agreement or any related agreement; the relations between the parties (as defined below); and, any and all disputes between the parties, whether sounding in law or equity, will be instituted, litigated through conclusion and, if necessary, appealed through final, irrevocable judgment in a state or federal district court of competent jurisdiction situated in the state, county and judicial district in which our principal place of business is then located. Area Developer hereby irrevocably submits himself/herself/itself to the jurisdiction of any such court and waives all questions of personal jurisdiction for the purpose of carrying out this provision. Area Developer agrees that any dispute as the venue for litigation will be submitted to and resolved exclusively by such aforementioned court. Notwithstanding the foregoing, however, with respect to any action for monies owed, injunctive or other extraordinary or equitable relief, or involving possession or disposition of, or other relief relating to, Area Developer's business or Franchised Restaurants, Franchisor may bring such an action in any state or federal district court which has jurisdiction. Area Developer hereby waives and covenants never to assert or claim that the venue designated for litigation by this Agreement is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including any

claim under the judicial doctrine of "forum non conveniens"). As used in this section of the Agreement, the term "parties" includes Area Developer; Area Developer's guarantor(s); if Area Developer is a business entity, Area Developer's owners, officers, directors, shareholders, partners, members, managers, agents, representatives, independent contractors, servants and employees (as applicable) and, as to each of them, whether acting in their corporate or individual capacity; any other individual entity acting or purporting to act by, through, under or under authority granted by Area Developer; and, any affiliate of each of the foregoing.

16.3 No Rights Exclusive of Other Rights. No right or remedy conferred upon or reserved to Franchisor or Area Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy provided herein or permitted by law or equity, but each shall be cumulative of every other right or remedy.

16.4 Waiver of Jury Trial. Area Developer, its guarantors and its other parties (as defined in Section 27.2) hereby irrevocably waive, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special, consequential or other similar damages in any action or proceeding whatsoever between the parties to this Agreement (as defined in Section 16.2) and/or any of their affiliates, and Area Developer and such others covenant never to advance or pursue any such claim for punitive damages. Area Developer and such others agree that in the event of a dispute, Area Developer and such others shall be limited to the recovery from us of any actual damages sustained by Franchisee or them.

16.5 Waiver of Punitive Damages. Area Developer, its guarantors and its other parties (as defined in Section 16.2) hereby irrevocably waive, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special, consequential or other similar damages in any action or proceeding whatsoever between the parties to this Agreement (as defined in Section 16.2) and/or any of their affiliates, and Area Developer and such others covenant never to advance or pursue any such claim for punitive damages. Franchisee and such others agree that in the event of a dispute, Area Developer and such others shall be limited to the recovery from us of any actual damages sustained by Area Developer or them.

16.6 Injunctive Relief. Area Developer explicitly affirms and recognizes the unique value and secondary meaning attached to the Franchised Restaurant and the Proprietary Marks. Accordingly, Area Developer agrees that any noncompliance by Area Developer with the terms of this Agreement, or any unauthorized or improper use of the business, any Franchised Restaurant or the Proprietary Marks by Area Developer, will cause irreparable damage to Franchisor and other System franchisees. Area Developer therefore agrees that if Area Developer engages in this non-compliance, or unauthorized and/or improper use of the business, any Franchised Restaurant or the Proprietary Marks, during or after the of this Agreement, Franchisor will be entitled to both temporary and permanent injunctive relief against Area Developer from any court of competent jurisdiction, in addition to all other remedies which Franchisor may have at law. Area Developer consents to the entry of these temporary and permanent injunctions.

16.7 Costs and Attorneys' Fees. Franchisor will be entitled to recover from Area Developer reasonable attorneys' fees, experts' fees, court costs and all other expenses of

litigation, if Franchisor prevails in any action instituted against Area Developer to secure or protect its rights under this Agreement, or to enforce the terms of this Agreement, or in any action commenced or joined in by Area Developer against Franchisor. In addition, if Franchisor becomes a party to any action or proceeding arising out of or relating to this Agreement, any and all related agreements, the Franchised Restaurant; as a result of any claimed or actual act, error or omission of Area Developer (and/or any of its officers, directors, shareholders, management, employees, contractors and/or representatives) or the Franchised Restaurant; by virtue of statutory, "vicarious", "principal/agent" or other liabilities imposed on us as a result of Franchisor's status as your franchisor; or if Franchisor becomes a party to any litigation or any insolvency proceeding involving Area Developer pursuant to any bankruptcy or insolvency code (including any adversary proceedings in conjunction with bankruptcy or insolvency proceedings), then Area Developer will be liable to, and must promptly reimburse Franchisor for, the reasonable attorneys' fees, experts' fees, court costs, travel and lodging costs and all other expenses Franchisor incurs in such action or proceeding regardless of whether such action or proceeding proceeds to judgment. In addition, Franchisor will be entitled to add all costs of collection, interest, attorneys' fees and experts' fees to its proof of claim in any insolvency or bankruptcy proceeding Area Developer files.

17. ACKNOWLEDGMENTS

17.1 Area Developer's Investigation of the Business Possibilities. Area Developer acknowledges that it has conducted an independent investigation of the business of developing and operating Patsy's Italian Restaurants, and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of Area Developer (or, if Area Developer is a corporation, partnership or limited liability company, the ability of its principals) as (an) independent businessperson(s). Franchisor expressly disclaims the making of, and Area Developer acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

17.2 Receipt of FDD and Complete Agreement. Area Developer acknowledges that it received 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" at least fourteen (14) days prior to the date on which this Agreement was executed or any payment by Area Developer for the rights granted under this Agreement.

17.3 Area Developer Read the Agreement and Consulted. Area Developer acknowledges that it has read and understood this Agreement, the attachments hereto, and agreements relating thereto, if any, and that Franchisor has accorded Area Developer ample time and opportunity to consult with advisors of Area Developer's own choosing about the potential benefits and risks of entering into this Agreement.

17.4 No Conflicting Obligations. Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this

Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

[SIGNATURE PAGE FOLLOWS]

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

PATSY'S OF NEW YORK FRANCHISE LLC Franchisor	_____ Area Developer
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____
Address for Notices:	Address for Notices:
Patsy's of New York Franchise LLC 236 West 56th Street New York, New York 10019 Telephone: (212) 247-3491 Fax: (___) _____ Attn: Department of Franchising	_____ _____ _____ Telephone:_____ Fax:_____ Attn:_____

With copy to:

David W. Oppenheim, Esq.
Greenberg Traurig, LLP
500 Campus Drive, Suite 400
Florham Park, New Jersey 07932

Telephone: (973) 443-3263
Facsimile: (973) 295-1323
E-mail – David.Oppenheim@gtlaw.com

PATSY'S OF NEW YORK FRANCHISE LLC
AREA DEVELOPMENT AGREEMENT
EXHIBIT A
DATA SHEET

1. Development Schedule (see Section 1.1): Area Developer shall execute Franchise Agreements for the development and operation of _____ (___) Franchised Restaurants, within the Development Area in accordance with the following Development Schedule:

Minimum Cumulative Number of Franchise Agreements for Franchised Restaurants to be located and Operating Within the Development Area	By this Date
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Total: _____

2. Development Area (see Section 1.1): The Development Area shall be the following: ____
_____
_____
_____
_____
_____
_____

3. Area Development Fee (see Section 4.1): The Area Development Fee shall be $_____.

Initial:_____ Date:_____ Initial:_____ Date:_____

FRANCHISOR AREA DEVELOPER

PATSY'S OF NEW YORK FRANCHISE LLC
AREA DEVELOPMENT AGREEMENT
EXHIBIT B
LIST OF PRINCIPALS & DESIGNATED PRINCIPAL

The following identifies all of Area Developer's Principals (as defined in Section 9.1 of the Area Development Agreement):

Name of Principal	Address	Interest (%) with description
		Total: 100%

AREA DEVELOPER'S DESIGNATED PRINCIPAL

The following identifies Area Developer's Designated Principal (as defined in Section 5.2 of the Area Development Agreement):

Name and Title	Address, telephone number, and e-mail address	Interest (%) (with description) if any

PATSY'S OF NEW YORK FRANCHISE LLC
AREA DEVELOPMENT AGREEMENT
EXHIBIT C
FORM OF FRANCHISE AGREEMENT

SEE EXHIBIT B TO THIS
FRANCHISE DISCLOSURE DOCUMENT

PATSY'S OF NEW YORK FRANCHISE LLC
AREA DEVELOPMENT AGREEMENT
EXHIBIT D
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to Patsy's of New York Franchise LLC ("**Franchisor**") to enter the Patsy's of New York Franchise LLC Area Development Agreement between Franchisor and ____ _____ ("**Area Developer**"), dated _____, 20___ (the "**Agreement**"), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and Franchisor's successors and assigns that all of Area Developer's monetary obligations under the Agreement will be punctually paid and performed and that all monetary obligations will be punctually paid and performed.

Upon demand by Franchisor, the undersigned each hereby jointly and severally agree to immediately make each payment required of Area Developer under the Agreement and waive any right to require Franchisor to: (a) proceed against Area Developer for any payment required under the Agreement; (b) proceed against or exhaust any security from Area Developer; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Area Developer; or (d) give notice of demand for payment by Area Developer. Without affecting the obligations of the undersigned under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Area Developer, or settle, adjust, or compromise any claims against Area Developer, and the undersigned each hereby jointly and severally waive notice of same and agree to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned each hereby jointly and severally agree to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorneys' fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Area Developer to perform any obligation of Area Developer under the Agreement, any amendment thereto, or any other agreement executed by Area Developer referred to therein.

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all of the covenants contained in Sections 6, 7, 8, and 16 of the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the Proprietary Marks or System.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

Guarantor represents and warrants to Franchisor that neither Guarantor (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

Any and all notices required or permitted under this guarantee provision shall be in writing and shall be personally delivered, in the manner provided under Section 10 of this Agreement.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 16 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of New York. In the event of any conflict of law, the laws of the State of New York shall prevail (without regard to, and without giving effect to, the application of New York conflict of law rules).

IN WITNESS WHEREOF, the undersigned has signed this guarantee provision as of the date of this Agreement.

GUARANTOR(S)

Printed Name:_____

Address:_____

_____

Signed:_____
(In his/her individual capacity)

Printed Name:_____

Address:_____

_____

PATSY'S OF NEW YORK FRANCHISE LLC
AREA DEVELOPMENT AGREEMENT
EXHIBIT E
LEASE TERMS

In accordance with Section 3.3 of this Area Development Agreement, Area Developer's lease or sublease for the premises of each of the Franchised Restaurants shall contain terms acceptable to Franchisor, which may include (but are not limited to) the following:

1. The initial term of the lease, or initial term together with renewal terms, will be for not fewer than ten (10) years.

2. A provision stating that the lessor consents to Area Developer's use and display of the Proprietary Marks and signage as Franchisor may prescribe from time to time for the Franchised Restaurant, subject only to the provisions of applicable law.

3. A provision that Area Developer shall have the right to alter, renovate, add, remodel, modify, and/or change the premises and/or other improvements upon the premises as Area Developer may deem desirable, provided that if any such alterations, renovations, additions, modifications, remodeling and/or changes to the premises and/or improvements upon the premises affect the exterior, structural elements or foundation of the premises, Area Developer shall first obtain the consent of the lessor, which consent shall not be unreasonably withheld, conditioned or delayed.

4. A provision that the premises be used solely for the operation of a franchised Patsy's Italian Restaurant, which is currently: a sit-down upscale restaurant offering for sale various types of food, beverages and related products for on premises consumption, such products may include without limitation the following: Neapolitan Italian cuisine, beverages (which may include the sale of alcoholic beverages, provided that alcoholic beverages will be for on-premises consumption only) and promotional items such as shirts, hats and other items displaying the "Patsy's Italian Restaurant" logo, all as may be permitted under the relevant franchise agreement signed for the Franchised Restaurant.

5. A provision that requires the lessor to concurrently provide Franchisor with a copy of any written notice of deficiency under the lease sent to Area Developer, and that the lessor will provide Franchisor with written notice specifying deficiencies that Area Developer did not cure.

6. A provision that grants to Franchisor, in its sole discretion, the right (but not obligation) to cure any deficiency under the lease within thirty (30) days after the expiration of the period in which Area Developer had to cure any such default should Area Developer fail to do so.

7. A provision acknowledging that, in the event the Franchise Agreement for the Franchised Restaurant expires or is terminated: (a) Area Developer is obligated under the Franchise Agreement to take certain steps to de-identify the location as a Patsy's Italian Restaurant operated by Area Developer; and (b) the lessor will cooperate fully with Franchisor in

enforcing such provisions of the Franchise Agreement against the Area Developer, including allowing Franchisor, its employees and agents to enter and remove signs, decor and materials bearing or displaying any Proprietary Marks, designs or logos of Franchisor, provided that the lessor shall not be required to bear any expense thereof.

8. A provision that expressly states that any default under the lease shall constitute a default under the Franchise Agreement, and that the termination of the Franchise Agreement shall constitute a default under the lease.

9. 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.

10. A provision that expressly requires that, if requested by Franchisor, the lessor of the premises will provide Franchisor all sales and other information the lessor may have related to the operation of the Franchised Restaurant.

11. Area Developer is restricted from accepting any requirement under the lease that seeks to impose any restrictions (territorial or otherwise) on the development or operation of other Patsy's Italian Restaurants by Area Developer, Franchisor, or any other person or entity.

12. A provision that the lessor agrees that Area Developer may not assign the lease or sublease all or any part of its occupancy rights thereunder without Franchisor's prior written consent.

13. A provision that the lessor's consent to an assignment of the lease or subletting of the Premises will not be required in connection with an assignment or subletting Franchisor, or any parent, subsidiary or affiliated corporation of Franchisor or Area Developer, or another operator that has been approved by Franchisor to be the franchisee for the Franchised Restaurant.

14. A provision that prohibits the lessor from selling or leasing, or allowing the sublease of, space in the building or on the property to any person or entity for a retail food business that will consist predominantly of Italian cuisine offered in an upscale environment. Additionally, the lessor shall not sell and shall prohibit any other tenant or subtenant in the building, or on the property, from engaging in activities predominantly related to the sale of Italian cuisine. In the event lessor does not comply with these restrictions, Franchisor will have the right to seek an injunction prohibiting the occupancy by the new competing business or against the existing tenant as the case may be.

EXHIBIT D TO THE DISCLOSURE DOCUMENT
STATE SPECIFIC ADDENDUM

ADDENDUM TO THE DISCLOSURE DOCUMENT PURSUANT TO THE CONNECTICUT BUSINESS OPPORTUNITY ACT

The following is added to the end of Item 11 of the Disclosure Document:

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

This language supersedes any other language regarding non-refundable fees, as described in Item 5, 6, 7, and 11 of the Disclosure Document, or anywhere else in the Disclosure Document which makes reference to non-refundable fees.

ADDENDUM TO PATSY'S OF NEW YORK FRANCHISE LLC FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF NEW YORK

The following provisions supersede the Disclosure Document and apply to all franchises offered and sold in the State of New York:

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

   INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. Item 3 is amended by adding the following language to the beginning of such Item:

To the best of our knowledge, except as otherwise disclosed below, neither franchisor, its predecessor, any person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

a) Has pending any administrative, criminal or civil action alleging a felony, violation of any franchise law, antitrust law, or securities law, fraud, embezzlement, fraudulent conversion, unfair or deceptive practices, misappropriation of property or comparable civil or misdemeanor allegations;

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

c) Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of any franchise law, antitrust law, or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices, or comparable allegations; or

d) Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for you to renew or extend**," and Item 17(m), entitled "**Conditions for our approval of transfer by you**":

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

4. Row (d) of Item 17 entitled "Termination by you" is amended by deleting the language in the Summary column and replacing it with the following:

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

5. Row (v) of Item 17 entitled "Choice of forum" and Row (w) of Item 17 entitled "Choice of law" is amended by adding the following to the Summary Section:

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

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

7. Receipts - Any sale made must be in compliance with §683(8) of the Franchise Sale Act (N.Y. Gen Bus. L. §680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

ADDENDUM TO THE FRANCHISE AGREEMENT PURSUANT TO THE NEW YORK GENERAL BUSINESS LAW

This Addendum to the Franchise Agreement by and between PATSY'S OF NEW YORK FRANCHISE LLC ("we", "our" or "us") and _____ ("you") is dated _____, 20_.

The following provisions supersede and control any conflicting provisions of the Franchise Agreement:

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

2. Article 17 is amended by adding the following statement immediately after the word "terminate" in the beginning of the Section:

> however, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the related regulations shall remain in force; it being the intent of this proviso to satisfy the non-waiver provisions of GBL, Sections 687.4 and 687.5.

3. Section 15.1 is amended by adding the following statement immediately after the first sentence of such Section:

> However, no assignment shall be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

4. Nothing in Article 16 prevents you from asserting your rights under common law to terminate the Franchise Agreement if we commit a material breach of the Franchise Agreement.

5. Section 27.1 is amended by adding the following statement immediately after the first sentence of such Section:

> The foregoing choice of law should not be considered a waiver of any right conferred upon you by the GBL of the State of N.Y., Article 33.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date set forth above.

PATSY'S OF NEW YORK FRANCHISE LLC:	**FRANCHISEE:** _____
By: _____	By: _____
Title: _____	Title: _____
Attest: _____	Attest: _____

ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT PURSUANT TO THE NEW YORK FRANCHISE REGISTRATION AND DISCLOSURE LAW

1. Article 6 is amended by adding the following statement:

   However, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the related regulations shall remain in force; it being the intent of this proviso to satisfy the non-waiver provisions of GBL, Sections 687.4 and 687.5. Nothing in this Article 6 prevents you from asserting your rights under common law to terminate the Area Development Agreement if we commit a material breach of the Area Development Agreement.

2. Article 7 is amended by adding the following statement:

   No assignment shall be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

3. Section 16.1 is amended by adding the following statement:

   The foregoing choice of law should not be considered a waiver of any right conferred upon you by the GBL of the State of N.Y., Article 33.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum on the day and year first above written to evidence their agreement to the foregoing provisions, which shall control over any conflicting provisions set forth in the Agreement.

PATSY'S:

PATSY'S OF NEW YORK FRANCHISE LLC, a New York limited liability company

_____
(Signature of Authorized Officer, Title)

_____
(Print Name of Authorized Officer)

AREA DEVELOPER:

_____
(Signature of Authorized Officer, Title)

_____
(Print Name of Authorized Officer)

EXHIBIT E TO THE DISCLOSURE DOCUMENT
LIST OF FRANCHISEES AND AREA DEVELOPERS

Franchisees:

None.

Area Developers:

None.

EXHIBIT F TO THE DISCLOSURE DOCUMENT
LIST OF FRANCHISEES AND AREA DEVELOPERS WHO HAVE LEFT THE SYSTEM

The following franchisees and area developers have left the system during the fiscal year which ended December 31, 2025 and as of the date of this Disclosure Document:

Franchisees:

None.

Area Developers:

None.

EXHIBIT G TO THE DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

PATSY'S OF NEW YORK FRANCHISE, L.L.C.

FINANCIAL STATEMENTS

FOR YEARS ENDED DECEMBER 31, 2025 AND 2024

Magone & Company, P.C.
Certified Public Accountants
& Business Consultants

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PATSY'S OF NEW YORK FRANCHISE, L.L.C.

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Magone & Company, P.C.
Certified Public Accountants
& Business Consultants

INDEPENDENT AUDITORS' REPORT

To the Members of
Patsy's of New York Franchise, L.L.C.

Opinion

We have audited the accompanying financial statements of Patsy's of New York Franchise, L.L.C. (a New York Limited Liability Company), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of operations, members' deficiency, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Patsy's of New York Franchise, L.L.C. as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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

Responsibilities of Management for the Financial Statements

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

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Responsibilities of Management for the Financial Statements (cont'd.)

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

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

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

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Patsy's of New York Franchise, L.L.C.'s ability to continue as a going concern for a reasonable period of time.

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd.)

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



MAGONE & COMPANY, P.C.

Parsippany, New Jersey
April 1, 2026

PATSY'S OF NEW YORK FRANCHISE, L.L.C.
Balance Sheets
December 31, 2025 and 2024

	2025	2024
ASSETS		
CASH	$ 385	$ 410
LIABILITIES AND MEMBERS' DEFICIENCY		
LIABILITIES:		
Accounts payable and accrued expenses	$ 6,400	$ 6,175
Due to related parties	117,397	109,875
TOTAL LIABILITIES	123,797	116,050
MEMBERS' DEFICIENCY	(123,412)	(115,640)
TOTAL LIABILITIES AND MEMBERS' DEFICIENCY	$ 385	$ 410

The accompanying notes are an integral part of these financial statements.

PATSY'S OF NEW YORK FRANCHISE, L.L.C.
Statements of Operations and Members' Deficiency
For the Years Ended December 31, 2025 and 2024

	2025	2024
REVENUES	$ -	$ -
GENERAL AND ADMINISTRATIVE EXPENSES:		
Professional fees	7,572	9,020
Other	200	225
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	7,772	9,245
NET LOSS	(7,772)	(9,245)
MEMBERS' DEFICIENCY, BEGINNING OF YEAR	(115,640)	(106,395)
MEMBERS' DEFICIENCY, END OF YEAR	$ (123,412)	$ (115,640)

The accompanying notes are an integral part of these financial statements.

PATSY'S OF NEW YORK FRANCHISE, L.L.C.

Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (7,772)	$ (9,245)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH USED IN OPERATING ACTIVITES:		
Increase (decrease) in accounts payable and accrued expenses	225	27
NET CASH USED IN OPERATING ACTIVITIES	(7,547)	(9,218)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances from related parties	7,522	9,193
NET CHANGE IN CASH	(25)	(25)
CASH, BEGINNING OF YEAR	410	435
CASH, END OF YEAR	$ 385	$ 410
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for:		
Taxes paid	$ -	$ 25

The accompanying notes are an integral part of these financial statements.

Note 1 – Organization

Patsy's of New York Franchise, L.L.C. (the "Company") was formed as a limited liability company under the laws of the State of New York in August 2006, to grant the rights to own and operate Patsy's Italian Restaurants, a full-service upscale restaurant that specializes in Neapolitan Italian cuisine, which includes eat-in dining, catering services, and private parties ("Franchised Business"). The Company grants each franchisee a transferable right and license to use the "System," the proprietary marks, and to provide services in accordance with the System. The System consists of distinctive exterior and interior design, proprietary recipes, formulas, techniques, trade dress, trademarks, and logos.

At December 31, 2025 and 2024, the Company has no franchisees.

Note 2 – Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Franchise and Royalty Fee Income

Franchise fees, which are typically received prior to completion of the revenue recognition process, are initially recorded as deferred revenue. Initial franchise fees, which are nonrefundable, are recognized per ASC 606 over the life of the franchise agreement, as defined. Related direct franchise sales costs are deferred and amortized as they relate to the deferred revenue.

Royalty fees are recognized based on gross sales of the franchisee, as defined in the franchise agreement.

Income Taxes

The Company is a limited liability company not subject to income taxes. No provision has been made for federal and state income taxes since these taxes are the personal responsibility of the members. The Company does, however, pay filing fees to New York and New Jersey.

Note 2 – Summary of Significant Accounting Policies (cont'd.)

Income Taxes (cont'd.)

The Company follows the accounting for uncertainty in income taxes guidance, which clarifies the accounting and disclosures for uncertainty in income taxes recognized in the Company's financial statements and addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities based on the technical merits of the position.

The Company did not have material unrecognized tax benefits as of December 31, 2025 and does not expect this to change significantly over the next 12 months. The Company will recognize interest and penalties accrued on any unrecognized tax benefits as a component of general and administrative expenses.

Use of Estimates

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

Subsequent Events

The Company has evaluated subsequent events through April 1, 2026, the date which these financial statements were available to be issue. During this period, there were no material subsequent events requiring recognition or disclosure.

Note 3 – Concentrations of Risk

The Company maintains their cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation up to $250,000 each. At times, such balances may be in excess of the FDIC insurance limit. As of December 31, 2025 and 2024, the cash balances did not exceeded this limit.

Note 4 – Related Party Transactions

A related party, Patsy's Brand, Inc. ("PBI"), is the owner of the Company's trademarks and service marks, and has licensed them to the Company so that the Company can sublicense them to its franchisees. PBI provides these trademarks and service marks without charge. Another related party, Patsy's Italian Restaurant, Inc., provided office facilities and administrative services to the Company from its location in New York City, New York without charge in December 31, 2025 and 2024.

The Company has received loans from two related parties with outstanding balances as of December 31:

	2025	2024
Patsy's Brand, Inc.	$ 1,451	$ 1,451
Patsy's Italian Restaurant	115,946	108,424
	$ 117,397	$ 109,875

There are no stipulated repayment terms and no interest is being charged.

PATSY'S OF NEW YORK FRANCHISE, L.L.C.

FINANCIAL STATEMENTS

FOR YEAR ENDED DECEMBER 31, 2024 AND 2023

Magone & Company, P.C.
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INDEPENDENT AUDITORS' REPORT

To the Members of
Patsy's of New York Franchise, L.L.C.

Opinion

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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Patsy's of New York Franchise, L.L.C. as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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

Responsibilities of Management for the Financial Statements

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

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Responsibilities of Management for the Financial Statements (cont'd.)

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism through the audit.

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

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

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

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Patsy's of New York Franchise, L.L.C.'s ability to continue as a going concern for a reasonable period of time.

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd.)

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



MAGONE & COMPANY, P.C.

Parsippany, New Jersey
February 14, 2025

PATSY'S OF NEW YORK FRANCHISE, L.L.C.
Balance Sheets
December 31, 2024 and 2023

	2024	2023
ASSETS		
CASH	$ 410	$ 435
LIABILITIES AND MEMBERS' DEFICIENCY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 6,175	$ 6,148
Due to related parties	109,875	100,682
TOTAL LIABILITIES	116,050	106,830
MEMBERS' DEFICIENCY	(115,640)	(106,395)
TOTAL LIABILITIES AND MEMBERS' DEFICIENCY	$ 410	$ 435

The accompanying notes are an integral part of these financial statements.

PATSY'S OF NEW YORK FRANCHISE, L.L.C.
Statements of Operations and Members' Deficiency
For the Years Ended December 31, 2024 and 2023

	2024	2023
REVENUES	$ -	$ -
GENERAL AND ADMINISTRATIVE EXPENSES:		
Professional fees	9,020	11,214
Other	225	200
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	9,245	11,414
NET LOSS	(9,245)	(11,414)
MEMBERS' DEFICIENCY, BEGINNING OF YEAR	(106,395)	(94,981)
MEMBERS' DEFICIENCY, END OF YEAR	$ (115,640)	$ (106,395)

The accompanying notes are an integral part of these financial statements.

PATSY'S OF NEW YORK FRANCHISE, L.L.C.

Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (9,245)	$ (11,414)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH USED IN OPERATING ACTIVITES:		
Increase (decrease) in accounts payable and accrued expenses	27	1,623
NET CASH USED IN OPERATING ACTIVITIES	(9,218)	(9,791)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances from related parties	9,193	9,766
NET CHANGE IN CASH	(25)	(25)
CASH, BEGINNING OF YEAR	435	460
CASH, END OF YEAR	$ 410	$ 435
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$ 25	$ 25

The accompanying notes are an integral part of these financial statements.

Note 1 – Organization

Patsy's of New York Franchise, L.L.C. (the "Company") was formed as a limited liability company under the laws of the State of New York in August 2006, to grant the rights to own and operate Patsy's Italian Restaurants, a full-service upscale restaurant that specializes in Neapolitan Italian cuisine, which includes eat-in dining, catering services, and private parties ("Franchised Business"). The Company grants each franchisee a transferable right and license to use the "System," the proprietary marks, and to provide services in accordance with the System. The System consists of distinctive exterior and interior design, proprietary recipes, formulas, techniques, trade dress, trademarks, and logos.

At December 31, 2024 and 2023, the Company has no franchisees.

Note 2 – Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Franchise and Royalty Fee Income

Franchise fees, which are typically received prior to completion of the revenue recognition process, are initially recorded as deferred revenue. Initial franchise fees, which are nonrefundable, are recognized per ASC 606 over the life of the franchise agreement, as defined. Related direct franchise sales costs are deferred and amortized as they relate to the deferred revenue.

Royalty fees are recognized based on gross sales of the franchisee, as defined in the franchise agreement.

Income Taxes

The Company is a limited liability company not subject to income taxes. No provision has been made for federal and state income taxes since these taxes are the personal responsibility of the members. The Company does, however, pay filing fees to New York and New Jersey.

Note 2 – Summary of Significant Accounting Policies (cont'd.)

Income Taxes (cont'd.)

The Company follows the accounting for uncertainty in income taxes guidance, which clarifies the accounting and disclosures for uncertainty in income taxes recognized in the Company's financial statements and addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities based on the technical merits of the position.

The Company did not have material unrecognized tax benefits as of December 31, 2024 and does not expect this to change significantly over the next 12 months. The Company will recognize interest and penalties accrued on any unrecognized tax benefits as a component of general and administrative expenses.

Use of Estimates

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

Subsequent Events

The Company has evaluated subsequent events through February 14, 2025, the date which these financial statements were available to be issue. During this period, there were no material subsequent events requiring recognition or disclosure.

Note 3 – Concentrations of Risk

The Company maintains their cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation up to $250,000 each. At times, such balances may be in excess of the FDIC insurance limit. As of December 31, 2024 and 2023, the cash balances did not exceeded this limit.

Note 4 – Related Party Transactions

A related party, Patsy's Brand, Inc. ("PBI"), is the owner of the Company's trademarks and service marks, and has licensed them to the Company so that the Company can sublicense them to its franchisees. PBI provides these trademarks and service marks without charge. Another related party, Patsy's Italian Restaurant, Inc., provided office facilities and administrative services to the Company from its location in New York City, New York without charge in December 31, 2024 and 2023.

The Company has received loans from two related parties with outstanding balances as of December 31:

	2024	2023
Patsy's Brand, Inc.	$ 1,451	$ 1,451
Patsy's Italian Restaurant	108,424	99,232
	$ 109,875	$ 100,682

There are no stipulated repayment terms and no interest is being charged.

EXHIBIT H TO THE DISCLOSURE DOCUMENT
TABLE OF CONTENTS OF OPERATIONS MANUAL

Patsy's Table of Contents

Batch Recipe Manual
Fry/Pantry/Dessert Plating Guides
Sauté & Pasta Manual
Server's Manual
Design Book

Batch Recipe Manual Table of Contents

Soups

Pasta Fagioli (Beans & Macaroni) 1
Pasta con Lenticchie (Lentil) 1

Salads and Dressings

Caesar Salad 2
Tri-Color Salad 2
Caesar Dressing 2
Vinaigrette Dressing 2
Chopped Salad 3
Garlic infused oil 3

Sauces

Meat sauce 4
Vodka sauce 4
Clam sauce (white) 4-5
Marsala 5
Tomato basil (Patsy's bottled sauce)

Prepared Fish

Calamari (stuffing) 6-7
Baked Clams 7
Linguini (scampi) 8

Butter

Have prepared salted soft butter

Prepared Vegetables

Cello spinach 9
Escarole 9
Broccoli rabe 9
Asparagus 9-10
Zucchini 10
Mashed Potatoes 10
Garlic mashed potatoes (optional) 11
French Fries 11
Mushrooms 11-12
Roasted Peppers 12
Eggplant Rollatini 12-13
Eggplant stuffing (rollatini) 13
Eggplant parmigiana 14

Eggplant batter	14
Stuffed Artichoke (stuffing)	14-15

Pasta

Penne	16
Rigatoni	16
Manicotti	16

Desserts

Cheese cake	17
Dough (pasta frolla)	17
Cannoli cream	17-18
Tiramisu	18
Warm chocolate cake	19-20
Whipped cream	20

Miscellaneous

Parmesan cheese (Parmigiano Reggiano)	21
Spanish white onions	21

Fry/Pantry/Dessert Plating Guides Table of Contents

Fry Station

- Page 1 Fried Calamari
- Page 2 Fried Zucchini
- Page 3 Mozzarella Carozza
- Page 4 Spiedino Sauce
- Page 5 Veal Parmigiana
- Page 6 Chicken Parmigiana
- Page 7 Shrimp Parmigiana

Pantry Station

- Page 1 Chopped Salad
- Page 2 Tricolore Salad
- Page 3 Caesar Salad

Dessert Manual

- Page 1 Tiramisu
- Page 2 Canoli
- Page 3 Cheesecake
- Page 4 Tartuffo
- Page 5 Dessert Cart

Sauté & Pasta Manual Table of Contents

Sauté

- Page 1 Veal Piccata
- Page 2 Veal Francaise
- Page 3 Veal Pizzaiola
- Page 4 Chicken Marsala
- Page 5 Filet Mignon Marsala
- Page 6 Shrimp Scampi
- Page 7 Striped Bass Marechiare
- Page 8 Shrimp Marinara
- Page 9 lobster Fra Diavolo
- Page 10 Stewed Triple A la Napoletana
- Page 11 Chicken Cacciatora

Pasta

- Page 1 Spaghetti or Whole Wheat Pasta Marinara
- Page 2 Rigatoni Fra Diavolo
- Page 3 Linguine Puttanesca
- Page 4 Penne A la Vodka
- Page 5 Fettuccine Alfredo
- Page 6 Manicotti
- Page 7 Rigatoni Sorrentino
- Page 8 Cheese Ravioli
- Page 9 Linguini A la Pesto

Server's Manual Table of Contents

Report to Manager/Work	01
Grooming Standards	02
Uniform	03
Silverware	04
Glassware	05
Stock China	06
Fold Napkins	07
Lemon Preparation	08
Set Up Sugar Dispensers	09
Tea Station	10
Pepper Mills	11
Creamers	12
Coffee Station	13
Iced Tea Station	14
Soup Station	15
Front Line	16
Wine Buckets	17
Coffee Pot	18
Tea Pots	19
Bus Stations and Gueridons	20
Check Station	21
Lunch and Dinner Table Set-Ups	22
Pre-Shift Meeting	23

Guest Interactions 24

Handle Complaints 25

Seating Guest 26

Opening Presentation / Sequence of Service 27

Ordering and Serving Cocktails 28

Writing Cocktail Orders 29

Pick Up Cocktail Orders 30

Serve Cocktails 31

Bread Service 32

Water Service 33

Writing Dupes 34

Serve Appetizers 35

Soup Service 36

Clear Appetizers 37

Pick Up Food 38

Table Maintenance 39

Replenish Silver 40

Serving A Guest Who Has Left His/Her Seat 41

Serve Entrée 42

Clear Entrée Plates 43

Clear Desserts 44

Coffee Service 45

After Dinner Drinks 46

Check Presentation 47

Process Payment 48

Depart Guest 49

Reset Table	50
Bottled Wine	51
Serving Champagne	52
Wine By The Glass	53
Returned Food / Voids	54
To Go Items	55
Refill Salt and Pepper	56
Closing Duties	57
Restock Reach-In	58
Restock Stations for Next Meal Period	59
Marry and Stock Condiments	60
Clean Bread Station	61
Breakdown Creamers	62
Restock Sugar Dispensers	63
Check with Manager	64
Cash Drop	65

Patsy's Sequences of Service
Four Steps of Suggestive Selling
Server's Side work Sheet
Menu Abbreviations

Design Book Table of Contents

Dining Room Specifications
- Walls and Painting
- Walls Sconce
- Wall Canvas
- Corner Design
- Chandelier and Dome Sofit Ceiling Design
- Terrazzo Floor
- Merchandise area
- Coat room design
- Chairs and Banquettes specifications
- Restroom design

Patsy's Private Picture collection and Art work
- Dining Room Private Picture collection
- Dining/Bar area "Frank Sinatra" Art
- Dining Room "Rat Pack" Art

Bar Area
- Bar Top
- Back Bar/Shelve design

Kitchen Area
- Preparation area
- Hot Line
- Cold Line
- Dishwashing area
- Receiving
- Walk in Refrigerators
- Dry storage area
- Linen area

Total Pages- 127

EXHIBIT I TO THE DISCLOSURE DOCUMENT
FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

As you know, Patsy's of New York Franchise LLC (the "Franchisor") and you are preparing to enter into a franchise agreement (the "Franchise Agreement") for the establishment and operation of a Patsy's Restaurant (the "Franchised Business"). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor ("Broker") that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Franchised Business from an existing Franchisee?

Yes _____ No _____

2. I had my first face-to-face meeting with a Franchisor representative on _____, 20___.

3. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

4. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

_____
_____
_____
_____
_____
_____

5. Have you received and personally reviewed the Franchisor's Disclosure Document that was provided to you?

Yes _____ No _____

6. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes _____ No _____

If No, what parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary.)

_____
_____
_____
_____
_____
_____

8. Have you discussed the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your Franchised Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

Yes _____ No _____

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Franchised Business operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchised Business will generate, that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

14. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

Yes _____ No _____

15. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or franchise agreement?

Yes _____ No _____

16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? _____

_____

If you have answered No to question 9, or Yes to any one of questions 10-17, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 9, and No to each of questions 10-17, please leave the following lines blank.

_____

_____

_____

_____

I signed the Franchise Agreement and Addendum (if any) on _____, 20___, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

_____

_____

_____

C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

(i) a person or entity listed in the Annex to the Executive Order;

(ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;

(iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or

(iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Acknowledged this _____ day of _____, 20____.

Sign here if you are taking the franchise as an

INDIVIDUAL

_____
Signature

Print Name_____

_____
Signature

Print Name_____

_____
Signature

Print Name_____

_____
Signature

Print Name_____

Sign here if you are taking the franchise as a CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP

_____
Print Name of Legal Entity

By:_____
Signature

Print Name_____

Title_____

EXHIBIT J TO THE DISCLOSURE DOCUMENT

FORM OF GENERAL RELEASE

PATSY'S OF NEW YORK FRANCHISE LLC

GENERAL RELEASE

THIS AGREEMENT ("Agreement") is made and entered into this ____ day of _____, 20___ by and between Patsy's of New York Franchise LLC, a New York limited liability company having its principal place of business located at 236 West 56th Street, New York, New York 10019(the "Franchisor"), and _____, an individual residing at _____ OR _____ (hereinafter referred to as "Releasor"), wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties, and comments herein are set forth, do agree as follows:

1. **Release by Releasor**:

Releasor does for itself, its successors and assigns, hereby release and forever discharge generally the Franchisor and any affiliate, wholly owned or controlled corporation, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, or agent of any of them, from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Releasor may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and anti-trust statutes, rules or regulations, in any way arising out of or connected with the Agreement, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against the Franchisor, any affiliate, successor, assign, parent corporation, subsidiary, director, officer, shareholder, employee, agent, executor, administrator, estate, trustee or heir, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Agreement; provided, however, that nothing contained in this Agreement is intended to disclaim or require Releasor to waive reliance on any representation that Franchisor made in the Franchise Disclosure Document that Franchisor provided to Releasor. In the event Releasor breaches any of the promises, covenants, or undertakings made herein by any act or omission, Releasor shall pay, by way of indemnification, all costs and expenses of the Franchisor caused by the act or omission, including reasonable attorneys' fees.

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

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

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

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

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

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

Witness: RELEASOR:

_____ _____
(Name)

Witness: PATSY'S OF NEW YORK FRANCHISE LLC:

_____ By:_____
Name:_____
Title:_____

State Effective Dates

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

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

State	Effective Date
California	Not Effective
Hawaii	Not Effective
Illinois	Not Effective
Indiana	Not Effective
Maryland	Not Effective
Michigan	Not Effective
Minnesota	Not Effective
New York	
North Dakota	Not Effective
Rhode Island	Not Effective
South Dakota	Not Effective
Virginia	Not Effective
Washington	Not Effective
Wisconsin	Not Effective

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

EXHIBIT K

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Patsy's of New York Franchise LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Iowa and New York require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Patsy's of New York Franchise LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

The franchisor is Patsy's of New York Franchise LLC, located at 236 West 56th Street, New York, New York 10019. Its telephone number is (212) 247-3491.

Issuance date: April 1, 2026.

The franchise seller for this offering is: _____
_____.

Patsy's of New York Franchise LLC authorizes the agents listed in Exhibit A to receive service of process for it.

I have received a disclosure document dated April 1, 2026 that included the following Exhibits:

A – List of State Administrators/Agents for Service of Process
B – Franchise Agreement
C – Area Development Agreement
D – State Specific Addendum
E – List of Franchisees and Area Developers
F – List of Franchisees and Area Developers Who Have Left The System
G – Financial Statements
H – Table of Contents of Operations Manual
I – Franchisee Disclosure Acknowledgment Statement
J – Form of General Release

Date:_____
(Do not leave blank)

_____
Signature of Prospective Franchisee

_____
Print Name

[RETURN THIS COPY TO US FOR OUR RECORDS]

You may return the signed receipt either by signing, dating and mailing it to Patsy's of New York Franchise LLC at 236 West 56th Street, New York, New York 10019, or by faxing a copy of the signed and dated receipt to Patsy's of New York Franchise LLC at (212) 541-5071.

EXHIBIT K

RECEIPT

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B – Franchise Agreement
C – Area Development Agreement
D – State Specific Addendum
E – List of Franchisees and Area Developers
F – List of Franchisees and Area Developers Who Have Left The System
G – Financial Statements
H – Table of Contents of Operations Manual
I – Franchisee Disclosure Acknowledgment Statement
J – Form of General Release

Date:_____
(Do not leave blank)

_____
Signature of Prospective Franchisee

_____
Print Name

[KEEP THIS COPY FOR YOUR RECORDS]