

## FRANCHISE DISCLOSURE DOCUMENT



Paciugo Franchise International, LLC  
a Texas limited liability company  
1215 Viceroy Drive  
Dallas, Texas 75247  
(214) 631-2663  
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You will operate a retail business that sells gelato and other specialty food items, beverage items, and products. There are two types of retail businesses available: a Paciugo Gelato Caffè (“Caffè”) and a Paciugo Kiosk (“Kiosk”) (Caffès and Kiosks, collectively, “Stores”).

The total investment necessary to begin operation of a Paciugo franchise is between \$232,700 and \$522,250 for a Store; and between \$109,700 to \$304,250 for a Kiosk. This includes \$20,250 to \$25,750 that must be paid to us or our affiliate. If you enter into a development agreement for the development of two or more Stores, you must pay us or our affiliate an additional \$7,500 for each additional Store to be developed.

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

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact Jeff Vickers, 1215 Viceroy Drive, Dallas, Texas 75247, (214) 631-2663, [franchising@paciugo.com](mailto:franchising@paciugo.com).

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this Franchise 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](http://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.

Date of Issuance: April 27, 2023.

## 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
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits, or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit D.
<b>How much will I need to invest?</b>	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 may use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Paciugo® business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be Paciugo® franchisee?</b>	Item 20 or Exhibit D lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	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 F.

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 development agreement require you to resolve disputes with us by mediation, arbitration, and/or litigation, in the then-current city of our principal business office, which is currently Dallas, Texas. Out-of-state mediation, arbitration, and/or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate, arbitrate, or litigate with us in a state other than in your own state.
2. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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

**ADDENDUM TO THE PACIUGO FRANCHISE INTERNATIONAL, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF MICHIGAN**

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

- (a) A prohibition against you joining an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which would deprive you of rights and protections provided under the Michigan Franchise Investment Law. This does not preclude you, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits us to terminate your franchise prior to the expiration of its term except for good cause. Good cause includes your failure to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits us to refuse to renew your franchise without fairly compensating you by repurchase or other means, for the fair market value at the time of expiration, of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This provision applies only if:
  - (i) The term of the franchise is less than five years; and
  - (ii) You are prohibited by the Franchise Agreement or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise, or if you do not receive at least six months advance notice of our intent not to renew the franchise.
- (e) A provision that permits us to refuse to renew the franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This provision does not require a renewal provision in the Franchise Agreement or other agreement.
- (f) A provision requiring that arbitration or litigation be conducted outside of Michigan. This does not preclude you from entering into an agreement, at the time of the arbitration, to conduct arbitration at a location outside of Michigan.
- (g) A provision which permits us to refuse to permit a transfer of ownership of the franchise, except for good cause. This provision does not prevent us from exercising a right of first refusal to purchase the franchise. Good cause includes, but is not limited to:
  - (i) The failure of the proposed transferee to meet our then-current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of ours.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.
- (h) A provision that requires you to resell to us items that are not uniquely identified with the franchisor. This does not prohibit a provision that grants us a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does it prohibit a

provision that grants us the right to acquire the assets of a franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in (c), above.

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

**The fact that there is a notice of this offering on file with the Attorney General does not constitute approval, recommendation, or endorsement by the Attorney General.**

Any questions concerning this notice should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Franchise Unit, 525 W. Ottawa Street, G. Mennen Williams Building, 1st Floor, Lansing, Michigan 48913; (517) 373-7117.

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

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

To simplify the language in this disclosure document, the term “we” means Paciugo Franchise International, LLC, the franchisor. The term “you” means the person or entity buying the franchise as the franchisee. If the franchisee is a general partnership, the term “you” refers to all partners. The term “Owners” refers to any individual or entity that has beneficial ownership in the franchisee (including shareholders of a corporation, members of a limited liability company, general and limited partners of a limited partnership, etc.).

The Franchisor and Any Parents, Predecessors, and Affiliates

We are a Texas limited liability company formed on October 24, 2017. We do business only under our corporate name, and under the name “PACIUGO,” and maintain our principal place of business at 1215 Viceroy Drive, Dallas, Texas 75247. Our agents for service of process are listed in Exhibit G.

We have no parent company. On November 1, 2017, we acquired substantially all of our assets from Paciugo Franchising, LP (“PFLP”), whom we consider to be our predecessor, as part of a sale conducted under section 363 of the US Bankruptcy Code. Before the sale, PFLP maintained its principal business at 1215 Viceroy Drive, Dallas, Texas 75247. PFLP offered Paciugo Gelato & Caffè franchises from August 2004 through October 2017 and, at the time of the sale, there were 34 franchised Stores.

We have been offering franchises of the type described in this disclosure document since December 2017 and have never offered franchises in any other line of business. We have never operated a business of the type being franchised, but our affiliate, Gruppo Paciugo, LLC (“Gruppo”), operated a Paciugo business from November 2017 to March 2020. Gruppo shares our principal business address. Gruppo has never offered franchises in any line of business.

Our affiliate Paciugo Distribution, LLC (“PD”) manufactures and distributes our proprietary gelato to Paciugo Gelato Caffès, Paciugo Kiosks, grocery stores, and other retail businesses. PD was formed in October 2017 and maintains its principal place of business at 1215 Viceroy Drive, Dallas, Texas 75247.

Our affiliate, Which Wich Franchise, Inc. (“WWFI”), offers franchises for retail businesses that offers customizable “wiches,” as well as salads, milkshakes, soft drinks, chips, cookies, and related items under the WHICH WICH® trade name and business system (“WHICH WICH®”) and the WICH!™ trade name and business system (“WICH!™”). WWFI was incorporated in September 2003 and maintains a principal place of business at 1215 Viceroy Drive, Dallas, Texas 75247. WWFI has been offering WHICH WICH® franchises since March 2004 and WICH!™ franchises since March 2022. As of December 31, 2022, there were 220 WHICH WICH® and no WICH!™ franchises in the United States. WWFI has never engaged in any business other than franchising the operation of WHICH WICH® Stores, but its and our affiliate, Sinelli Concepts International, Inc. (“SCII”), formerly known as SWP Downtown, Inc., owned and operated WHICH WICH® Stores in Dallas, Texas from December 2003 to July 2020 but has never offered franchises in any line of business. SCII provides support services to us and our franchisees.

Additionally, our affiliate, Which Wich Franchise International, Inc. (“WWFII”), has been franchising the operation of WHICH WICH® Stores in countries outside of the United States since December 2012. WWFII was incorporated in Texas in December 2012 and maintains a principal place of business at 1215 Viceroy Drive, Dallas, Texas 75247.

Description of the Franchised Business

We grant franchises for a retail business that sells gelato and other specialty food items, beverage items, and products. There are two types of retail businesses available: a Paciugo Gelato Caffè and a Paciugo Kiosk. We call this the “Franchised Business.” Stores may also offer authorized catering and delivery services.

The primary difference between a Caffè and a Kiosk is that a Kiosk may have a modified menu and off-site cold and dry storage units. Typically, Caffès are located in multi-tenant retail locations, subject to our site-selection



criteria. Kiosks are typically located within established retail stores, in shopping malls, or in other commercial locations that meet our site-selection criteria.

We franchise the right to operate Stores according to the Paciugo proprietary business format and system (“System”), which includes our distinctive exterior and interior design, decor, and color scheme; furnishings; proprietary ordering procedures; special recipes and menu items; proprietary food preparation techniques and presentation standards; community and social networking presence and protocols; specifications, policies, and procedures for operations; quality and uniformity of the products and services offered; procedures for inventory, management, and financial control; training and assistance; advertising and promotional programs; and other standards, specifications, techniques, and procedures that we designate for developing, operating, and managing a Store, all of which we may change, improve, and further develop.

Paciugo Stores are identified by the Paciugo service mark and other proprietary trademarks, service marks, and indicia of origin that we designate to identify businesses operating according to our System (“Marks”).

Single Unit. If we approve your franchise application, you and we will enter into a franchise agreement (“Franchise Agreement”) for the establishment of a single Store to be operated at a specific location. Our standard form Franchise Agreement is attached to this disclosure document as Exhibit C-1.

#### Standard Development Program

If we award you multi-unit development rights, you must sign our standard development agreement (“Development Agreement”) (see Exhibit B) and commit to develop the number of Stores set forth in the Development Agreement. The Development Agreement does not provide any territory protection during the development period or once a Store opens. The Development Agreement will state the number of Stores to be developed and will establish a development timetable. Each Store will operate according to the terms of a separate Franchise Agreement. Your first Store will operate according to the terms of our current Franchise Agreement (see Exhibit C-1). Your second Store and each additional Store developed under the Development Agreement will operate according to the terms of the Franchise Agreement being offered to new franchisees at that time, which may be materially different than our current Franchise Agreement.

#### Co-brand Stores

We and WWFI have entered into an agreement that allows qualifying Paciugo franchisees to operate Paciugo Stores in the same integrated space as a WHICH WICH® Store or a WICH!™ Store, but with two distinctly branded areas (“Co-brand Stores”). Co-brand Stores will generally share managers, employees, some equipment, and storage space. Franchisees who operate Co-brand Stores are disclosed with this disclosure document and the WWFI disclosure document for the WHICH WICH® or WICH!™ brand, and operate under the Co-brand Addendum attached to this disclosure document as Exhibit C-3 or Exhibit C-4 (as applicable). This disclosure document does not describe the terms upon which WWFI offers franchises. If you and we determine that you will operate a Co-brand Store, then you and we will enter into the Co-brand Addendum.

#### Market and Competition

The market for the products and services that you will offer (frozen desserts and treats) is well-established and highly competitive.

Your Store will compete with businesses that offer frozen desserts and treats such as ice cream, yogurt, smoothies, and shaved ice, some of which may be large, national or regional quick service restaurants, ghost kitchens and delivery only concepts. Additionally, many grocery stores, convenience stores, and other types of retail locations sell individual servings of ice cream, sherbet, sorbet, frozen carbonated and noncarbonated beverages, gelato, and other frozen desserts. Competitors may be locally-owned or large, regional or national chains.

The Franchised Business will also compete with other restaurants and retail businesses for management personnel and for highly sought-after commercial real estate.

### Industry Specific Laws and Regulations

The Franchised Business must comply with laws and regulations that apply to businesses generally, including the Americans with Disabilities Amendments Act, Federal Wage and Hour Laws, and the Occupation, Health, and Safety Act. The Franchised Business also must comply with all laws and regulations that apply to restaurants and food safety handling including regulations promulgated by the U.S. Food and Drug Administration, the U.S. Department of Agriculture, and those issued and enforced by state and local health departments. State and local agencies inspect Stores to ensure that they comply with these laws and regulations. State and local agencies inspect Stores to ensure your compliance with these laws and regulations and those of your state and local health departments and other agencies.

The federal Clean Air Act and various implementing state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide, and particulate matters, including caps on omissions from commercial food preparation. Some areas have also adopted or are considering proposals that would regulate indoor air quality.

Some state and local authorities have also adopted, or are considering adopting, laws or regulations that would affect the content or make-up of food served in restaurants, such as the level of trans fats and sodium contained in a food item. Additionally, the U.S. Food and Drug Administration has issued regulations that require certain restaurants and retail food establishments to post caloric information on menus and menu boards and to provide additional written nutrition information to consumers upon request.

You should consider these laws and regulations when evaluating your purchase of a franchise.

## **ITEM 2 BUSINESS EXPERIENCE**

### Jeffrey P. Sinelli – Manager and Chief Executive Officer

Jeff Sinelli has been our Manager and Chief Executive Officer and has served as the Manager and CEO of Gruppo since October 2017. He is also the founder of Which Wich Superior Sandwiches and has served as WWFI's Director, Chief Executive Officer, and Chief Vibe Officer since September 2003. He also serves as Director and President of SWP Ventures, Inc. (1997 to the present), Director and President of SCII, formerly known as SWP Downtown, Inc, (2003 to the present), Director and President of Which Wich, Inc. (2003 to the present), Director and President of Which Wich Franchise Services, Inc. (2007 to the present), and Director and Chief Executive Officer of WWFII (December 2012 to the present). Jeff Sinelli has been located in Dallas, Texas while serving in all of the positions described above and is currently located in Dallas, Texas.

### Jeremy Cook – Vice President and Brand President

Jeremy Cook has served as our Vice President and Brand President since November 2017. Jeremy has been located in Dallas, Texas while serving in all of the positions described above and is currently located in Dallas, Texas.

### Jeff Vickers – Senior Vice President of Franchise Development (SCII)

Jeff Vickers has served as SCII's Senior Vice President of Franchise Development since December 2012. Jeff has been located in Dallas, Texas while serving in the position described above and is currently located in Dallas, Texas.

## **ITEM 3 LITIGATION**

No litigation is required to be disclosed in this Item.

## **ITEM 4 BANKRUPTCY**

*In re Authentic Gelato, LLC, et al.*, No. 17-33532; United States Bankruptcy Court for the Northern District of Texas. On September 19, 2017, PFLP filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. PFLP's bankruptcy case was jointly administered with its affiliates. On October 31, 2017, the Bankruptcy Court granted PFLP's motion to sell to us certain assets free and clear of liens, claims, and encumbrances, and to assume and assign certain executory contracts. This matter was closed on March 22, 2019.

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

## **ITEM 5 INITIAL FEES**

### Document Preparation Fees

When we approve your franchise application for your first Store, you will pay us a \$750 application and document preparation fee for your first Franchise Agreement.

When we prepare your second and additional Franchise Agreements, if applicable, you will pay us \$250 to prepare each Franchise Agreement and \$250 for any amendment agreement that may be required.

### Initial Franchise Fee

Our initial franchise fee is \$20,000 for your first Store and \$15,000 for each additional Store, unless you are opening a Co-brand Store. The initial franchise fee for a Co-brand Store is \$7,500. Payment of the initial franchise fee is due at the time you sign the additional Franchise Agreement. The initial franchise fee is calculated uniformly for all franchisees and is nonrefundable upon payment.

### Development Fee

If we award you multi-unit development rights, you must sign our Development Agreement (see [Exhibit B](#)). When you sign the Development Agreement, you will pay us a development fee equal to 100% of the initial franchise fee for the first Store to be developed under the Development Agreement (\$20,000 for a Store or \$7,500 for a Co-Brand Store), plus 50% of the initial franchise fee for each additional Store or Co-Brand Store (\$7,500 for Stores, which is half of \$15,000; or \$3,750 for Co-Brand Stores, which is half of \$7,500) to be developed under the Development Agreement. If it is necessary to amend the Development Agreement to reflect negotiated changes, you will pay us an additional \$250 when the Development Agreement is signed to help offset our legal costs of preparing the amendment.

At the same time you sign the Development Agreement, you will sign the Franchise Agreement for the first Store (or Co-brand Store), and we will credit \$20,000 of your development fee payment to satisfy the \$20,000 initial franchise fee due under the Franchise Agreement for the Store (or \$7,500 to satisfy the \$7,500 initial franchise fee due under the Franchise Agreement for the Co-brand Store). When you sign each additional Franchise Agreement under the Development Agreement, we will credit \$7,500 of your development fee payment toward payment of the initial franchise fee of \$15,000 for each additional Store, and you will pay us the remaining \$7,500 initial franchise fee balance at that time. If the Development Agreement is for a Co-Brand Store, when you sign each additional Franchise Agreement under the Development Agreement, we will credit \$3,750 of your development fee payment toward payment of the initial franchise fee of \$7,500 for each additional Co-brand Store, and you will pay us the remaining \$3,750 initial franchise fee balance at that time.

The development fee is calculated uniformly for all franchisees and is nonrefundable upon payment.

### Site Selection Assistance

Before you select a site for your Store, at your request, and/or if we determine it necessary, our representative will visit you one time in your development area, without charge, to either assist you in finding suitable sites or to

evaluate sites that you have identified. If you request additional site visits or assistance, or if we believe additional site visits or assistance are necessary, you must pay us \$500 per additional site visit and pay or reimburse us our out-of-pocket expenses that we incur in providing the assistance, including costs of transportation, lodging, and meals. Once you have an approved site for the Store, you are responsible for site development and build-out.

Pre-Opening Assistance Fee

We will provide you pre-opening assistance and advice we deem appropriate, by telephone or remote means, which may include advice regarding site development and build-out, employee staffing levels and recruiting resources, purchasing and inventory control, marketing methods, and general operational matters. Our pre-opening assistance does not include on-site visits to the Store. If you request an on-site visit, or if we determine it is necessary, you must pay us \$500 for each pre-opening assistance visit we make to the Store, plus you must pay or reimburse us our out-of-pocket expenses that we incur in providing the assistance, including costs of transportation, lodging, and meals.

Opening Assistance Fee

With respect to your first Store, we will provide five days of on-site opening assistance. To help reimburse for our expenses related to this assistance, you must pay us an Opening Assistance Fee, which is a non-refundable, flat fee of \$5,000. If you ask us to provide additional assistance for your opening, we may charge you for it, based on our then-current per diem rate plus our related expenses, including costs of travel, lodging, and meals. Our current per diem fee is \$250 per day per person providing assistance. These amounts are not refundable.

With respect to your second or additional Stores, although we are not required to provide pre-opening or opening assistance, if you request our assistance, or if we consider the assistance necessary, we will provide the assistance for the same amount as the then-current Opening Assistance Fee.

If you are opening a Co-brand Store, you will not be charged an Opening Assistance Fee under your Paciugo Franchise Agreement, and the length of the opening assistance may be different than the period described above.

Veteran’s Discount

We offer a military discount to veterans who have a certified DD214 issued by the U.S. Department of Defense. The discount is \$5,000 off the initial franchise fee of \$20,000 for the first Franchise Agreement entered into for the development of a new Store. We may, but are not required to, offer our then-current military discount (if any) on second and subsequent Franchise Agreements entered into for the development of new Store.

**ITEM 6  
OTHER FEES**

**Franchise Agreement**

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Royalty Fee	6% of Gross Sales	Weekly	See Note 2 for the definition of Gross Sales. You will pay the royalty fee by electronic funds transfer.
Brand Development Fund Contribution	2% of Gross Sales	Weekly	You will contribute to the Brand Development Fund by electronic funds transfer.
Local Advertising Requirement	2% of Gross Sales	Monthly	We may require all or a portion of the local advertising requirement dollars be contributed to a

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
			franchisee advertising cooperative and/or to the Brand Development Fund. We may also require you to pay us directly your required local advertising contribution, then we will reimburse you for your actual local advertising expenditures and contribute the remainder to the Brand Development Fund. Payments will be made by electronic funds transfer.
Franchisee Advertising Association / Cooperative ("Cooperative")	As determined by the applicable Cooperative, plus all fees associated with forming the Cooperative (see Item 11 for Cooperative - specific information)	As determined by the applicable Cooperative	Currently, we have no Advertising Cooperatives. If any are established, you must participate in a franchisee Cooperative, if we require. The members of the Cooperative must pay regular dues and all fees associated with the formation of the Cooperative. We may require you to pay your required Advertising Cooperative contributions to us via electronic funds transfer. If we do, we will then submit your contributions to the Cooperative. Cooperative members determine the amount of required contributions by majority vote, with each Paciugo Store (including Stores owned by us or our affiliates) entitled to one vote. In addition to the votes we get for each Paciugo Store in the area served by the Cooperative, we get one additional vote. As of the issuance date, there were no Stores owned by us or our affiliates.
Unauthorized Advertising	\$1,000 per occurrence	When billed	We have the right, at our option, to assess you a \$1,000 fee per occurrence for the use of any unauthorized marketing and advertising materials. If we assess this fee, we are not limited or precluded from seeking other remedies available to us.

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Business Directory Listing	Cost	On demand	You will place and pay the cost of business directory listings (which may be print and/or electronic format) in the directories and categories as we specify.
Merchandise for Resale; Equipment; Decor Items	Reasonable cost	On demand	We may provide to you at a reasonable cost certain collateral merchandise for resale that identifies the system; for example, caps, and t-shirts, equipment, and decor items.
Related Promotional Costs	Varies per promotion	On demand	You must participate, at your expense, in any loyalty programs, prize promotions, sweepstakes, meal deals, and/or any other promotional campaign that we designate.
Interest	18% per year or the maximum lawful rate	On demand	We may charge interest on all overdue amounts.
Non-sufficient Funds Fee	\$50 for each returned check or draft, plus all expenses we incur	On demand	
Additional Opening Assistance	If requested by you or required by us, then-current per diem, plus reimbursement of our travel-related expenses; our current per diem rate is \$250 per person providing assistance	Before additional training	You must also pay the expenses of your personnel who attend training; subject to availability of our personnel.
Additional Training	Cost of tuition and training materials (\$1,400 as of the date of this disclosure document) as determined at the time, plus expenses of your personnel who attend training	Before additional training	You must also pay the expenses of your personnel who attend training.
On-site Remedial Training	Then-current per diem fee for remedial training, plus reimbursement of our travel-related expenses; our current per diem rate is \$250 per person who provides training	When billed	If you ask, or if we require, we will (subject to availability) provide trained representatives to conduct on-site remedial training at your Store.

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Transfer Fee	<p>No fee to transfer for convenience of ownership or non-controlling interest, except reimbursement of our attorneys' fees</p> <p>For all other transfers of Stores: at our election, either \$7,500 if transferee is an existing franchisee or \$10,000 if transferee is not an existing franchisee</p> <p>\$0 if the Store being transferred is a Co-brand Store</p>	When transfer is requested	<p>Convenience of ownership: There is no fee if an individual assigns his or her rights to a corporation, limited liability company, or other entity controlled by the same individual.</p> <p>All transfer fees are non-refundable.</p> <p>If the Store being transferred is a Co-brand Store, a \$10,000 transfer fee will be paid under the terms of the WHICH WICH® franchise agreement. You will not pay two transfer fees to transfer your Co-brand Store.</p>
Relocation Fee	No fee if relocation is due to an event of Force Majeure; for requested relocations, there is a \$5,000 Relocation Fee	Upon approval of request to relocate	
Private or Public Offering Fee	Reimbursement of our reasonable costs and expenses associated with the proposed offering	When billed	We limit our review to the manner in which the offering materials treat our relationship with you.
Renewal Fee	50% of our then-current initial franchise fee	Signing of renewal Franchise Agreement	You must give us at least 12 months and not more than 24 months' notice to renew and meet other renewal conditions.
Inspection and Testing	Cost of inspection, if applicable, and cost of test	When billed	Before approving a supplier at your request, we may require you to pay the cost of testing the supplier's products and the cost of inspecting its facilities, including reimbursement of transportation, lodging, meals, and salary expense for individuals performing the evaluation.
Indemnification	Varies according to loss	On demand	You must defend and indemnify us against certain losses relating to your actions.

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Audit Fee	Cost of audit	When billed	Payable if an audit shows you have understated any amount owed to us by 3% or more.
Unreported Sales Fee	\$1,000 per failure to report	On demand	Payable if we discover your failure to account for Gross Sales through any method other than an audit.
Intranet Fee	A reasonable amount based on our costs; \$0 per month as of the date of this disclosure document	Monthly	The Intranet Fee is an amount we determine based on our costs.
Insurance Fee	A reasonable amount based on our administrative expenses	On demand	If you fail to maintain the required insurance, we may (but need not) obtain it for you. If we do, we will charge you a fee, plus our administrative expenses.
Enforcement Costs (Administrative Fee)	Will vary	As incurred	If you do not comply with the Franchise Agreement, we have the right to charge you a fee not to exceed \$100 per hour for costs we incur in enforcing the Franchise Agreement due to your failure to comply with any provision plus attorneys' fees and other related costs.
Online Ordering	Up to \$200 per month; \$0 as of the date of this disclosure document	When billed	You must participate in the customer online ordering program, and you must pay for the costs associated with the program.
Operating Days	\$250 per day, each day your Store is closed without permission	On demand	You must open and operate the Store seven days a week unless otherwise directed in the Manual or previously approved by us in writing.
Customer Comment Reimbursement	Will vary	On demand	In the event customers contact us with complaints about your Store, you must reimburse us for any payments we make to the customer, and the payment made to the customer will be at our discretion. We require you to pay the Customer Comment



Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
			Reimbursement Fee through electronic funds transfer.
Equipment Replacement or Repair Fee	Will vary	As incurred	In the event equipment is removed because it does not comply with System standards, we have the right to replace such equipment or to make arrangements to have such equipment serviced, repaired, and/or cleaned at your expense.
De-identification Fee	Will vary	On demand	We have the right, at our option and at your expense, to enter the Store premises and take all actions necessary to de-identify the premises as a Paciugo Store. Such costs incurred due to our de-identification efforts must be paid by you immediately upon notice.
Liquidated Damages	A lump sum amount equal to the Store's weekly average Gross Sales for the 104 weeks (two years) before termination or permanent closure (or if the Store has not been operating for 104 weeks, the average of the weeks of actual operation), multiplied by the Royalty Fee, multiplied by the lesser of 104 weeks (two years) or the number of weeks remaining in the Term of the Franchise Agreement		You must pay liquidated damages if the Franchise Agreement is terminated or if you permanently close the Store before the expiration of the Term of the Franchise Agreement. Liquidated damages begin from the earlier of the termination date or the date that you cease to operate the Store.

Notes:

(1) All fees and expenses described above are non-refundable and, unless otherwise indicated, we impose all fees uniformly, and all fees that are payable to us will be paid by electronic funds transfer or other means we specify. We do not impose or collect any other fees or payment for any third party. Unless we have noted differently, we may increase these amounts at any time based on changes in market conditions, our cost of providing services, and future policy changes, but we have no present plans to increase any fees.

(2) "Gross Sales" is the total "Selling Price" of all services and products and all income of every other kind and nature related to your Paciugo Franchised Business, including income related to catering operations and special events and the full value of meals provided to your bona fide employees as a benefit of their employment (except you may deduct from Gross Sales the value of any employee discounts that are given during the week in which the meals are provided), whether for cash or credit and regardless of collection in the case of credit. Gross Sales does not include (i) receipts from any public telephone, vending machine, or video games installed in your Paciugo Store,

except for your share of the revenues; (ii) sales (or similar) taxes that you collect from your customers if you transmit them to the appropriate taxing authority; (iii) proceeds from isolated sales of trade fixtures that are not part of the products and services you offer and that do not have any material effect on the operation of your Paciugo Store; (iv) tips or gratuities paid directly by Store customers to your employees or paid to you and then turned over to these employees by you in lieu of direct tips or gratuities; or (v) returns to shippers or manufacturers. Gross Sales also does not include proceeds from the sale of gift certificates or stored value cards (all proceeds from the sale of gift certificates and stored value cards belong to us), but it does include the redemption value of gift certificates and stored value cards at the time purchases are made. You are responsible for the accurate reporting of gift certificate and stored value card sales and the corresponding impact on Gross Sales. You have until 30 days after the end of our fiscal year to notify us of any errors you made in calculating Gross Sales as those errors relate to the reporting of gift certificate and stored value card sales. “Selling Price” is defined as the non-discounted, regular menu price.

**Development Agreement**

Type of Fee	Amount	Due Date	Remarks
Transfer Fee	No fee to transfer for convenience of ownership or non-controlling interest, except reimbursement of our attorneys’ fees For all other transfers: \$7,500 if transferee is an existing franchisee or \$10,000 if transferee is not an existing franchisee; fee is non-refundable	With transfer application When transfer is requested	Convenience of ownership: There is no fee if an individual assigns his or her rights to a corporation, limited liability company, or other entity controlled by the same individual.
Enforcement Costs (Administrative Fee)	Will vary	As incurred	If you do not comply with the Development Agreement, we have the right to charge you a fee not to exceed \$100 per hour for costs we incur in enforcing the Development Agreement due to your failure to comply with any provision plus attorneys’ fees and other related costs.
Indemnification	Varies according to loss	On demand	You must defend and indemnify us against certain losses relating to your actions.

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**  
**YOUR INITIAL ESTIMATED INVESTMENT**

**Paciugo Gelato Caffè**

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee <sup>(1)</sup>	\$15,000 to \$20,000	Lump Sum	When you sign the Franchise Agreement and Development Agreement	Us
Initial Application and Document Preparation Fee <sup>(2)</sup>	\$250 to \$750	As Arranged	As Arranged	Us
Site Selection Assistance <sup>(3)</sup>	\$0 to \$1,000	As Arranged	As Arranged	Us
First Month's Rent and Security Deposit <sup>(4)</sup>	\$2,000 to \$10,000	As Arranged	As Arranged	Lessor
Leasehold Improvements <sup>(4)</sup>	\$73,000 to \$306,000	As Arranged	As Arranged	Contractor
Store Design Consulting Services <sup>(5)</sup>	\$0 to \$1,500	As Arranged	As Arranged	Suppliers
Furniture, Fixtures, Equipment, and Signage <sup>(6)</sup>	\$115,000 to \$198,000	As Arranged	As Arranged	Suppliers
Initial Training Costs <sup>(7)</sup>	\$500 to \$4,000	As Arranged	As Invoiced	Employees and Suppliers
Pre-Opening Consultation <sup>(8)</sup>	\$0 to \$1,000	As Arranged	As Arranged	Us
Opening Assistance Costs <sup>(9)</sup>	\$0 to \$5,000	As Arranged	As invoiced	Us
Computer Hardware and Software <sup>(10)</sup>	\$4,000 to \$8,000	As Arranged	As Arranged	Suppliers
Initial Inventory/Supplies <sup>(11)</sup>	\$8,000 to \$10,000	As Arranged	As Arranged	Our Affiliates and/or Suppliers
Professional Services <sup>(12)</sup>	\$1,200 to \$4,000	As Arranged	As Arranged	Accountants, Lawyers, etc.

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Opening Advertising Expenses <sup>(13)</sup>	\$3,500 to \$10,000	As Arranged	As Arranged	Suppliers
Insurance <sup>(14)</sup>	\$250 to \$3,000	As Arranged	As Arranged	Insurance Broker
Additional Funds <sup>(15)</sup> (three months)	\$10,000 to \$30,000			
TOTAL <sup>(16)</sup>	\$232,700 to \$612,250			

**Paciugo Gelato Kiosk**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee <sup>(1)</sup>	\$15,000 to \$20,000	Lump Sum	When you sign the Franchise Agreement and Development Agreement	Us
Initial Application and Document Preparation Fee <sup>(2)</sup>	\$250 to \$750	As Arranged	As Arranged	Us
Site Selection Assistance <sup>(3)</sup>	\$0 to \$1,000	As Arranged	As Arranged	Us
First Month's Rent and Security Deposit <sup>(4)</sup>	\$2,000 to \$10,000	As Arranged	As Arranged	Lessor
Design Services; Leasehold Improvements; Furniture, Fixtures, and Equipment; and Signage <sup>(6)</sup>	\$68,000 to \$192,000	As Arranged	As Arranged	Suppliers
Initial Training Costs <sup>(7)</sup>	\$500 to \$4,000	As Arranged	As Invoiced	Employees and Suppliers
Pre-Opening Consultation <sup>(8)</sup>	\$0 to \$1,000	As Arranged	As Arranged	Us
Opening Assistance Costs <sup>(9)</sup>	\$0 to \$5,000	As Arranged	As invoiced	Us

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Computer Hardware and Software <sup>(10)</sup>	\$4,000 to \$8,000	As Arranged	As Arranged	Suppliers
Initial Inventory/Supplies <sup>(11)</sup>	\$5,000 to \$5,500	As Arranged	As Arranged	Our Affiliates and/or Suppliers
Professional Services <sup>(12)</sup>	\$1,200 to \$4,000	As Arranged	As Arranged	Accountants, Lawyers, etc.
Opening Advertising Expenses <sup>(13)</sup>	\$3,500 to \$10,000	As Arranged	As Arranged	Suppliers
Insurance <sup>(14)</sup>	\$250 to \$3,000	As Arranged	As Arranged	Insurance Broker
Additional Funds <sup>(15)</sup> (three months)	\$10,000 to \$30,000			
TOTAL <sup>(16)</sup>	\$109,700 to \$294,250			

Notes:

(1) See Item 5 for more information about the initial franchise fee and development fee. If you open a Co-brand Store, the low end of the range of the initial franchise fee will be \$7,500. If you enter into a Development Agreement with us, we credit the allocable portion of your development fee against your initial franchise fee for each Store, and the initial franchise fee for your second and additional Stores will be \$15,000. If you enter into any development agreement described above, the total initial investment reflected in the above table will increase by the amount of the development fee. The development fee will be 100% of the initial franchise fee for the first Store to be developed under the Development Agreement (\$20,000), plus 50% of the initial franchise fee for each additional Store (currently, \$7,500 for a Caffè or Kiosk and \$3,750 for a Co-brand Store) to be developed under the Development Agreement.

(2) When we approve your franchise application to develop your first Store, you will pay us \$750 (consisting of a \$500 application fee plus a \$250 document preparation fee for your first Store). At the time we prepare the Franchise Agreement for your second Store any additional Franchise Agreements for you, you will pay us \$250 to prepare each Franchise Agreement and \$250 for any amendment agreement that may be required, including an amendment to the Development Agreement.

(3) The high figure assumes that two additional site visits are required. Additionally, you will have to pay our costs of transportation, lodging, and meals.

(4) We estimate that a typical Caffè (which may include, for example, street locations, in-line lifestyle shopping center locations, or other retail locations) will need from 800 to 1,200 square feet of floor space. The high figure for a typical Caffè also assumes that the landlord will be providing a \$60,000 allowance for tenant improvements. We estimate that a typical Kiosk will need from 120 to 200 square feet of floor space. It is not possible for us to estimate your rent expenses with much certainty, due to the material differences in these costs from location to location, and because some institutional landlords may charge a variable rent based on a percentage of your sales, with or without a fixed minimum rental charge. You should investigate rents in your area. Your actual costs for leasehold improvements also will be affected by various other factors like the location of the Store, current market conditions, and whether union fees are imposed upon construction costs. Your actual costs may or may not include site preparation and finish-out costs, depending on the arrangements you negotiate with your landlord. These estimates may vary substantially based on your ability to negotiate with your landlord and your financial strength, as well as on local commercial leasing, labor rates, and other local conditions.

(5) The minimum includes consultation with no site visit. The maximum includes a site visit by the consultant, plus you may have to pay the consultant's additional out-of-pocket expenses.

(6) These amounts include the cost and installation of the furniture, fixtures, equipment, smallwares, decor items, interior graphics, sound system, and signage required for your Store.

(7) We provide, at no additional charge, initial training to the people we require to attend the initial training. We may require you to attend additional training conducted by third parties. The high end of the range is an estimate of your training-related, out-of-pocket costs for two people to attend initial training; wages are not included. You must pay all expenses you or your employees incur in the initial training programs, like travel, lodging, meals, and wages. These costs will vary depending upon a variety of factors including salaries, wage rates, choice of hotels and dining facilities, and airfare or other transportation costs. You are not required to participate in initial training for your second and additional Stores. The zero dollar amount assumes that neither you nor any of your employees attend initial training in relation to your second or additional Stores.

(8) The low figure assumes no on-site pre-opening assistance visits; the high figure assumes two pre-opening, on-site consultation visits. Additionally, you will have to pay our costs of transportation, lodging, and meals.

(9) For your first Store, we provide on-site opening assistance for five days for a flat Opening Assistance Fee of \$5,000. For your second and each additional Store, at your request, or if we deem it necessary, we will provide additional on-site opening assistance, subject to the availability of our personnel, and you must pay us the then-current Opening Assistance Fee amount. The zero dollar amount assumes that you do not request opening assistance for your second or additional Store. The zero dollar amount also represents the Opening Assistance Fee you are required to pay under your Paciugo Franchise Agreement if you open a Co-brand Store.

(10) The low figure assumes that you will lease or finance payment of the computer system and reflects three months of estimated lease or finance payments (\$500 per month). The high figure assumes that you will purchase the computer system.

(11) This estimate includes the cost of food, beverages, condiments, packaging, and other supplies for approximately the first two to ten days of operations.

(12) This estimate covers professional and state filing fees for forming a business entity, and professional fees for engaging an attorney to assist you with your franchise purchase. The cost of professional services can vary widely.

(13) Unless we agree otherwise, you must carry out an advertising program that promotes the opening of the Store that complies with our written specifications. We must approve all advertising items, methods, and media. If you are opening a Co-brand Store, you are not required to spend any specific amount under the Paciugo Franchise Agreement.

(14) This amount represents an estimated down payment of your annual insurance premiums, equal to one month's payment. Your cost of insurance may vary depending on the insurer, the location of your Store, your claims history, and other factors.

(15) You will need additional funds during the start-up phase of your business to pay employees, purchase supplies, and pay other expenses. We estimate the start-up phase to be three months from the date you open for business. These amounts do not include any estimates for debt service. You must also pay the royalty and other related fees described in Item 6 of this disclosure document. These figures are estimates, and we cannot assure you that you will not have additional expenses. Your actual costs will depend on factors like your management skills, experience, and business acumen. You should base your estimated start-up expenses on the anticipated costs in your market and consider whether you will need additional cash reserves. We relied on the experience of our franchisees to compile these estimates. You should review these figures carefully with your business advisor.

(16) Your total initial investment will be more if you open a Co-brand Store.

Unless otherwise stated above, these estimates are subject to increases based on changes in market conditions, the cost of providing services, and future policy changes. At the present time, we have no plans to increase payments we control.

We do not offer any financing for your initial franchise fee or any portion of your initial investment. Unless otherwise stated, the amounts described above are not refundable.

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

### Purchases from Approved or Designated Suppliers; Purchases According to Specifications

You must purchase from us or from designated sources all: (1) fixtures, furniture, equipment, interior and exterior signage, graphics, decor, trade dress, and Store design consulting services; (2) food products and ingredients whether or not they are developed by or for us through a special recipe, formula, or specifications, including but not limited to bread, bread products, meat, and protein-related products; (3) all fountain and bottled beverages; (4) uniforms, shirts, memorabilia, and all merchandise and items intended for retail sale (whether or not bearing our Marks); (5) advertising, point-of-purchase materials, and other printed promotional and marketing materials; (6) gift certificates and stored value cards; (7) stationery, business cards, contracts, and forms; (8) bags, packaging, and supplies bearing our Marks; and (9) all other goods and/or services as we require. In addition to approved suppliers, we may require you to buy your requirements of food, ingredients, and supplies from affiliated or third-party distributors. Our affiliate, PD, is one of the approved distributors of our proprietary gelato and currently is the only approved distributor in some geographic areas. Information concerning approved and designated suppliers will be communicated to you via the Manual.

You must purchase the computer hardware and software that we require from our approved third-party vendor.

If you propose to purchase from an unapproved source any items for use in your Store for which we have identified, designated, or approved supplier(s), you must request our approval. We may require, as a condition of granting approval, that our representatives be permitted to inspect the supplier's facilities, and that information, specifications, and samples as we reasonably require be delivered to us or to an independent, certified laboratory for testing. We may charge a fee for testing, which will not exceed the reasonable cost of the inspection and the actual cost of the test. We will notify you within 60 days after your request as to whether you may purchase products from the proposed supplier. If we agree to evaluate a supplier, we will provide the supplier with our specifications and standards and our criteria for supplier approval.

Except as described above, neither we nor any of our Affiliates are designated or approved suppliers for any products or services, and neither we, nor any of our officers owns an interest in any privately-held suppliers or a material interest in any publicly-held suppliers of our franchise system.

You may purchase items and services for which we have not identified approved suppliers from any supplier, if the items and services meet our specifications. These specifications may include brand requirements. If brand requirements have been identified, you may purchase and use only approved brands.

### Franchised Location and Lease

You must acquire a site for your Store that meets our site selection criteria and that we approve. If the Store occupies a space according to a commercial lease, the lease must contain terms that we specify. (See Lease Rider attached as Attachment D to the Franchise Agreement.)

You must construct, equip, and improve the Store in compliance with our then-current design standards and trade dress, and you must obtain initial Store design consulting services from us or an approved supplier. You must purchase and install, at your expense, all millwork and customized seating, fixtures, furnishings, equipment, decor, and signs from us or an approved third-party supplier.

### Insurance

You must obtain and maintain insurance policies protecting you and us and our affiliates as additional insureds on a primary non-contributory basis. The insurance must be underwritten by insurers licensed and admitted to write coverage in the state in which the Store is located and with a rating of "A" or better by the A.M. Best Company's rating guide. These policies must include the coverage that we require, which currently includes: (a) "all risk"

property insurance, including business interruption insurance, customarily obtained by similar businesses in the Store's principal trade area; (b) comprehensive general liability insurance, including products and contractual, in an amount of not less than \$2,000,000 combined single limit; (c) automobile liability coverage, including coverage of owned, non-owned and hired vehicles with coverage in amounts not less than \$1,000,000 combined single limit; and (d) workers' compensation insurance in amounts required by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation for injured workers satisfactory to us. You and your insurers must agree to waive rights of subrogation against us and our affiliates. At least 10 days before you are required to carry insurance, and after that at least 30 days before the expiration of any policy, you must deliver to us certificates of insurance evidencing the proper types and minimum amounts of required coverage, and evidence of the waiver. We reserve the right to unilaterally modify the minimum coverage requirements set forth above as market or industry conditions warrant. We also recommend that you discuss with your insurance professional whether or not you should carry other types of insurance applicable to the Franchised Business, such as employment practices liability insurance and insurance relating to data privacy breaches.

#### Revenue Derived from Franchisee Purchases and Leases

We and our affiliates may derive revenue from your purchases and leases to the extent that you buy products or services from us or from our affiliates. In 2022, we received \$159,320 from franchisee purchases.

We also may receive payments or material benefits from suppliers based on your purchases or leases. Our affiliate has negotiated a national pricing and supply contract with a food supplier under which the supplier makes periodic payments to our affiliate based on franchisee purchases. Our affiliate also has entered into agreements with other suppliers which provide for the suppliers' payment of rebates based on purchases by the system. Our affiliate may receive payments of between 2.5% and 47.5 % of the value of system purchases. During our fiscal year ended December 31, 2022, we and our affiliate received revenue of \$14,789 based on franchisee purchases or leases as a result of the contractual relationships described above, which was 3% of our total revenue of \$492,182. The revenue derived from franchisee purchases or leases was either paid to franchisees as a rebate, contributed to the Brand Development Fund, or reserved to assist in funding our Paciugo Franchise Meeting(s).

#### Estimated Proportion of Required Purchases and Leases to all Purchases and Leases

We estimate that your purchases and leases from us or our designated suppliers will be approximately 90% of your total initial investment (not including the initial franchise fee) and approximately 90% to 95% of your ongoing purchases and leases in the operation of the Franchised Business.

#### Description of Purchasing Cooperatives; Purchasing Arrangements

We may negotiate purchase arrangements with primary suppliers for the benefit of franchisees. If we negotiate a purchase agreement for the region where your Store is located, you must participate in the purchasing program. We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers.

Currently, no purchasing or distribution cooperatives exist in the franchise system.

## **ITEM 9 FRANCHISEE'S OBLIGATIONS**

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



Obligation	Section(s) in Franchise Agreement	Section(s) in Development Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 3.1., 3.2., and 3.3.	Not applicable	Items 8 and 11
b. Pre-opening purchases/leases	Sections 3.4., 6.5., 6.6., 10.1., and 10.2.	Not applicable	Items 5, 6, 7, 8, and 11
c. Site development and other pre-opening requirements	Sections 3.4., 5.2., and 5.3.	Article 4.	Items 1, 7, 8, and 11
d. Initial and ongoing training	Sections 5.1., and 5.5.	Not applicable	Items 6, 7, and 11
e. Opening	Sections 3.5. and 5.3.	Section 4.5.	Items 7 and 11
f. Fees	Summary Pages and Sections 2.2., 2.3., 3.1., 3.6., 3.7., 4.1., 4.2., 4.8., 4.10., 4.11., 5.3., 5.5., 6.4., 6.8., 6.11., 9.1., 9.3., 9.4., 9.5., 9.6., 10.8., 11.2., 12.4.1., and 12.4.6.	Summary Pages and Article 3.	Items 5, 6, 8, and 11
g. Compliance with standards and policies/Manual	Articles 6. and 8. and Sections 1.1., 3.4., 3.5., 3.7., 4.7., 7.6., 9.1., 9.2., 9.5., 9.6., 10.2., and 12.4.	Sections 4.3. and 8.4.	Items 8, 11, 14, and 16
h. Trademarks and proprietary information	Article 7.	Not applicable	Items 11, 13, and 14
i. Restrictions on products/services offered	Sections 6.4., 6.5., 6.6., and 6.8.	Not applicable	Items 8 and 16
j. Warranty and customer service requirements	Not applicable	Not applicable	Item 16
k. Territorial development and sales quotas	Not applicable	Summary Pages and Article 4.	Item 12
l. Ongoing product/service purchases	Sections 6.4., 6.5., 6.6., and 8.2.	Not applicable	Items 8, 11, and 16
m. Maintenance, appearance and remodeling requirements	Sections 6.7., 6.9., and 12.4.4.	Not applicable	Item 8

Obligation	Section(s) in Franchise Agreement	Section(s) in Development Agreement	Disclosure Document Item
n. Insurance	Section 11.2.	Section 7.2.	Items 7 and 8
o. Advertising	Article 9.	Not applicable	Items 6, 8, and 11
p. Indemnification	Section 11.3.	Section 7.3	Item 6
q. Owner's participation/ management/staffing	Sections 6.2., 6.3., and 6.7.	Not applicable	Items 1, 11, and 15
r. Records and reports	Sections 10.5., 10.6., 10.7. and 10.8	Not applicable	Item 11
s. Inspections and audits	Sections 6.9. and 10.8.	Not applicable	Items 6 and 11
t. Transfer	Article 12.	Article 8.	Items 6, 12, and 17
u. Renewal or extension of rights	Section 2.2.	Section 2.2.	Items 6, 12, and 17
v. Post-termination obligations	Article 14. and 15.2.	Section 2.2.	Item 17
w. Noncompetition covenants	Section 15.1. and 15.2.	Article 10.	Item 17
x. Dispute resolution	Article 19.	Article 14.	Item 17

## ITEM 10 FINANCING

We do not offer direct or indirect financing, and we do not guarantee your notes, leases, or other obligations.

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

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

Before you open your Store, we or our designee will:

1. Provide you site selection assistance you request or we believe to be necessary. (Franchise Agreement, Section 3.1.).
2. Review your proposed site for compliance with our site selection guidelines and approve or deny your site approval request within 60 days after receiving your site information. However, once your site is approved, we are not responsible for any construction delays due to change orders, acts of God, disputes with landlords, architects, contractors, subcontractors, or any other vendor or due to any other action or reason occurring under your

management of the build-out (Franchise Agreement, Section 3.2.).

3. Provide you access to our Manual (Franchise Agreement, Section 8.1.).
4. Provide you a list of any approved suppliers (Franchise Agreement, Sections 6.4., 6.5., and 6.6.).
5. Conduct an initial training program (Franchise Agreement, Section 5.1.).
6. With regard to your first Store, provide you on-site pre-opening consultation and opening assistance (Franchise Agreement, Sections 5.2. and 5.3.).
7. Review your opening advertising promotion plan and materials (Franchise Agreement, Section 9.2.).

During the operation of the Franchised Business, we or our designee will:

1. Provide ongoing consultation and offer remedial or additional training, at our option (Franchise Agreement, Section 5.4., 5.5., and 5.6.).
2. Give you any advice and written materials we may develop on the techniques of managing and operating Paciugo. (Franchise Agreement, Section 5.4.).
3. At our discretion, make available to you at a reasonable cost any merchandise we develop or approve for resale (Franchise Agreement, Section 6.6.).
4. Give you updated lists of approved suppliers, as we deem appropriate (Franchise Agreement, Section 6.6.3.).
5. Administer the Brand Development Fund and provide any advertising and promotional materials we develop for local advertising (Franchise Agreement, Section 9.3.).
6. Provide you access to proprietary software programs (if any) that may be developed by us or on our behalf for use in the System. We reserve the right to charge a reasonable license fee (Franchise Agreement, Section 10.2.).

We are not obligated to and currently do not provide assistance in establishing prices, including setting minimum and/or maximum prices for products and services.

### Advertising

Our advertising program for the products and services offered by Paciugo Stores currently consists primarily of local Store marketing efforts coordinated at the Store level by individual franchisees. These activities may include both marketing inside the Store to current customers, as well as external efforts. In addition, some marketing activities are coordinated at the national level. These activities may include national “limited time offer” menu items, public relations, social media, email marketing, local marketing consultation with franchisees, loyalty programs, and other national-level efforts. Our advertising materials currently are created in-house and with the help of an outside advertising agency. You may develop your own advertising and marketing materials, at your own expense, subject to the requirements described below.

We must approve all of your promotional and marketing materials before you may use them, whether in paper, electronic, or digital format. To obtain approval, you must submit to us samples of the proposed materials and notify us of the intended media. We will use good faith efforts to approve or disapprove your materials within 15 days from the date we receive them. You may not use the materials until they are approved, and we have the right to disapprove materials that we have previously approved.

### Opening Advertising

Unless we agree otherwise, within 30 days after opening the Store, you must carry out an advertising program that promotes the opening of the Store. Your advertising program must comply with our standards, which may include, but are not limited to, the requirement of certain materials and media, the length of the promotion, and the amount spent, which we estimate may range from \$3,500 to \$10,000. We must approve, in advance, all advertising items, methods, and media you use in connection with opening advertising program. If you are opening a Co-brand Store, you are not required to spend any amount on opening advertising.

## Brand Development Fund

You must contribute weekly to the Brand Development Fund 2% of Gross Sales.

We have the right to use Brand Development Fund monies to pay for any and all advertising, marketing, promotions, and public relations activities that use or contain the Marks. Such expenses may include: creative development services (including creation (and related research) and modification of Store design and trade dress, logos, Marks, copyrights, and other intellectual property, menu design, graphics and vehicle wraps, and advertising and promotional items, including the cost of retiring expired or obsolete printed items and materials, photography services, and design software); preparing and procuring market studies, providing or obtaining marketing services (including, without limitation, new product development; conducting customer surveys, focus groups, and marketing-related mystery shops and customer interviews); employing advertising and/or public relations agencies; developing, producing, distributing and placing advertising (including, without limitation, preparing and conducting media advertising campaigns in various media, local Store advertising and promotion in a particular area or market, or for the benefit of a particular Paciugo Store or Stores in connection with Store opening promotions or otherwise); conducting crypto currency and other blockchain promotions, developing and maintaining a presence on any virtual platform (including, without limitation, the metaverse); conducting and administering in-Store promotions; preparing and executing direct mail advertising, and developing, producing, and purchasing point-of-sale advertising, menus and menu boards, and other sales aids and promotional items and materials); research and development (including, without limitation, purchase of equipment (including ovens), smallwares, and packaging required for new product testing and development, hiring culinary talent and/or engaging culinary consultants, and intellectual property-related research and filings, including patents and Internet-based intellectual properties); developing, updating, and hosting Paciugo websites and web-based platforms (including development of locator programs) and/or an intranet or extranet system; soliciting new franchises; obtaining sponsorships and endorsements; preparing and conducting sweepstakes and other promotions; developing, administering, and distributing coupons, certificates and stored value card programs, and the cost of products associated with the redemption of free coupons, gift certificates and stored value cards; developing and administering other customer loyalty programs; developing and administering online ordering platforms; providing and procuring public relations services; conducting public relations activities; charitable donations; and membership fees in international, national, regional, and/or local trade or other associations or organizations. From time to time, we may engage in initiatives, new or otherwise, relating to the brand development activities stated above, and in order to implement or maintain the new or existing initiatives, we may use Brand Development Fund monies to pay for the initial and recurring costs of new or existing initiatives. We may use Brand Development Fund monies to reimburse us for our costs of personnel and other administrative and overhead costs (whether internal or third party) associated with providing the Brand Development Fund activities. We reserve the right to shift all or a portion of an initiative's recurring costs from the Brand Development Fund to the franchisees, as authorized under the Franchise Agreement.

We or our designee will administer the Brand Development Fund. Any amounts contributed to the Brand Development Fund that are not spent in the year they are collected will remain in the Brand Development Fund for use during the next year. In any fiscal year, we may spend on behalf of the Brand Development Fund an amount greater or less than the aggregate contributions of all franchisees to the Brand Development Fund in that year. The Brand Development Fund may borrow money from us or others to cover deficits, if any, from time to time. If we or our affiliate lends money to the Brand Development Fund, we may charge interest at an annual rate that is 1% greater than the rates we or our affiliates pay our lenders.

Although not contractually required to do so, we anticipate that each Paciugo Store owned by us or an affiliate of ours will contribute to the Brand Development Fund on the same basis as our franchisees. Upon your reasonable request, we will provide you an annual unaudited statement of Brand Development Fund contributions and expenditures. We are not obligated to spend Brand Development Fund monies on the placement of advertising in your trading area or to ensure that your Store benefits directly or on a *pro rata* basis from the expenditure of Brand Development Fund monies.

During our fiscal year ending December 31, 2022, we spent Brand Development Fund contributions as follows: 15% on advertising and marketing production; 10% on media placement and digital marketing; 69% on

administrative expenses, and 6% on research and development.

### Local Advertising

In each calendar year during the term of the Franchise Agreement, you must spend 2% of Gross Sales to promote the Store in your market area. However, we may require you to contribute all or a portion of your local advertising dollars to the Brand Development Fund and/or to an Advertising Cooperative, described below. You will be given credit for having made your required local advertising expenditures when these substitute contributions are made by you. Additionally, we may require you to pay us your required local advertising expenditures via weekly contributions, and we will reimburse you on a quarterly basis from these monies, based upon the actual documented amount spent on advertising by you. Any amount less than 2% of Gross Sales not spent by you for the fiscal year will be contributed to the Brand Development Fund.

### Franchisee Advertising Cooperative or Advertising Council

We can designate any geographic area in which two or more affiliate-owned or franchised Paciugo Stores are located as a region for a franchisee advertising association/cooperative (“Cooperative”). If we do, the Cooperative must be organized and governed as we determine, and the Cooperative must pay any fees associated with organizing the Cooperative including attorneys’ fees and state filing fees. Any Cooperatives we authorize will be for the exclusive purpose of administering advertising programs and developing promotional materials for use by members in local advertising. If a Cooperative is established for an area in which any Store is located, you must become a member of the Cooperative and participate in the Cooperative by contributing the amounts required by the Cooperative’s governing documents, and you must abide by the Bylaws of the Cooperative. The Cooperative will have the right to establish its own fees. You must also submit to the Cooperative and to us all statements and reports that we, or the Cooperative, may require. Cooperative contributions will be maintained and administered under the Cooperative’s governing documents, and the Cooperative will be operated solely as a conduit for the collection and expenditure of advertising contributions. We may require you to pay your required Advertising Cooperative contributions to us via electronic funds transfer. If we do, we will then submit your contributions to the Cooperative on your behalf.

We have the sole right to form, change, dissolve, and merge Cooperatives and to create and amend any organizational and governing documents of any Cooperative. Once established, we may terminate and/or dissolve the Cooperative at any time. The Cooperative will not be terminated, however, until all monies in the Cooperative have been expended for authorized purposes or returned to contributing Stores (whether franchised or company or affiliate-owned), without interest, on the basis determined by a majority vote of its members. Each Cooperative must prepare annual, unaudited financial statements, which will be made available to contributing Cooperative members.

We currently have an advertising council. The members of the council are selected by us and serve only in an advisory capacity. We reserve the right to form a different advertising council and change or dissolve the current advertising council.

### Computer and Electronic Cash Register Systems

The Franchise Agreement requires that you use only the point of sale cash registers and computer systems and equipment that we prescribe for Paciugo Stores (“POS System”) and that you adhere to our requirements for use. Requirements may include connection to remote servers, off-site electronic repositories, and high speed Internet connections. We may require you to add to your POS System memory, ports, and other accessories or peripheral equipment or additional, new, or substitute software, replace or upgrade your POS System (software and hardware) and other computers, and enter into maintenance agreements for the POS System and other computers, and you must pay all associated costs. Because the POS System must be used solely for POS-related purposes that are set forth by the POS System provider and approved by us, you may elect to purchase a secondary computer for use at the Store for routine business functions and related software, such as Internet browsing, word processing, spreadsheet preparation, and emailing. We will provide you 90 days advance written notice of any changes to our POS System requirements. You must acquire, install, and maintain such anti-virus and anti-spyware software as we require, and must adopt and implement such Internet user policies as we may prescribe for purposes of avoiding,

blocking, and eliminating viruses and other conditions that interfere with the operation of the POS System. We anticipate the cost of purchasing all required computer hardware and software systems to be approximately \$4,000 to \$8,000.

You must: (a) use any proprietary software programs, system documentation manuals, and other proprietary materials that we require in connection with the operation of the Store; (b) input and maintain in your computer such data and information as we prescribe; and (c) purchase new or upgraded software programs, system documentation manuals, and other proprietary materials at then-current prices whenever we adopt new or upgraded programs, manuals, and materials system-wide. You must enter into all software license agreements, “terms of use” agreements, and software and hardware maintenance agreements, in the form and manner we prescribe, and pay all fees imposed under the agreements.

You must acquire and use, from the date the Franchise Agreement is signed until the expiration or termination of the Franchise Agreement, a valid email address. You must provide us notice of any changes to your email address and provide us the new or revised email address immediately upon its acquisition.

We may independently poll your Gross Sales and other information input and compiled by your POS System from a remote location. We also may require that you connect to a web-based application that enables us to independently access and poll the information on your POS System. There is no contractual limitation on our right to independently access this information.

Unless we expressly provide otherwise in writing, we do not warranty any required computer hardware or software, point-of-sale cash registers, computer systems, equipment, platforms or solutions, and we disclaim all implied warranties to the extent permitted by law. Neither we, nor affiliates, nor any third parties must provide ongoing maintenance, repairs, upgrades, or updates to your POS System or other computer equipment. Except as described above, there are currently no optional or required maintenance/upgrade contracts for the POS System or other computer equipment. If you decide to enter into optional contracts, we have no way of knowing the costs associated with those optional contracts, however, we estimate that the annual costs of such contracts may be as much as 1% of Gross Sales.

You must, at all times, be compliant with all applicable and current Payment Card Industry Data Security Standards (“PCI DSS”) requirements and other data security policies that we may implement. For more information about PCI DSS, you may visit <https://www.pcisecuritystandards.org/>.

### Training

At least three months before the Opening Date of your first Store, or before acquiring one existing Store, your Operating Principal or District Manager, if applicable, must attend and satisfactorily complete, as we determine, our initial training program. As of the date of this disclosure document, our training is conducted over a one-week period in the Dallas, Texas area (or by virtual means) and is scheduled as system needs require. We may change our initial training program requirements at any time. If you are acquiring more than one existing Store, then at least 30 days before you close on the acquisition of the Stores, you must comply with our then-current training requirements for such transactions. The number of people who must attend and satisfactorily complete to our satisfaction the initial training and the length of training will vary depending on the number of Stores you acquire. We provide instructors and training materials at no charge, but you must pay all training-related expenses, including travel, lodging, and dining expenses for persons who attend training.

Any replacement Operating Principal or District Manager must also satisfactorily complete the initial training program, if we determine in our sole opinion that this training is necessary. You may send additional trainees to the initial training we provide on a space-available basis. For any training of additional trainees, including later-hired managers, at our option, you may be required pay our then-current fee for tuition and training materials (currently \$1,400). If this training is provided at your Store, you must pay our then-current fee for tuition and training materials (currently \$250 per day per person providing training), and you must also reimburse us for all reasonable expenses we incur (including our expenses for travel, transportation, meals, lodging, and wages).

Our training is administered under the supervision of Jeremy Cook, who has 25 years of experience in the field of

training and food operations and has been with us since 2013. Training will also be conducted by qualified members of our staff, including management personnel and employees. We may also draw upon the experience of third-party professionals and programs and the assistance and facilities of other franchisees in our system (“Certified Training Stores”), but we are not required to develop or designate any Store as a Certified Training Store. Instruction materials come from a variety of sources and will include information taken from our Manual and many other tools and materials that you will be expected to use in your daily operations.

### INITIAL TRAINING PROGRAM

Subject	Classroom Training Hours	On-the-Job Training Hours	Location
Batch Freezing (Caffès) Kiosk Basics (Kiosks)	0	20	Dallas, Texas (or virtual)
Customer Service and In-Store Experience	2	8	Dallas, Texas (or virtual)
Customer Care and Health Inspections	2	2	Dallas, Texas (or virtual)
Statistics, Accounting, and Cash Management	6	10	Dallas, Texas (or virtual)
Management, Scheduling, and Inventory	8	10	Dallas, Texas (or virtual)
<b>TOTAL</b>	<b>18</b>	<b>50</b>	

Our initial training program is subject to change, without notice, to reflect updates in the materials, methods, and manuals and changes in personnel. The subjects taught and the time periods allocated for each subject may vary based on the experience of the trainees. If you notify us within six months of completing the initial training program that you believe you did not receive adequate training, we will permit you and one additional person to attend our next regularly scheduled training program without charge. If we do not receive notification within this six-month period, then you will be deemed to have waived any claim that you did not receive adequate training.

At our request, your Operating Principal, District Manager, and other of your employees that we designate must attend additional courses, seminars, and training programs that we may reasonably require, the delivery of which may include, but is not limited to, online training, regional meetings or seminars, traditional classroom training, and programs offered at the Paciugo Franchise Meeting. We may charge a reasonable tuition for these additional courses, seminars, or other training programs that we conduct or sponsor. Third-party providers of programs may also charge an attendance fee. You are responsible for all training-related costs and expenses including salary, travel, lodging, and dining costs for all of your employees who attend training. You must pay all expenses you or your personnel incur in attending the Paciugo Franchise Meeting, including the cost of travel, lodging, meals, wages, and registration fees, if we choose to charge registration fees.

#### Confidential Operations Manual

Within three days after both parties have signed the Franchise Agreement, we will provide you access to our Intranet site, which contains all of the materials that constitute our Manual. Your access to the Manual through our Intranet does not grant you ownership of the Manual or any of its contents. A copy of the current table of contents of the Manual is attached as Exhibit E. We consider the contents of the Manual to be proprietary, you must treat them as confidential, and you may not make any copies of the Manual. Our Manual contains 180 pages.

#### Site Selection

Paciugo Franchise International, LLC  
Franchise Disclosure Document | 2023

When you sign the Franchise Agreement, we will agree on a “Site Selection Area” within which you may locate the Store. You must identify an acceptable site for the Store within 180 days after the Effective Date of the Franchise Agreement. For each proposed site that you identify, you must deliver to us a franchise site application request packet in a form that we prescribe, including information about the site as we may reasonably request to perform our evaluation. We will approve or refuse to approve your proposed site within 60 days after receiving all requested information about the site. Our failure to provide notification within this time period will not be considered either approval or disapproval. The criteria that we use to evaluate the site include general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings and lease terms. If you fail to identify a site that is acceptable to us, and as a result you do not open the Store by the Opening Date, defined below, we may terminate the franchise.

### Opening

We anticipate that a Paciugo Store will open for business 9 to 12 months after the Franchise Agreement is signed or a franchisee pays consideration for the franchise. Factors which may affect the length of time between signing of the Franchise Agreement and opening for business include the time necessary to locate a location which we will accept; to obtain any financing you need; to obtain required permits and governmental agency approvals; to fulfill local ordinance requirements; to complete construction, remodeling, alteration, and improvement of the Franchised Location, including the installation of fixtures, equipment, and signs; to complete our initial training program and to complete the hiring and training of personnel. Delays in construction may be caused by inclement weather, material or labor shortages, labor actions, slow deliveries, equipment shortages, and other similar factors.

When the site is selected, we will mutually agree on an “Opening Date” for the Store. Your Opening Date will be the date of your actual Store opening or 120 days from the date you take possession of the premises for the approved site for your Store, whichever occurs first; but the Opening Date must be no later than 365 days from the Effective Date of your Franchise Agreement. If you are unable to open your Store within 365 days from the Effective Date, we may, but we are not obligated to, extend your Opening Date deadline in our sole discretion, if you have sent the extension request to us, in writing.

## **ITEM 12 TERRITORY**

You will operate the Store from a location that you select and that we approve. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. You may not relocate the Store without our prior written consent.

### Franchise Agreement

Under the Franchise Agreement, you do not have any right of first refusal to obtain additional Stores. The Franchise Agreement grants you the right to operate the Store only at the approved location, which is described in the Summary Pages of the Franchise Agreement. There are no territorial rights granted with the Franchise Agreement.

You may be required to participation in our then-current delivery and takeout programs, but as of the issuance date, you are not required to do so. You may elect to participate in a third-party delivery programs to the extent they are available in your area. As of the issuance date, we do not grant territories in connection with our current delivery programs, and, should we designate a delivery area, it will be on a non-exclusive basis.

We reserve to ourselves all rights, including the right to: (a) own and operate and to grant others the right to own and operate Paciugo Stores (or stores under other names or marks) regardless of their proximity to your Store(s); (b) operate Paciugo Stores and license the use of the Marks (or under other names or marks) and the System in Captive Markets (defined below); (c) distribute products and services identified by the Marks (or under other names or marks), such as pre-packaged products, through alternative channels of distribution including grocery stores, supermarkets, convenience stores, other store chains, and via mail order, catalog sales, and/or the Internet; (d) own and operate virtual Paciugo Stores (or virtual stores under other names or marks) on any virtual platform (including, without limitation, the metaverse); and (3) to develop other business systems using the Marks or different marks and license them to others. We are not required to compensate you if we exercise any of the rights specified above.



You are not restricted from soliciting or accepting orders from consumers through other channels, except with respect to Captive Markets and alternate channels of distribution, including the Internet, or if we limit the area in which you can provide catering services. “Captive Markets” means the enclosed area of retail sales establishments, including without limitation, shopping malls, grocery stores, and retailers that are part of regional or national chains; food courts; airports; hospitals; cafeterias; commissaries; schools and universities; hotels; office buildings; stadiums; arenas; ballparks; festivals; fairs; military bases; and other mass gathering locations or events.

Development Agreement

Under the Development Agreement, we grant you the right to develop and operate a specified number of Paciugo Stores. You will not receive an exclusive territory. If you fail to meet any of your obligations under the Development Agreement, including the development obligations timeline, we may reduce the number of Stores which you may establish under the Development Schedule. Except for development rights granted under a Development Agreement, we do not grant any rights of first refusal to obtain additional Stores. If you wish to obtain an additional location, you must enter into a new Franchise Agreement for that location. The only provisions available to you to relocate a Store are contained in the Franchise Agreement, which, among other criteria, requires you to obtain our prior written consent before relocating the Store. The Development Agreement does not grant you any rights in the Marks.

We retain all other rights in and outside the Development Area. This means that we can develop other business systems using the Marks or different marks and license them to others in the Development Area, advertise and promote the System in the Development Area, and offer and sell similar or different products and services in the Development Area under the same or different Marks through other channels of distribution, including the Internet, and Captive Markets without any compensation to you.

Continuation of your territory protection does not depend on your achieving a certain sales volume, market penetration, or other contingency. If you fail to comply with the Development Schedule, or otherwise materially default under the Development Agreement, then we may (in addition to our other remedies) terminate or modify your territory rights, reduce the area of territory rights, or reduce the number of Stores that you may develop. Further, if any Franchise Agreement executed in conjunction with the Development Agreement is terminated due to a material default by you, we may terminate the Development Agreement. When the Development Agreement expires or is terminated, you cannot develop additional Stores in the Development Area, unless you enter into a new or amended Development Agreement with us, at our sole discretion.

Our affiliate WWFI is currently engaged in franchising and licensing Which Wich® Stores and Wich!™ Stores. As described in Item 1, Co-brand Stores include a Which Wich® Store or Wich!™ Store in the same integrated space as a Paciugo Gelato Caffè or Kiosk, and such Co-brand Stores may already be established near your Store or within the Development Area or may be established there in the future. Currently, neither we nor WWFI own or operate any Co-brand Stores.

**ITEM 13  
TRADEMARKS**

We own and have registered the following Marks with the U.S. Patent and Trademark Office. All required affidavits have been filed.

Mark	Register	Registration Number	Registration Date
PACIUGO (Standard Characters)	Principal	5520191	July 17, 2018
PACIUGO (Standard Characters)	Principal	2916871	January 11, 2005

There is no presently effective determination of the U.S. Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition, or

cancellation proceeding, nor any pending material litigation involving the Marks which is relevant to their ownership, use, or licensing.

We know of no superior prior rights or infringing use that could materially affect your use of the Marks, and we know of no agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

We are not obligated to protect your rights to use the Marks or to protect you against claims of infringement or unfair competition.

You must immediately notify us of any infringement of the Marks or of any challenge to the use of any of the Marks or claim by any person of any rights in any of the Marks. You and your Principals must agree not to communicate with any person other than us, any designated affiliate, and our or their counsel about any infringement, challenge, or claim. We, or our affiliates, have sole discretion to take any action we deem appropriate and the right to exclusively control any litigation or Patent and Trademark Office (or other) proceeding from any infringement, challenge, or claim concerning any of the Marks. You must execute all instruments and documents and give us any assistance that, in our counsel's or our affiliates' counsel's opinion, may be necessary or advisable to protect and maintain our interests or those of our affiliates in any litigation or proceeding or to otherwise protect and maintain our or their interest in the Marks.

You may use only the Marks that we designate, must use them only in the manner that we authorize and permit, and must use them with the symbols, “®”, “TM”, or “SM”, as appropriate. You may use the Marks only in connection with the operation and promotion of the Franchised Business, and only in the manner we prescribe. You may not use the Marks or any part of the Marks in your corporate name and may not use them to incur any obligation or indebtedness on our behalf. You must also follow our instructions for identifying yourself as a franchisee and for filing and maintaining the requisite trade name or fictitious name registrations. You must execute any documents we or our counsel determine are necessary to obtain protection for the Marks or to maintain their continued validity and enforceability. Neither you nor your Principals may take any action that would prejudice or interfere with the validity of our rights with respect to the Marks and may not contest the validity of our interest in the Marks or assist others to do so.

You may not use the Marks or any part or derivative of the Mark on the Internet, except as expressly permitted in writing. This prohibition includes use of the Marks or any derivative of the Marks as part of any URL or domain name, including but not limited to any gaming website, social networking website, or marketing/discounting website; as part of any user name; or as part of any unauthorized email address.

We have the right to substitute different trade names, service marks, trademarks, and indicia of origin for the Marks if the Marks can no longer be used, or if we determine, in our sole discretion, that the substitution will be beneficial to the System. If we do, we may require you to discontinue or modify your use of any Mark or use one or more additional or substitute Marks at your expense.

#### **ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

We do not own any patents that are material to the franchise, nor do we have any pending patent applications. We do claim copyright protection and proprietary rights in the original materials used in the System, including our menus, Manual, bulletins, correspondence, and communications with our franchisees, training, advertising, and promotional materials, the content and design of our website, and other written materials relating to the operation of Paciugo Stores and the System (“Copyrighted Works”).

There is no presently effective determination of the U.S. Copyright Office (Library of Congress) or any court affecting our copyrights. There is no currently effective agreement that limits our right to use and/or license our copyrights. We are not obligated by the Franchise Agreement, or otherwise, to protect any rights you have to use the copyrights. We have no actual knowledge of any infringements that could materially affect the ownership, use, or licensing of the copyrights. You may not use any of our copyrighted works on the Internet without our written permission. This includes display of the copyrighted works on commercial, gaming, marketing, promotional, or

social networking website. You and your employees must maintain the confidentiality of all information contained in the Manual and other information that we consider confidential, proprietary, or trade secret information. “Confidential Information” means all trade secrets, the Standards, and other elements of the System; all customer information; all information contained in the Manual; our proprietary recipes and standards and specifications for product preparation, packaging and service; financial information; marketing data; vendor and supplier information; all other knowledge, trade secrets, or know-how concerning the methods of operation of the Franchised Business which may be communicated to you, or of which you may be apprised, by virtue of their operation under the terms of the Franchise Agreement, and all other information that we designate.

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

The Franchised Business must be supervised on-premises by an Operating Principal. If the franchisee is an individual or general partnership, the Operating Principal will be the individual franchisee or one of the general partners. If the franchisee is a business entity, the Operating Principal must hold at least a 10% equity interest in the business entity. Unless we approve the appointment of a District Manager, the Operating Principal must successfully complete our initial training program and must devote full-time efforts to the management and operation of the Franchised Business. We must approve your Operating Principal as meeting our qualifications for the position. If your Operating Principal ceases to serve in, or no longer qualifies for, the position, you must designate a replacement Operating Principal within 30 days. Your replacement Operating Principal must meet the same criteria as your preceding Operating Principal. You and your Operating Principal must attend our Paciugo Franchise Meeting.

If the franchisee operates multiple Paciugo Stores, or if the Operating Principal will not devote full-time efforts to the management and operation of the Store, then, in addition to the Operating Principal, you must appoint an individual to serve as your District Manager. Your District Manager need not have an equity interest in the franchise but must have completed our initial training program to our satisfaction and must live in the market where the majority of your Stores are located. Your District Manager must devote his or her full-time efforts to Store operations and management and may not engage in any other business or activity that requires substantial management responsibility or time commitment. We must approve your District Manager as meeting our qualifications for the position. If your District Manager ceases to serve in, or no longer qualifies for, the position, you must designate a replacement District Manager within 30 days. Your replacement District Manager must meet the same criteria as your preceding District Manager.

If the franchisee is a business entity, each Owner must sign a Guaranty and Personal Undertaking substantially in the form attached as Attachment B-1 to the Franchise Agreement and Attachment B-1 to the Development Agreement. Any person we designate, including but not limited to spouses of Owners, and any individual who attends our initial training program, must sign a confidentiality and noncompetition agreement substantially in the form attached as Attachment B-2 to the Franchise Agreement. The term “Owner” means each individual or entity holding a beneficial ownership in the franchisee. It includes all current and future shareholders of a corporation, all current and future members of a limited liability company, all current and future general and limited partners of a limited partnership, and the grantor and current or future trustee of the trust.

**ITEM 16**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer and sell all menu items that we require, and only those menu items that we have approved, and in the method or manner we determine, including dine-in, carry-out, and catering. You must prepare, package, and serve all menu items according to our recipes, standards, and procedures for preparation, presentation, and service as communicated to you from time to time via the Manual or other written directives. Our standards and procedures may include, without limitation, adherence to recipes (including use of prescribed ingredients and prescribed measure of ingredients), use of containers and paper goods bearing the Marks, packaging procedures, product holding times, and other standards for displaying for sale menu items and other merchandise. We may add, eliminate, or modify authorized goods and services, in our sole discretion, including but not limited to limiting the

geographical area in which you can provide catering services. There are no contractual limitations on our rights to make these changes.

You must participate in all market research programs that we require, which includes test-marketing new products, purchasing a reasonable quantity of new products for test-marketing, and promoting the sale of the new products. You must provide us with timely reports and test results for all such programs.

You may not co-brand with another concept, offer or sell products or services, or provide catering or delivery services from a cart, kiosk, food truck (or other vehicle), ghost kitchen or delivery only concept without our prior written consent. You may not ship Paciugo products, regardless of the destination, without our prior written consent, nor distribute Paciugo products through wholesale channels, such as supermarkets, convenience stores, or other retailers, or through food service providers such as commissaries, ghost kitchens, delivery only concepts or airlines through in-flight services.

We have the right to establish maximum, minimum, or other retail pricing requirements to the extent permitted by law.

You may not permit in the Store any vending, game or gaming machines, payphones, automatic teller machines, Internet kiosks, or other mechanical or electrical devices, except for those we require or approve.

**ITEM 17  
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION  
THE FRANCHISE RELATIONSHIP**

**These tables list certain important provisions of the Franchise Agreement, the Development Agreement, and related agreements. You should read these provisions in the Franchise Agreement and the Development Agreement attached to this disclosure document.**

**Franchise Agreement**

Provisions	Section in Franchise Agreement	Summary
a. Length of the franchise term	Sections 2.1.	The Initial Term is 10 years.
b. Renewal or extension of the term	Section 2.2.	If you are in good standing, you can renew for two additional, consecutive, five-year terms.
c. Requirements for franchisee to renew or extend	Section 2.2.	Your renewal right permits you to remain as a franchisee after the initial term of your Franchise Agreement expires. However, to remain a franchisee, you must meet all required conditions to renew, including signing our then-current form of Franchise Agreement, which may be materially different than the form attached to this disclosure document.  Other requirements are: You must have complied with your obligations during the Term; satisfied all monetary obligations to us; provided us with your notice of intent to renew; not be in default under the Franchise Agreement or any other agreements; demonstrate that you have the right to remain in possession of the Store premises; must, at our

Provisions	Section in Franchise Agreement	Summary
		request, renovate or modernize your Store to comply with our then-current standards for a new Paciugo Store; comply with the then-current qualifications and training requirements; pay the Renewal Fee and each Owner must sign a general release.
d. Termination by franchisee	Not applicable	Not applicable.
e. Termination by franchisor without cause	Not applicable	Not applicable.
f. Termination by franchisor with cause	Sections 13.1., 13.2., 13.3., 13.4., 13.5., and 13.6.	We can terminate if you materially default under your Franchise Agreement, any other individual Franchise Agreement, or any other agreement between you and us. In the event of the death or permanent incapacity of an owner, we may terminate if you fail to adhere to the applicable transfer requirements.
g. “Cause” defined – curable defaults	Sections 13.3., 13.4., 13.5., and 13.6.	You have 10 days to cure non-payment of fees, 30 days to cure non-compliance with laws and defaults not listed in Sections 13.1. and 13.2., and in the case of a breach or default in the performance of your obligations under any other agreement between you and us or any of our affiliates (cross-default), the notice and cure provisions of the other agreement will control. You have six months to transfer the interest of an owner in the event of death or permanent incapacity.
h. “Cause” defined – non-curable defaults	Sections 13.1. and 13.2.	Non curable defaults: bankruptcy, foreclosure, insolvency; failure to successfully complete training; failure to open your Store by the Opening Date; abandonment of your Store; failure to maintain the right to operate the Store; failure to relocate and open, or reopen, your Store if closed due to an event of Force Majeure; plea of no contest or conviction of a felony or other crimes; unapproved transfer or attempt to transfer; failure to comply with confidentiality and noncompetition requirements; misrepresentations in your franchise application; failure to comply with Crisis Management Event procedures; understating your Gross Sales or required payments; poor operations that lead to an imminent threat to public health or safety; knowingly maintaining false books or records;

Provisions	Section in Franchise Agreement	Summary
		offering unapproved products or services; purchasing products from unapproved suppliers; failure to pass two or more quality assurance inspections within any rolling 12-month period; violation of Store operations policies, including failure to account for Gross Sales through the POS, within any rolling 12-month period; failure to participate in advertising or marketing programs or failure to maintain required hours two or more times within any rolling 12-month period; or we deliver three or more notices of default to you in any rolling 12-month period.
i. Franchisee’s obligations on termination/nonrenewal	Article 14	You must cease use of our trademarks, de-identify, pay all amounts due to us, and return the Manual to us. We may, at our option, assume all telephone numbers for the Store. We may, at our option, assume your lease and purchase certain Store assets. You must, at our option, cancel or assign to us your rights to any Internet websites or web pages or email addresses which contain our Marks. See also “r” below.
j. Assignment of contract by franchisor	Section 12.1.	No restriction on our right to assign.
k. “Transfer” by franchisee – defined	Sections 12.2., 12.3., 12.4., 12.5., 12.6., and 12.7.	Includes transfer of the Franchise Agreement, changes in ownership of the franchisee entity, transfers of assets, and private and public offerings.
l. Franchisor approval of transfer by franchisee	Sections 12.2., 12.3., and 12.4.	Transfers require our prior written consent, which will not be unreasonably withheld. However, transfers that do not result in a change of control of you may, subject to certain conditions described in the Franchise Agreement, be completed without our prior written consent, but you must provide us notice.
m. Conditions for franchisor approval of transfer	Sections 12.2., 12.3., and 12.4.	<p>Transfer for Convenience: new business entity formed solely to operate Store; you provide us required Business Entity formation documents; you are in compliance with your Franchise Agreement and all other agreements with us; you pay our reasonable attorneys’ fees.</p> <p>Transfer of Non-Controlling Interest: you provide us notice; you are in compliance with your Franchise</p>

Provisions	Section in Franchise Agreement	Summary
		<p>Agreement and all other agreements with us; you sign an amendment that reflects the ownership changes; each new owner signs a guarantee; you pay our reasonable attorneys' fees; and you and each remaining owner signs a general release.</p> <p>Transfer of Franchised Business or Controlling Interest: you provide us notice and transfer documents; you are in compliance with your Franchise Agreement and all other agreements with us and you pay us all monies owed; new franchisee must qualify, complete training, sign a new Franchise Agreement in our then-current form; you or new franchisee must refurbish the Store and pay the transfer fee; additional requirements apply to business entities. (See also "r" below).</p>
n. Franchisor's right of first refusal to acquire franchisee's business	Section 12.8.	We can match any bona fide offer for your business.
o. Franchisor's option to purchase your business	Section 14.5.	We have the option to purchase some or all of your equipment, furnishings and fixtures on expiration or termination of your Franchise Agreement, at their then-current fair market value.
p. Death or disability of franchisee	Section 12.9.	Same requirements as for transfer in "m" above, except there is no transfer fee and we do not have right of first refusal. If your interest is not transferred within six months following your (or a major member, partner, or shareholder's) death or legal incapacity, your Franchise Agreement may be terminated.
q. Non-competition covenants during the term of the franchise	Section 15.1.	Neither you nor your owners may own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with any business, store, shop, dispensing unit, or retail outlet of any type that offers gelato, ice cream, frozen custard, frozen yogurt, or other frozen treats/desserts, or beverage items or products that are offered at Paciugo stores, at any location within the U.S., its territories or commonwealths, or any other country, province, state or geographic area in which we or our affiliates have used, sought registration of or registered the Marks or similar marks or operate or license others

Provisions	Section in Franchise Agreement	Summary
		to operate a business under the Marks or similar marks; you may not divert any present or prospective customer of ours to a competitor; you may not solicit any of our or any of our Affiliates' employees.
r. Non-competition covenants after the franchise is terminated or expires	Section 15.2.	Neither you nor your owners may own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in any business, store, shop, dispensing unit, or retail outlet of any type, that offers gelato, ice cream, frozen custard, frozen yogurt, or other frozen treats/desserts, or beverage items or products that are offered at Paciugo stores, at your former Store location or within a one-mile radius of your former Store or within a one-mile radius of any other Paciugo Store for a period of two years following expiration, termination, or transfer. If you are a multi-Store operator, this restriction does not affect your right to continue to operate your remaining Store for which you have a valid Franchise Agreement with us.
s. Modification of the agreement	Sections 18.1. and 18.2.	Must be in writing and signed by all parties.
t. Integration/merger clause	Section 18.1.	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to state law). Any representations or promises outside of the disclosure document and the Franchise Agreement and other related written agreements between you and us may not be enforceable. Nothing in the Franchise Agreement or any other related written agreement is intended to disclaim representations made in the franchise disclosure document.
u. Dispute resolution by arbitration or mediation	Sections 19.2. and 19.3.	Subject to applicable state law, claims, controversies, or disputes from or relating to the Franchise Agreement must be mediated, except for actions seeking injunctive relief and actions we bring which are related to or based on our Marks or Confidential Information or on your failure to pay fees.  If the claims, controversies, or disputes are not resolved in mediation, they must be submitted for arbitration (subject to applicable state law).



<b>Provisions</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
v. Choice of forum	Sections 19.2., 19.3., and 19.4.	<p>Mediation and arbitration at the AAA offices located in the city where our principal business office is located at the time mediation and/or arbitration occurs.</p> <p>Venue for any other proceedings: the federal and state courts that service the county in which we maintain our principal business office (subject to applicable state law). See the State-Specific Addenda attached to this disclosure document.</p>
w. Choice of law	Section 19.1.	<p>Subject to applicable state law, the Franchise Agreement is to be interpreted and construed under Texas law (without giving effect to any conflict of laws) except that any law regulating the offer or sale of franchises, business opportunities or similar interests or governing the relationship between us and you will not apply unless its jurisdictional requirements are met independently. See the State-Specific Addenda attached to this disclosure document.</p>

### Development Agreement

<b>Provision</b>	<b>Section in Development Agreement</b>	<b>Summary</b>
a. Length of the Agreement term	Section 2.1.	The period beginning on the effective date and ending on the earlier of: (i) the date on which you have completed your development obligations, or (ii) 12:00 midnight CST on the last day specified in the development schedule described in the Development Agreement.
b. Renewal or extension of the term	Section 4.4.	Unless we consent in writing, you may not open more than the total number of Stores comprising your Development Obligation. You do not have the right to renew your Development Agreement.
c. Requirements for Developer to renew or extend	Not applicable	Not applicable.
d. Termination by Developer	Not applicable	Not applicable.

Provision	Section in Development Agreement	Summary
e. Termination by the franchisor without cause	Not applicable	Not applicable.
f. Termination by the franchisor with “cause”	Sections 9.1., 9.2., 9.3., 9.4, and 9.5.	We can terminate if you materially default under your Development Agreement, an individual Franchise Agreement, or any other agreement between you or your affiliate and us. In the event of the death or permanent incapacity of an owner, we may terminate if you fail to adhere to the applicable transfer requirements.
g. “Cause” defined - curable defaults	Sections 9.3., 9.4, 9.5., and 9.6.	You have 10 days to cure a failure to pay fees and 30 days to cure any other default, and in the case of a breach or default in the performance of your obligations under any Franchise or other agreement between you and us or any of our affiliates (cross-default), the notice and cure provisions of the Franchise Agreement or other agreement will control. You have six months to transfer the interest of an owner in the event of death or permanent incapacity.
h. “Cause” defined – non-curable defaults	Sections 9.1. and 9.2.	Non-curable defaults: failure to meet development obligation; any breach of confidentiality or unfair competition described in Article 10., bankruptcy, foreclosure, insolvency, pleas of no contest to or conviction of a felony; unapproved transfers; misrepresentations in your application, or we deliver three or more notices of default to you in any rolling 12-month period.
i. Developer’s obligation on termination/non-renewal	Sections 2.2. and 10.2.	You will have no further right to develop or operate additional Paciugo Store which are not, at the time of termination, the subject of a then existing Franchise Agreement between you and us. You may continue to own and operate all Paciugo Stores under then-existing Franchise Agreements; if you have no existing Stores at the time of termination or non-renewal you must honor all post-termination obligations.
j. Assignment of contract by franchisor	Section 8.1.	No restrictions on our right to assign.
k. “Transfer” by Developer – defined	Sections 8.2., 8.3., 8.4., 8.5., 8.6., 8.7., and 8.8.	Includes transfer of the Development Agreement, changes in ownership of the developer entity, changes in transfers of assets, and private and public offerings.

Provision	Section in Development Agreement	Summary
l. Franchisor approval of transfer by Developer	Sections 8.2., 8.3., and 8.4.	Transfers require our prior written consent, which will not be unreasonably withheld. However, transfers that do not result in a change of control of you may, subject to certain conditions described in the Development Agreement, be completed without our prior written consent, but you must provide us notice.
m. Conditions for franchisor approval of transfer	Sections 8.2., 8.3., and 8.4.	<p>Transfer for Convenience: new business entity formed solely to perform development obligations; you provide us required Business Entity formation documents; you are in compliance with your Development Agreement and all other agreements with us; you pay our reasonable attorneys' fees.</p> <p>Transfer of Non-Controlling Interest: you provide us notice; you are in compliance with your Development Agreement and all other agreements with us; you sign an amendment that reflects the ownership changes; each new owner signs a guarantee; you pay our reasonable attorneys' fees; and you and each remaining owner signs a general release.</p> <p>Transfer of Franchised Business or Controlling Interest: you provide us notice and transfer documents; you are in compliance with your Development Agreement and all other agreements with us and you pay us all monies owed; new developer must qualify, complete training, sign a new Development Agreement in our then-current form; you or new developer must pay the transfer fee; additional requirements apply to business entities. (See also “r” below).</p>
n. Franchisor’s right of first refusal to acquire Developer’s business	Section 8.9.	We may match any bona fide offer to purchase your business.
o. Franchisor’s option to purchase Developer’s business	Not applicable	Not applicable
p. Death or disability of Developer	Section 8.10.	Same requirements as for a transfer in “m” above. If your interest is not transferred within six months following your (or a major member, partner or shareholder’s) death or legal incapacity, your Development Agreement may be terminated.
q. Non-competition covenants during the term of the Agreement	Section 10.1.	Except for the Paciugo Stores you have developed and continue to operate under a valid Franchise Agreement with us, neither you nor your owners may own,

Provision	Section in Development Agreement	Summary
		maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in any business, store, shop, dispensing unit, or retail outlet of any type that offers gelato, ice cream, frozen custard, frozen yogurt, or other frozen treats/desserts, or beverage items or products that are offered at Paciugo stores, which are located within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which we or our affiliates have used, sought registration of or registered the Marks or similar marks or operate or license others to operate a business under the Marks or similar marks.
r. Non-competition covenants after the Agreement is terminated or expires	Section 10.2.	Except for the Paciugo Stores you have developed and continue to operate under a valid Franchise Agreement with us, neither you nor your owners may own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in any business, store, shop, dispensing unit, or retail outlet of any type that offers gelato, ice cream, frozen custard, frozen yogurt, or other frozen treats/desserts, or beverage items or products that are offered at Paciugo stores, which are developed by you or operated by your affiliate or within a one-mile radius of any Store developed by you or operated by your affiliate or within a one-mile radius of any other Paciugo Store for a period of two years following expiration, termination, or transfer.
s. Modification of the Development Agreement	Sections 13.1. and 13.2.	Must be in writing and signed by all parties.
t. Integration/merger clause	Section 13.1.	Only the terms of the Development Agreement and other related written agreements are binding (subject to state law). Any representations or promises outside of the disclosure document and the Development Agreement and other related written agreements between you and us may not be enforceable. Nothing in the Development Agreement or any other related written agreement is intended to disclaim representations made in the franchise disclosure document.
u. Dispute resolution by arbitration or mediation	Sections 14.2. and 14.3.	Subject to applicable state law, claims, controversies, or disputes from or relating to the Development

Provision	Section in Development Agreement	Summary
		<p>Agreement must be mediated, except for actions seeking injunctive relief and actions we bring which are related to or based on our Marks or Confidential Information.</p> <p>If the claims, controversies, or disputes are not resolved in mediation, they must be submitted for arbitration (subject to applicable state law).</p>
v. Choice of forum	Sections 14.2., 14.3., and 14.4.	<p>Mediation and arbitration at the AAA offices located in the city where our principal business office is located at the time of mediation and/or arbitration.</p> <p>Venue for any other proceedings: the federal and state courts that service the county in which we maintain our principal business office (subject to applicable state law). See the State-Specific Addenda attached to this disclosure document.</p>
w. Choice of law	Section 14.1.	<p>Subject to applicable state law, the Development Agreement is to be interpreted and construed under Texas law (without giving effect to any conflict of laws) except that any law regulating the offer or sale of franchises, business opportunities or similar interests or governing the relationship between us and you will not apply unless its jurisdictional requirements are met independently. See the State-Specific Addenda attached to this disclosure document.</p>

**ITEM 18  
PUBLIC FIGURES**

We do not use any public figure to promote the franchise.

**ITEM 19  
FINANCIAL PERFORMANCE REPRESENTATIONS**

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

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 Jeff Vickers,

1215 Viceroy Drive, Dallas, Texas 75247, (214) 631-2663, [franchising@paciugo.com](mailto:franchising@paciugo.com), the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
SYSTEMWIDE OUTLET SUMMARY  
FOR YEARS 2020 TO 2022<sup>(1)</sup>**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at End of Year	Net Change
Franchised	2020	28	28	0
	2021	28	25	-3
	2022	25	24	-1
Company-Owned	2020	1	0	-1
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	29	28	-1
	2021	28	25	-3
	2022	25	24	-1

(1) All figures are as of our fiscal year end, which is December 31.

**Table No. 2  
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS  
(OTHER THAN THE FRANCHISOR)  
FOR YEARS 2021 TO 2022<sup>(1)</sup>**

State	Year	Number of Transfers
Colorado	2020	0
	2021	1
	2022	0
Texas	2020	3
	2021	0
	2022	0

State	Year	Number of Transfers
Totals	2020	4
	2021	1
	2022	0

(1) All figures are as of our fiscal year end, which is December 31.

**Table No. 3**  
**STATUS OF FRANCHISED OUTLETS**  
**FOR YEARS 2020 TO 2022<sup>(1)</sup>**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operation - Other Reasons	Outlets at End of Year
California	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	1	0	0	0
Colorado	2020	2	1	0	0	0	0	3
	2021	3	0	0	0	0	2	1
	2022	1	0	0	0	0	0	1
Florida	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Illinois	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Oklahoma	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	1	0	1	0	0	1
Tennessee	2020	0	1	0	0	0	0	1
	2021	0	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operation - Other Reasons	Outlets at End of Year
California	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	1	0	0	0
Colorado	2020	2	1	0	0	0	0	3
	2021	3	0	0	0	0	2	1
	2022	1	0	0	0	0	0	1
Florida	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Illinois	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Oklahoma	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	1	0	1	0	0	1
Tennessee	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
Texas	2020	22	3	0	0	0	4	21
	2021	21	1	0	0	0	1	21
	2022	21	0	0	0	0	2	19



State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operation - Other Reasons	Outlets at End of Year
Virginia	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Totals	2020	28	4	0	0	0	4	28
	2021	28	1	0	0	0	4	25
	2022	25	3	0	2	0	2	24

(1) All figures are as of our fiscal year end, which is December 31.

**Table No. 4**  
**STATUS OF COMPANY-OWNED OUTLETS**  
**FOR YEARS 2020 TO 2022<sup>(1)</sup>**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Texas	2020	1	0	0	1	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Totals	2020	1	0	0	1	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

(1) All figures are as of our fiscal year end, which is December 31.

**Table No. 5**  
**PROJECTED OPENINGS AS OF DECEMBER 31, 2022**

State	Franchise Agreement Signed But Outlet Not Open	Projected New Franchised Outlets in Next Fiscal Year	Projected New Company owned Outlets in Next Fiscal Year
North Carolina	1	0	0
Texas	3	3	0
Totals	4	3	0

Exhibit D reflects the name, business address and business telephone number of each of our current franchisees and the address and telephone numbers of their Stores as of December 31, 2022. Exhibit D also reflects the name, city and state, and current business telephone number, or if unknown, the last known e-mail address of every franchisee who had a Franchise Agreement terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our fiscal year ended December 31, 2022, or who has not communicated with us during the prior 10-week period.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No franchisee has signed within the last three years a confidentiality clause with us that would restrict the franchisee's ability to openly communicate with you.

To our knowledge there are no trademark-specific franchisee organizations associated with our franchise system.

## **ITEM 21 FINANCIAL STATEMENTS**

Our fiscal year end is December 31. Attached as Exhibit A are our: (1) audited financial statements as of and for the years ended December 31, 2022; and (2) audited financial statements as of December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020.

## **ITEM 22 CONTRACTS**

Attached to this disclosure document are the following contracts and their attachments:

Attached as Exhibit B is our current form of Development Agreement with all Attachments.

Attached as Exhibit C-1 is our current form of Franchise Agreement with all Attachments.

Attached as Exhibit C-2 is our current form of General Release (sample form).

Attached as Exhibit C-3 is our current form of Co-brand Addendum (Which Wich®)

Attached as Exhibit C-4 is our current form of Co-brand Addendum (Wich!™)

## **ITEM 23 RECEIPTS**

The last two pages of this disclosure document are detachable duplicate Receipts. Please sign and date both copies of the Receipt. Keep one signed copy of the Receipt for your file and return to us the other signed copy of the Receipt. The Receipt contains the names of our franchise sellers or brokers.

**PACIUGO FRANCHISE INTERNATIONAL, LLC**  
**STATE-SPECIFIC ADDENDA**

**CALIFORNIA**

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

The California Department of Financial Protection and Innovation requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 *et seq.*, and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 *et seq.* To the extent that the franchise disclosure document/and or Franchise Agreement and/or Development Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

The following is added to Item 1 of the disclosure document:

Co-brand Stores are not available to franchisees in California.

The following is added to Item 3 of the disclosure document:

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

Item 17 of the disclosure document is supplemented by the following:

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

You must sign a release if you renew or transfer your franchise. California Corporations Code voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

The Franchise Agreement contains a covenant not to compete that extends beyond the expiration or termination of the Agreement. This provision may not be enforceable under California law.

Certain liquidated damages clauses are unenforceable under California Civil Code Section 1671.

The Franchise Agreement and Development Agreement require application of the laws of Texas. This provision may not be enforceable under California law.

The Franchise Agreement and Development Agreement provide for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 *et seq.*).

The Franchise Agreement and Development Agreement require binding arbitration. The arbitration will occur at our then-current principal place of business with the costs being borne by equally by the parties, unless rules for special hearings require otherwise. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement or development agreement restricting venue to a forum outside the state of California.

Corporations Code 31512 provides that: “Any conditions, stipulation, or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of this law or any rule or order hereunder is void.” The Franchise Agreement requires a shortened statute of limitations period. Pursuant to Corporations Code Section 31512, this provision is void, to the extent that it is inconsistent with the provisions of Corporations Code Sections 31303 and 31304.

Our website can be found at [www.paciugo.com](http://www.paciugo.com). OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A FRANCHISE DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

REGISTRATION OF THIS DISCLOSURE DOCUMENT DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE COMMISSIONER.

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

## **ILLINOIS**

The following is added to Item 17 of the disclosure document:

If the franchise agreement requires that it be governed by a state’s law, other than the state of Illinois, to the extent that such law conflicts with the Illinois Franchise Disclosure Act (including judicial decisions interpreting the Act), Illinois law will govern.

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

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

Your rights upon termination and non-renewal of a Franchise Agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

## **MARYLAND**

Item 5 of the disclosure document is supplemented by the following:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all

development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

Item 17 of the disclosure document is supplemented by the following:

- (a) The general release required as a condition of renewal, sale, and/or assignment shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
- (b) Any claims that Franchisee or Developer may have under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
- (c) The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 *et seq.*).
- (d) A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
- (e) The Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

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

## **NORTH DAKOTA**

The State of North Dakota has determined that the following types of provisions are deemed to be contrary to North Dakota law:

- (a) A provision requiring a North Dakota franchisee to sign a general release upon renewal of the franchise agreement;
- (b) A provision requiring a North Dakota franchisee to consent to termination penalties or liquidated damages;
- (c) A provision requiring a North Dakota franchisee to consent to the jurisdiction of courts outside the state of North Dakota;
- (d) A provision restricting the time in which a North Dakota franchisee may make a claim to less than the applicable North Dakota statute of limitations;
- (e) A provision calling for the waiver by a North Dakota franchisee of the right to trial by jury;
- (f) A provision requiring a North Dakota franchisee to consent to a waiver of exemplary and punitive damages.

North Dakota Century Code Section 9-08-06 subjects covenants not to compete to the provisions of that statute. The covenants not to compete contained within the Franchise Agreement are subject to Section 9-08-06 and may be unenforceable under North Dakota law.

The site of any mediation or arbitration of the parties' disputes shall be at a site mutually agreeable to all parties. If all parties cannot agree upon a location, the arbitration or mediation shall be Fargo, North Dakota.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable

state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **VIRGINIA**

The following is added to Item 1 of the disclosure document:

We require prospective franchisees to have personal financial requirements of a minimum of \$150,000 of liquid assets and \$500,000 of net worth.

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the franchise disclosure document for use in the Commonwealth of Virginia is amended to include the following statements in Item 17.h.:

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

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

## **WISCONSIN**

The following is added to Item 17 of the disclosure document: For Wisconsin franchisees, Ch. 135, Wisconsin Statutes, the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or a related contract which is inconsistent with the Law.

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

**EXHIBIT A**  
**PACIUGO FRANCHISE INTERNATIONAL, LLC FRANCHISE**  
**DISCLOSURE DOCUMENT**

**FINANCIAL STATEMENTS**

# **PACIUGO FRANCHISE INTERNATIONAL, LLC**

## **FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**



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**LLP**

Certified Public Accountants and Business Consultants

Member of American Institute of Certified Public Accountants and California Society of Public Accountants

Participant in Quality Review Program of AICPA

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## INDEPENDENT AUDITOR'S REPORT

To the Member  
Paciugo Franchise International, LLC  
Dallas, Texas

### Opinion

We have audited the accompanying financial statements of Paciugo Franchise International, LLC ("the Company"), a Texas limited liability company, which comprises the balance sheet as of December 31, 2022, and the related statement of income and members' equity, and cash flows 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 the Company as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Emphasis of Matter

As discussed in Note 1 to these financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

### 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 is free from material misstatement, whether due to fraud or error.

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

## INDEPENDENT AUDITOR'S REPORT (CONT'D)

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgment made by a reasonable user based on the financial statements.

#### **In performing an audit in accordance with generally accepted auditing standards, we:**

Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

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

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

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

**GTL, LLP**

Sherman Oaks, California  
March 22, 2023

**PACIUGO FRANCHISE INTERNATIONAL, LLC**

**Balance Sheet**  
**December 31, 2022**

**ASSETS**

Current assets	
Cash	\$ 275,720
Accounts receivable, net	51,747
Due to/from affiliates	<u>278,532</u>
Total current assets	605,999
Intangible assets, net	<u>124,460</u>
Total assets	<u><u>\$ 730,459</u></u>

**LIABILITIES AND MEMBER'S EQUITY**

Current liabilities	
Current portion of deferred franchise fees	\$ <u>19,027</u>
Total current liabilities	19,027
Deferred franchise fees, net of current portion	<u>116,717</u>
Total liabilities	135,744
Members' equity	<u>594,715</u>
Total liabilities and member's equity	<u><u>\$ 730,459</u></u>

The accompanying notes are an integral part of these financial statements

**PACIUGO FRANCHISE INTERNATIONAL, LLC**  
**Statement of Income and Member's Equity**  
**For the year ended December 31, 2022**

Revenues	
Franchise fee revenue	\$ 25,359
Royalties	273,259
Marketing revenue	134,856
Other revenues	43,919
Total revenues	<u>477,393</u>
 Selling, general and administrative expenses	
Management fees	204,944
Marketing expense	75,595
Amortization	18,042
Professional fees	13,084
Rent expense	30,000
Other general and administrative expenses	850
Total selling, general and administrative expenses	<u>342,515</u>
 Income from operations	<u>134,878</u>
 Net income	134,878
 Member's equity-January 1, 2022	<u>459,837</u>
 Member's equity-December 31, 2022	<u><u>\$ 594,715</u></u>

The accompanying notes are an integral part of these financial statements

**PACIUGO FRANCHISE INTERNATIONAL, LLC**  
**Statement of Cash Flows**  
**For the year ended December 31, 2022**

Operating Activities	
Net income	\$ 134,878
Adjustments to reconcile net income to net cash provided by operating activities	
Amortization	18,042
Changes in operating assets and liabilities	
Accounts receivable	(44,119)
Deferred revenue	(5,360)
Net cash provided by operating activities	<u>103,441</u>
Cash Flows from Financing Activities	
Net repayments /advances-affiliates	<u>54,826</u>
Net cash provided by financing activities	<u>54,826</u>
Net increase in cash	158,267
Cash-beginning of year	<u>117,453</u>
Cash-end of year	<u><u>\$ 275,720</u></u>

The accompanying notes are an integral part of these financial statements

**PACIUGO FRANCHISE INTERNATIONAL, LLC**  
**Notes to Financial Statements**  
**December 31, 2022**

**1. ORGANIZATION AND OPERATIONS**

**Description of Business**

The Paciugo Franchise International, LLC is a limited liability company operating under the laws of the State of Texas. The Company was formed on October 24, 2017.

The Company was formed for the purpose of granting franchisees the right to operate units offering gelato, coffees, and Italian style beverages including espresso drinks, shakes, and smoothies, as well as complementary gourmet food items.

During the year ended December 31, 2022, one franchised outlet was opened and four franchised outlets closed. As of December 31, 2022, there were 24 franchised outlets in operation. As of December 31, 2022, there were no affiliate owned outlets in operation.

**Risks and Uncertainties**

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption. While the disruption is expected to be temporary, there is considerable uncertainty around the duration. The extent to which the pandemic will impact our business remains highly uncertain if it continues for an extended period. Accordingly, the Company cannot reasonably determine the ultimate impact the COVID-19 pandemic will have on its future results of operations due to the continuing uncertainty surrounding the pandemic's magnitude and duration.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Company uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Under this method, revenue is recognized when earned and expenses are recognized as incurred.

**Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Estimates are used for the following, among others: revenue recognition, allowance for doubtful accounts, valuation of acquired assets, and useful lives for amortization of long-lived assets. Actual results could differ from those estimates.

**PACIUGO FRANCHISE INTERNATIONAL, LLC**

**Notes to Financial Statements**

**December 31, 2022**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash and Cash Equivalents

For purposes of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered cash equivalents.

Accounts Receivable

The balance in accounts receivable consists of initial franchise fees, royalties and other fees due from franchisees, less an allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts aged longer than thirty days are considered past due. No interest is charged on outstanding receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts.

Intangible Assets

Intangible assets consist of customer lists and trademarks. Customer lists are stated at cost less accumulated amortization. Amortization is computed using the straight-line method over the following estimated useful lives of the respective asset:

	<u>Life</u>
Customer Lists	1 - 9 Years

The Company evaluates trademarks in conjunction with our impairment evaluation of long-lived assets.

Impairment of Long-Lived Assets

The Company assesses potential impairment of its long lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that the Company considers important which could trigger an impairment review include, but are not limited to, significant under-performance relative to historical or projected future operating results, significant changes in the manner of use of the acquire assets or the strategy for the Company's overall business, and significant industry or economic trends. When the Company determines that the carrying value of the long-lived assets may not be recoverable based upon the existence of one or more of the above indicators, the Company determines the recoverability by comparing the carrying amount of the asset to net future undiscounted cash flows that the asset is expected to generate. If the carrying value is not recoverable, an impairment is recognized in the amount by which the carrying amount exceeds the fair value of the asset. For the year ended December 31, 2022 no impairment charges were recognized related to long-lived assets.



# PACIUGO FRANCHISE INTERNATIONAL, LLC

## Notes to Financial Statements

December 31, 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition

The Company generates revenues and earns fees from franchised stores. The Company provides the use of trademarks, system, training, opening assistance and store operating assistance in exchange for initial franchise fee and royalties based on a store's revenues.

A franchise agreement establishes a store developed in one or multiple defined geographic area and provides for a 10-year initial term with two additional, consecutive, renewal of 5-year terms.

Initial franchise fees are recorded as deferred revenue when received and are recognized as revenue over the contractual term of the franchise agreement. Transfer and renewal fees are recognized as revenue over the contractual term of the franchise agreement in accordance with ASC 606 (see below). Royalties from franchised stores are based on a percentage of gross revenues of the franchised store and are recognized as earned. Brand development fund revenue is contributed by franchisees based on a percentage of restaurant sales and is recognized as earned.

In January 2021, the FASB issued ASU 2021-02, "Franchisors – Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient." ASU 2021-02 provides a practical expedient that simplifies the application of ASC 606 about identifying performance obligations and permits franchisors that are not public entities to account for pre-opening services listed within the guidance as distinct from the franchise license. The updated guidance is effective for annual reporting periods beginning after December 15, 2020 with early adoption permitted. This guidance should be applied retrospectively to the date ASU 606 was adopted. The Company is currently evaluating the impact of adopting ASU 2021-02 on its financial statements.

We reviewed all other significant newly-issued accounting pronouncements and concluded that they either are not applicable to our operations or that no material effect is expected on our financial statements as a result of future adoption.

# PACIUGO FRANCHISE INTERNATIONAL, LLC

## Notes to Financial Statements

December 31, 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Income Tax Status - S Corporation

The Company elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code, effective October 24, 2017. Under those provisions, the Company does not pay Federal corporate income taxes on its taxable income. Instead, the member is taxed on the proportionate share of the Company's taxable income. The Company recognizes income tax related interest and penalties in interest expense and other general and administrative expenses, respectively.

### 3. CONCENTRATIONS

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash or cash equivalents. The Company maintains its deposits in two financial institutions.

### 4. INTANGIBLE ASSETS

Intangible assets are summarized as follows at December 31, 2022:

	Cost	Acc. Amort	Net
Customer Lists (Finite-life)	\$ 214,166	\$ (160,957)	\$ 53,209
Tradenames (Indefinite-life)	71,251	-	71,251
Balance, end of year	<u>\$ 285,417</u>	<u>\$ (160,957)</u>	<u>\$ 124,460</u>

For the year ended December 31, 2022 amortization expense was \$18,042.

**PACIUGO FRANCHISE INTERNATIONAL, LLC**

**Notes to Financial Statements**

**December 31, 2022**

**4. INTANGIBLE ASSETS (Continued)**

Future amortization expense is as follows at December 31, 2022:

Year ending December 31,	
2023	23,796
2024	23,796
2025	5,617
Total	<u>\$ 53,209</u>

**5. RELATED PARTY TRANSACTIONS**

Due from (to) Affiliates

The Company and its affiliates frequently advance funds and pay expenses on behalf of one another for payment of general and administrative expenses.

Amounts due from (to) affiliates consisted of the following at December 31, 2022:

Sinelli Concepts International, Inc.	\$ (284,623)
Paciugo Distribution, LLC	485,477
Gruppo Paciugo, LLC	77,678
Due from affiliates	<u>\$ 278,532</u>

Rent

During the year ended December 31, 2021, the Company was charged rent by SCII in the amount of \$30,000.

# **PACIUGO FRANCHISE INTERNATIONAL, LLC**

## **Notes to Financial Statements**

**December 31, 2022**

### **6. INCOME TAXES**

The Company files income tax returns in the U.S. federal jurisdiction, and the state of Texas and California. The Company is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Company is subject to examination by taxing jurisdictions for all periods from inception. The federal tax returns are open for examination for three years after 2019. The state returns are open for examination for four years after 2018.

The Company has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations or cash flows. Management's determination of the taxable status of the entity, including its status as an S Corporation, a pass through entity, is a tax position that is subject to consideration of uncertainty. The Company believes it has complied with all regulations required to maintain the Company's status as an S Corporation and more likely than not, this status would hold up under examination. Accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2022.

### **7. COMMITMENTS AND CONTINGENCIES**

#### Litigation

Various legal actions and claims which have arisen in the normal course of business may be pending against the Company from time to time. It is the opinion of management, based on consultation with counsel, that the ultimate resolution of these contingencies will not have a material effect on the financial condition, results of operations or liquidity of the Company.

### **8. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through March 22, 2023, the date the financial statements were available to be issued.

**EXHIBIT B**

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**DEVELOPMENT AGREEMENT**



**PACIUGO FRANCHISE INTERNATIONAL, LLC  
DEVELOPMENT AGREEMENT**

**DEVELOPMENT AGREEMENT  
SUMMARY PAGES**

**EFFECTIVE DATE:** \_\_\_\_\_  
**DEVELOPER:** \_\_\_\_\_  
**INFORMATION FOR NOTICES:**  
 Address: \_\_\_\_\_  
 Telephone Number: \_\_\_\_\_  
 Fax Number: \_\_\_\_\_  
 Email Address: \_\_\_\_\_

**DEVELOPMENT FEE:** \$ \_\_\_\_\_

**INITIAL FRANCHISE FEE FOR THE FIRST STORE TO BE DEVELOPED**  \$20,000 (Store)  \$7,500 (Co-brand Store)

**INITIAL FRANCHISE FEE FOR THE SECOND AND EACH ADDITIONAL STORE TO BE DEVELOPED:**  \$15,000 (Store)  \$7,500 (Co-Brand Store)

**PACIUGO FRANCHISE INTERNATIONAL, LLC ADDRESS FOR NOTICE:**  
 Attention: Legal Department  
 Paciugo Franchise International, LLC  
 1215 Viceroy Drive  
 Dallas, Texas 75247  
[legal@paciugo.com](mailto:legal@paciugo.com)

**DEVELOPER and DEVELOPER'S OWNERS:** Developer is duly formed in the State of \_\_\_\_\_, and the following is a list of all shareholders, partners, members, or other investors owning a direct or indirect interest in Developer and a description of the nature of their interest:

Name	% Ownership in Developer	Nature of Interest

**DEVELOPMENT AREA:** \_\_\_\_\_

**DEVELOPMENT SCHEDULE:**

Development Period	Expiration Date of Development Period	Cumulative Total Number of Stores Located in the Development Area Which Developer Shall Have Open and in Operation
1		
2		

**PROJECTED OPENING DATES:**

Store	Projected Opening Date	Franchise Agreement Execution Date
1		
2		

By signing below, each of the parties attests to the accuracy of the information contained in these Summary Pages and agrees to and intends to be legally bound by the terms and provisions of the Paciugo Franchise International, LLC Development Agreement attached to these Summary Pages, effective on the Effective Date set forth above.

**FRANCHISOR:**

Paciugo Franchise International, LLC  
a Texas limited liability company

**DEVELOPER:**

By: \_\_\_\_\_  
Jeffrey P. Sinelli, CEO

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_



**PACIUGO FRANCHISE INTERNATIONAL, LLC  
DEVELOPMENT AGREEMENT**

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ATTACHMENTS

Attachment A	Glossary of Additional Terms
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Attachment C	Form of Franchise Agreement

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
DEVELOPMENT AGREEMENT**

**THIS DEVELOPMENT AGREEMENT (“Agreement”)** is made and entered into as of the Effective Date reflected in the Summary Pages (“**Effective Date**”), by and between Paciugo Franchise International, LLC, a Texas limited liability company with its principal office in Dallas, Texas (“**PFI**” or “**Franchisor**”), and the Developer identified in the Summary Pages (“**you**” or “**Developer**”).

- A. PFI has acquired the license to use and to sublicense the use of a distinctive system relating to the establishment and operation of a retail business that offers gelato and other specialty food items, beverage items, and products (“**System**”).
- B. The distinguishing characteristics of the System include, without limitation, distinctive interior and exterior design, decor, color scheme, graphics, fixtures and furnishings, proprietary ordering procedures; special recipes and menu items; proprietary food preparation techniques and presentation standards; community and social networking presence and protocols; specifications, policies, and procedures for operations; quality and uniformity of the products and services offered; procedures for inventory, management, and financial control; training and assistance; and advertising and promotional programs; and other standards, specifications, techniques, and procedures that PFI designates for developing, operating, and managing a Paciugo store, all of which PFI may change, improve, and further develop (collectively, “**Standards**”).
- C. The System is identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the mark “**PACIUGO**” and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated by PFI in writing for use in connection with the System (“**Marks**”).
- D. You desire the right to develop multiple Paciugo stores (“**Developer Business**”) that will operate using the System and Marks (“**Stores**”), and PFI desires to grant you such rights, all pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual premises contained in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**1. GRANT**

**1.1. Grant of Store Development Rights**

1.1.1. PFI hereby grants to you, and you hereby accept the right and obligation to develop in the Development Area, the number of Stores set forth in the Development Schedule (identified in the Summary Pages). Each Store to be developed must be developed and operated pursuant to a separate Franchise Agreement to be entered into between you and PFI in accordance with Section 4.1.

1.1.2. This Agreement grants you no right or license to use any of the Marks. Your right to operate a Store and your license to use the Marks derives solely from the Franchise Agreements that you will enter into under this Agreement.

1.1.3. The development rights granted under this Agreement belong solely to you. You may not share them, divide them, subfranchise or sublicense them, or transfer them, except in accordance with the transfer provisions of this Agreement.

1.1.4. This Agreement grants no territorial protection. PFI may develop franchised and company-owned Stores at any location and may develop and operate other businesses that may or may not compete with the Stores, regardless of the economic effect of such operation on any Stores that you may develop; PFI may otherwise compete with you, in its sole discretion.

**2. TERM OF DEVELOPMENT AGREEMENT**

2.1. Term. The term (“**Term**”) of this Agreement begins on the Effective Date and, unless otherwise negotiated, terminated, or extended as provided in this Agreement, expires on the earlier of: **(a)** the date on which you have completed your development obligations under this Agreement, or **(b)** 12:00 midnight Central Time on the last day of the last Development Period identified in the Summary Pages.

2.2. Effect of Termination or Expiration. Upon termination or expiration of this Agreement, you shall have no further right to develop any Paciugo Stores for which a Franchise Agreement has not been signed. Termination or expiration of this Agreement will not affect any rights or obligations under any then-existing Franchise Agreement.

### 3. FEES

3.1. Development Fee. Upon execution of this Agreement, you shall pay to PFI a Development Fee in the amount set forth in the Summary Pages (“**Development Fee**”). The Development Fee will be an amount equal to 100% of the Initial Franchise Fee for the first Store, plus 50% of the Initial Franchise Fee for each additional Store to be developed hereunder. When each Franchise Agreement is signed, PFI will credit the amount already paid to the applicable Initial Franchise Fee due on your behalf. The Development Fee is fully earned by PFI when paid and is not refundable, in whole or in part, under any circumstances.

3.2. Initial Franchise Fee. For each Franchise Agreement signed under this Agreement, you shall pay to PFI an Initial Franchise Fee in the amount set forth in the Summary Pages, notwithstanding any contrary provision of the Franchise Agreement.

3.3. Administration Fees, Collection Costs, and Expenses. If you fail to comply with any of the terms or conditions of this Agreement, PFI has the right to impose, and you shall pay on demand, an administrative fee, in an amount not to exceed \$100 per hour, for all time spent by PFI’s personnel in connection with addressing and resolving your failure to comply with the terms of this Agreement. This administrative fee will be in addition to any other fees due because of your noncompliance with this Agreement. You also must promptly reimburse PFI for any and all costs and expenses that it incurs in enforcing the terms of this Agreement including, without limitation, fees paid to a collection agency and reasonable attorneys’ fees and accountants’ fees. The fees and reimbursement obligations described in this Section 3.3. are in addition to and not in lieu of any other remedies available to PFI under this Agreement or applicable law.

3.4. Document Preparation Fees. For the second and each additional Franchise Agreement entered into between you and PFI under this Agreement, you shall pay PFI a document preparation fee of \$250 for each Franchise Agreement and \$250 for any required amendment agreement related thereto, regardless of when the amendment agreement is drafted. You shall also pay PFI a \$250 document preparation fee for any required amendment to this Agreement.

### 4. DEVELOPMENT SCHEDULE AND MANNER FOR EXERCISING DEVELOPMENT RIGHTS

4.1. Separate Franchise Agreements. The Franchise Agreement for the first Store to be developed under this Agreement is the form attached as Attachment C. The Franchise Agreement for the second and each additional Store to be developed will be in the form of PFI’s then-current Franchise Agreement, the terms of which may be materially different from the terms of Attachment C.

4.2. Developer May Not Exceed the Development Obligation. Unless PFI otherwise authorizes in writing, you may not construct, equip, open, and operate more than the total number of Paciugo Store reflected in the Development Schedule.

4.3. Manner for Exercising Development Rights. Before exercising any development right granted hereunder, you shall apply to PFI for a franchise to operate a Store. If PFI, in its sole discretion, determines that you have met each of the following operational, financial, and legal conditions, then PFI will grant you a franchise for each respective Store:

4.3.1. Operational Conditions: You are in compliance with the Development Schedule and this Agreement, and you or your Affiliates are in compliance with any other agreement between them and PFI or its Affiliates. You are conducting the operation of your existing Stores, if any, and are capable of conducting the operation of the proposed Store in accordance with the terms and conditions of this Agreement, the respective Franchise Agreements, and the standards, specifications, and procedures set forth and described in the Manual (defined in the Franchise Agreement).

4.3.2. Financial Conditions: You and your Owners satisfy PFI’s then-current financial criteria for developers and Owners of Paciugo Stores. You and your Owners have been and are faithfully performing all terms and conditions under each of the existing Franchise Agreements with PFI. You are not in default, and have not been in default during the rolling 12 months preceding your request for financial approval, of: **(a)** any monetary obligations owed to PFI or its Affiliates under any Franchise Agreement or any other agreement between you or your Affiliates and PFI or its Affiliates; or **(b)** any monetary obligations owed to your or your Affiliate’s landlord(s) or other vendors relating to any other Store you or your Affiliates operate. You acknowledge and agree that it is vital to PFI’s interest that each of its franchisees must be financially sound to avoid failure of a Store and that such failure would adversely affect the reputation and good name of Paciugo and the System.

4.3.3. Legal Conditions: You have submitted to PFI, in a timely manner, all information and documents requested by PFI as a basis for the issuance of individual franchises or pursuant to any right granted to you by this Agreement or by any Franchise Agreement.

4.4. Development Schedule. Acknowledging that time is of the essence, you agree to exercise your development rights according to Section 4.3, and the Development Schedule reflected in the Summary Pages. Your failure to adhere to the Development Schedule is a default under Section 9.2 of this Agreement. You may, subject to the terms and conditions of this Agreement, and with PFI's prior written consent, which may be withheld in its sole discretion, develop more than the total minimum number of Stores which you are required to develop during any Development Period. Any Store in excess of the minimum number of Stores required to be developed will be applied to satisfy your development obligation during the next succeeding Development Period, if any. Notwithstanding the above, you shall not open or operate more than the cumulative total number of Stores you are obligated to develop under the Development Schedule.

4.4.1. If during the Term of this Agreement, you cease to operate any Store developed under this Agreement for any reason, you shall develop a replacement Store. The replacement Store must be developed within a reasonable time (not to exceed 120 days) after you cease to operate the original Store. If, during the Term of this Agreement, you transfer your interest in a Stores in accordance with the terms of the applicable Franchise Agreement for the Store, the transferred Store will continue to be counted in determining whether you have complied with the Development Schedule so long as it continues to be operated as a Paciugo Store. If the transferred Store ceases to be operated as a Paciugo Store during the Term of this Agreement, you shall develop a replacement Store within a reasonable time (not to exceed 120 days) thereafter.

4.4.2. Your failure to adhere to the Development Schedule (including any extensions thereof, approved by PFI in writing) or to any time period for the development of replacement Stores is a material breach of this Agreement.

4.4.3. You acknowledge and agree that you have conducted an independent investigation of the business contemplated under this Agreement, that you fully understand your obligations under this Agreement, and that you recognize and assume all associated risks. In addition, you acknowledge that Franchisor makes no representation: (a) that your Development Area contains a sufficient number of acceptable locations to meet the number of Stores to be developed under the Development Schedule; nor (b) that your Development Area is sufficient to economically support the number of Stores to be developed under the Development Schedule. You acknowledge that you have performed all related and necessary due diligence before your execution of this Agreement and that, accordingly, you assume the risk of identifying a sufficient number of acceptable locations within the Development Area and the economic risk of developing the number of Stores set forth in the Summary Pages.

4.5. Projected Opening Dates. You acknowledge that the Projected Opening Date set forth in the Summary Pages for each Stores to be developed hereunder is reasonable. Subject to your compliance with the requirements of Article 4, hereof, you must execute a Franchise Agreement for each Store at or prior to the applicable execution date set forth in the Development Schedule, which must be a date no later than nine months prior to the Projected Opening Date for the applicable Store. You must follow the process and timelines set forth below:

4.5.1. No later than nine months prior to the expiration date of a Development Period, you shall request to sign a Franchise Agreement for each Store to be developed during the relevant Development Period.

4.5.2. Within 30 days after receiving your request, PFI shall deliver to you its then-current form of Franchise Disclosure Document, containing PFI's then-current form of Franchise Agreement.

4.5.3. No later than the Franchise Agreement Execution Date identified in the Development Schedule (but not sooner than as permitted by law), you shall sign and return a signed copy of the Franchise Agreement and payment of the Initial Franchise Fee (less any applicable development credit) due thereunder.

4.5.4. PFI shall approve and countersign the Franchise Agreement if:

(a) You are in compliance with this Agreement and all other agreements between you or your Affiliates and PFI including, without limitation, all Franchise Agreements signed under this Agreement. If this condition is not met, PFI may require you to cure any deficiencies before it approves and countersigns the Franchise Agreement.

(b) You have demonstrated to PFI, in PFI's discretion, your financial and other capacity to perform the obligations set forth in the proposed new Franchise Agreement.

(c) You and each of your Affiliates who have a then-currently effective Franchise Agreement or Development Agreement with PFI have signed a general release in a form prescribed by PFI of any and all claims that you, your Affiliates, and all Owners of you and your Affiliates and guarantors has, had, or claims to have against PFI and/or its Affiliates and their respective officers, directors, agents, and employees, whether the claims are known or unknown, arising out of or relating to this Agreement, all Franchise Agreements signed pursuant to this Agreement, the relationship created by

this Agreement and any Franchise Agreement executed hereunder, and the offer and sale of the PACIUGO franchise opportunity.

## 5. DEVELOPER'S OBLIGATIONS

5.1. Satisfaction of Development Schedule. You shall execute a Franchise Agreement for each Store contemplated under this Agreement in accordance with Section 4.1. and Section 4.5., and you shall establish and operate each Store in accordance with the terms and conditions of the respective Franchise Agreement.

5.2. Compliance with Laws. As between you and PFI, you are solely responsible for the safety and well-being of your employees. Accordingly, you shall fully comply with all federal, state, and local laws, rules, and regulations when exercising your rights and fulfilling your obligations under this Agreement. It is your sole responsibility to apprise yourself of the existence and requirements of all such laws, rules, and regulations and to adhere to them at all times during the Term of this Agreement.

## 6. CONFIDENTIALITY

6.1. Nondisclosure of Confidential Information. You and your Owners shall maintain the confidentiality of all Confidential Information. You shall use Confidential Information only in connection with the development and operation of the Stores, and you shall divulge Confidential Information only to your employees and only on a need to know basis. This obligation will survive expiration or termination of this Agreement.

## 7. INDEPENDENT CONTRACTOR, INSURANCE, AND INDEMNIFICATION

7.1. Independent Contractor. The parties acknowledge and agree that you are operating the business contemplated by this Agreement as an independent contractor. Nothing contained in this Agreement will create or be construed to create a partnership, joint venture, or agency relationship between the parties. Neither party has any fiduciary obligations to the other, or will be liable for the debts or obligations of the other. Neither party may bind the other, transact business in the other party's name, or in any manner make any promises or representations on behalf of the other party, unless otherwise agreed in writing, between them. PFI does not participate in the hiring, promoting, disciplining, or discharging of your employees or in setting or paying wages or benefits to your employees, and you acknowledge that PFI has no power, responsibility, or liability with respect to the hiring, promoting, disciplining, or discharging of employees or in setting or paying their wages. You shall conspicuously identify yourself and the business contemplated by this Agreement in all dealings with your customers, contractors, suppliers, public officials, and others, as an independent developer of PFI, and shall place a conspicuous notice, in the form and at such place as PFI prescribes, notifying the public of such independent ownership. Additionally, you must communicate to all employees that you, not PFI, is their employer; and you must ensure that no payroll checks or other employment-related documents (such as job applications and W-2s) contain or reference the Marks or PFI's name. Each of the parties will file its own tax, regulatory, and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto and from any liability of any nature whatsoever by virtue thereof.

### 7.2. Insurance Obligations.

7.2.1. You shall maintain in full force and effect at all times during the Term of this Agreement, at your expense, an insurance policy or policies protecting you, PFI, and its Affiliates and their respective partners, shareholders, directors, managers, agents, and employees against any demand or claim with respect to personal and bodily injury, death, property damage, or any loss, liability, or expense arising or occurring upon or in connection with the operation of the Developer Business.

7.2.2. All policies must: **(a)** be written by insurer(s) licensed and admitted to write coverage in the state in which the Developer Business is located and with a rating of "A" or better as set forth in the most recent edition of the A.M. Best Company's rating guide; **(b)** comply with PFI's written requirements at the time such policies are obtained, and **(c)** provide at least the types and minimum amounts of coverage specified below or as described within PFI's written notice to you of any changes to the requirements. All public liability and property damage policies must name PFI and its partners, affiliates, shareholders, directors, agents, and employees as additional insureds on a primary, non-contributory basis.

7.2.3. Such policies must include, at a minimum, the following coverage: **(a)** "all risk" property insurance, including business interruption insurance, customarily obtained by similar businesses in each Store's principal trade area; **(b)** comprehensive general liability insurance, including products and contractual, in an amount of not less than \$2,000,000 per occurrence; **(c)** automobile liability coverage, including coverage of owned, non-owned, and hired vehicles, with coverage in amounts not less than \$1,000,000 combined single limit; and **(d)** workers' compensation insurance in amounts required by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar

compensation for injured workers satisfactory to PFI. PFI reserves the right to unilaterally modify the minimum coverage requirements set forth above as market or industry conditions warrant.

7.2.4. In connection with any and all insurance that you are required to maintain under Section 7.2., you and your insurers shall agree to waive their rights of subrogation against PFI, and you shall provide evidence of such waiver in accordance with this Section 7.2.

7.2.5. Your obligation to obtain and maintain insurance will not be limited in any way by reason of any insurance which may be maintained by PFI, nor will your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 7.3. of this Agreement.

7.2.6. All public liability and property damage policies must contain a provision that PFI and its Affiliates, although named as additional insureds, will nevertheless be entitled to recover under such policies on any loss occasioned to PFI, or its Affiliates, partners, shareholders, officers, directors, agents, or employees by reason of your negligence.

7.2.7. At least 10 days prior to the time you are first required to carry insurance, and thereafter at least 30 days prior to the expiration of any policy, you shall deliver to PFI certificate of insurance evidencing your compliance with this Article 7. Each certificate of insurance must expressly provide that no less than 30 days' prior written notice will be given to PFI in the event of material alteration to or cancellation or non-renewal of the coverages evidenced by such certificates. If you do not provide to us the certificates of insurance within the required time period, you must pay us \$250 for each certificate you do not submit plus the administrative fee described in Section 3.3., but you remain obligated to fulfill all insurance requirements in this Agreement.

7.2.8. If you fail to procure or maintain these minimum insurance requirements, PFI or its designee has the right (but is not required) to procure such insurance on your behalf. Such right will be in addition to and not in lieu of any other rights or remedies available to PFI. If this occurs, you shall reimburse PFI the cost of the premium upon demand, and also upon demand, pay a reasonable administrative fee as set forth in Section 3.3., above.

7.3. Indemnification. You shall indemnify and hold harmless to the fullest extent by law, PFI, its Affiliates, and their respective directors, officers, employees, shareholders, and agents, (collectively, “**Indemnitees**”) from any and all “**losses and expenses**” (as hereinafter defined) incurred in connection with any litigation or other form of administrative process, adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof, which arises directly or indirectly from, as a result of, or in connection with your employment relationships with your employees; the training you, your Owners, or any of your employees receive by us; your breach of this Agreement, and/or your operation of the Developer Business contemplated under this Agreement (collectively, “**event**”); and regardless of whether the losses and expenses resulted from any strict or vicarious liability imposed by law on the Indemnitees; provided, however, that this indemnity will not apply to any liability arising from the gross negligence of Indemnitees (except to the extent that joint liability is involved, in which event the indemnification provided in this Agreement will extend to any finding of comparative negligence or contributory negligence attributable to you). For the purpose of this Section 7.3., the term “**losses and expenses**” will be deemed to include compensatory, exemplary, or punitive damages; fines and penalties; attorneys’ fees; experts’ fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to PFI’s reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. Under no circumstances shall PFI be required or obligated to seek recovery from third parties or otherwise mitigate its losses in order to maintain a claim under this provision, and PFI’s failure to seek such recovery or mitigate its loss will in no way reduce the amounts recoverable by PFI under this provision. You must give PFI prompt notice of any event of which you are aware, for which indemnification is required, and, at your expense and risk, PFI may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement thereof, provided that PFI will seek your advice and counsel. Any assumption by PFI will not modify your indemnification obligation. PFI may, in its sole and absolute discretion, take such actions as it seems necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereof as may be, in PFI’s sole and absolute discretion, necessary for the protection of the Indemnitees or the System. This provision survives termination or expiration of this Agreement.

## 8. TRANSFER OF INTEREST

8.1. Transfer by PFI. PFI may transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity. With respect to any assignment which results in the subsequent performance by the assignee of all of PFI’s obligations under this Agreement, the assignee shall expressly assume and agree to perform such obligations and shall become solely responsible for all of PFI’s obligations under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, you expressly affirm and agree that PFI and/or its Affiliates may sell their assets, the Marks,

Copyrighted Works, or the System; may sell 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. With regard to any of the above sales, assignments, and dispositions, you expressly and specifically waive any claims, demands, or damages arising from or related to the loss of PFI's name, the Marks (or any variation thereof), Copyrighted Works, and/or the System and/or the loss of association with or identification of PFI as the franchisor under this Agreement. You specifically waive any and all other claims, demands, or damages arising from or related to the foregoing merger, acquisition, and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract, or breach of the implied covenant of good faith and fair dealing. You agree that PFI has the right, now or in the future, to purchase, merge, acquire, or affiliate with an existing competitive or non-competitive franchise network, chain, or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise, or license those businesses and/or facilities as Paciugo Stores operating under the Marks or any other marks following PFI's purchase, merger, acquisition, or affiliation, regardless of the location of these facilities (which you acknowledge may be proximate to any Paciugo Store developed under this Agreement).

8.2. Transfer by Individual Developer to Business Entity for Convenience. If you are an individual, you may transfer your interest in this Agreement to a Business Entity for convenience of operation by signing PFI's standard form of assignment and assumption agreement if: **(a)** the Business Entity is formed solely for purposes of continuing your development rights and obligations; **(b)** you provide to PFI a copy of the Business Entity's formation and governing documents and a certificate of good standing from the jurisdiction under which the Business Entity was formed; **(c)** you and your Affiliates are in compliance with this Agreement and all other agreements with PFI or its affiliates; **(d)** you pay PFI its reasonable attorneys' fees; and **(e)** you and each Owner and guarantor execute a general release in a form satisfactory to PFI of any and all claims against PFI and its Affiliates and their respective officers, directors, managers, shareholders, agents, and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances; provided, however, that any release will not be inconsistent with any state law regulating franchising.

8.3. Transfer Among Owners; Transfer of Non-Controlling Interest. If you are a Business Entity, your Owners may transfer their ownership interests in the Business Entity among each other, and may transfer up to a Non-Controlling Interest in the Business Entity to one or more third parties if: **(a)** you have provided to PFI advance notice of the transfer; **(b)** you and your Affiliates are in compliance with this Agreement and all other agreements with PFI or its affiliates; **(c)** you sign an amendment reflecting the new ownership; **(d)** each new Owner has signed a Guaranty and Personal Undertaking in the form of Attachment B-1; **(e)** you pay PFI its reasonable attorneys' fees; and **(f)** you and each Owner and guarantor execute a general release in a form satisfactory to PFI of any and all claims against PFI and its Affiliates and their respective officers, directors, managers, shareholders, agents, and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances; provided, however, that any release will not be inconsistent with any state law regulating franchising.

8.4. Transfer of Agreement; Transfer of Controlling Interest. All other transfers (including any sale or transfer of your interest in this Agreement, the sale or transfer of all or substantially all of the assets of any Store developed hereunder, and the sale of a Controlling Interest in you if you are a Business Entity) require PFI's prior written consent. PFI will not unreasonably withhold its consent to a transfer, but may condition its consent on satisfaction of any or all of the following:

8.4.1. You have provided PFI the following at least 120 days prior to the proposed closing date of the proposed transfer: **(a)** written request for PFI's consent to the transfer; **(b)** payment of the non-refundable Transfer Fee; and **(c)** a copy of the proposed asset purchase/transfer agreements, including sale terms. The "Transfer Fee" is non-refundable and is \$7,500 if the transferee is an existing developer or franchisee of PFI, or \$10,000 if the transferee is not an existing developer or franchisee of PFI.

8.4.2. The transferee has demonstrated to PFI's satisfaction that the transferee meets PFI's then-current educational, managerial, and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to operate each Store; and meets PFI's then-current liquid and net worth requirements.

8.4.3. All of your accrued monetary obligations and all other outstanding obligations to PFI, its Affiliates, and your third-party suppliers are, or will be at the time of the transfer, current and fully paid and satisfied, and you must be in full compliance with this Agreement and any other agreements between you and PFI, its Affiliates, and your suppliers.

8.4.4. You or the transferee have agreed to refurbish each Store premises identified by PFI so that it meets PFI's image requirements for new Paciugo Stores or so that it meets PFI's then-current repair and maintenance standards, whichever PFI chooses at its sole discretion;

8.4.5. You and each Owner and guarantor have executed a general release in a form satisfactory to PFI of any and all claims against PFI and its Affiliates and their respective officers, directors, managers, shareholders, agents, and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances; provided, however, that any release will not be inconsistent with any state law regulating franchising.

8.4.6. The transferee has executed PFI's then-current form of Development Agreement, the terms of which may be materially different than the terms of this Agreement and may include, among other things, different initial franchise fees and different percentage royalty fees and/or advertising obligations for Franchise Agreements executed thereunder. The term of such Development Agreement will be the remaining Term of this Agreement at the time of transfer. If the transferee is a Business Entity, then each of the transferee's Owners must sign PFI's standard form of Guaranty and Personal Undertaking.

8.4.7. The transferee has complied with PFI's then-current initial training requirements for the operation of each then-existing Store.

8.4.8. If PFI introduced the buyer to you, you have paid all fees due PFI under its then-current franchise resale policy or program.

8.4.9. If PFI consents to the transfer contemplated by this Section 8.4., and if for any reason the transfer does not close, you must reimburse PFI for its reasonable attorneys' fees incurred in conjunction with the abandoned transfer.

8.4.10. If, for any reason, a requested transfer does not close and you desire to enter into the transfer process with a different transferee, all of the requirements set forth above will apply, including but not limited to your obligation to pay the Transfer Fee. PFI may, in its sole discretion, credit all or a portion of the previously paid Transfer Fee to the replacement transfer, but is not obligated to do so. If PFI does not provide such credit, then you must pay the Transfer Fee as described in Section 18.4.1

8.5. Assignment of Right to Enter Into Franchise Agreements. Notwithstanding Section 8.4. of this Agreement, you may, with PFI's prior written consent, execute and contemporaneously assign your right to enter into a Franchise Agreement pursuant to this Agreement to a Business Entity under common control with you if such Business Entity executes and complies with the terms and conditions of the Franchise Agreement.

8.6. Transfers Void. Any purported transfer, by operation of law or otherwise, made without PFI's prior written consent will be considered null and void and will be considered a material breach of this Agreement.

8.7. Security Interest. You may grant a security interest in this Agreement or the franchise represented by this Agreement only to the limited extent permitted by Section 9-408 of the Uniform Commercial Code. Any such security interest may only attach to an interest in the proceeds of the operation of the Franchised Business and may not entitle or permit the secured party to take possession of or operate the Franchised Business or to transfer your interest in this Agreement or the franchise without PFI's consent.

8.8. Private or Public Offerings. If you are a Business Entity and you intend to issue equity interests in the Business Entity pursuant to a private or public offering, you must first obtain PFI's written consent, which consent will not be unreasonably withheld. You must provide to PFI for its review a copy of all offering materials (whether or not such materials are required by applicable securities laws) at least 60 days prior to such documents being filed with any government agency or distributed to investors. No offering will imply (by use of the Marks or otherwise) that PFI is participating in an underwriting, issuance, or offering of your securities, and PFI's review of any offering must be limited to ensuring compliance with the terms of this Agreement. PFI may condition its approval on satisfaction of any or all of the conditions set forth in Section 8.4. and on execution of an indemnity agreement, in a form prescribed by PFI, by you and any other participants in the offering. For each proposed offering, you shall pay to PFI a retainer in an amount determined by PFI, which PFI shall use to reimburse itself for the reasonable costs and expenses it incurs (including, without limitation, attorneys' fees and accountants' fees) in connection with reviewing the proposed offering.

8.9. Right of First Refusal. If you receive a bona fide offer to purchase your interest in this Agreement or all or substantially all of the assets of your Stores, or if any Owner receives a bona fide offer to purchase his or her equity interests in you, and you or such Owner wishes to accept such offer, you or the Owner must deliver to PFI written notification of the offer and, except as otherwise provided herein, PFI shall have the right and option, exercisable within 30 days after receipt of such written notification, to purchase the seller's interest on the same terms and conditions offered by the third party. If the bona fide offer provides for the exchange of assets other than cash or cash equivalents, the bona fide offer must include the fair market value of the assets, and you must submit with the notice an appraisal prepared by a qualified independent third party evidencing the fair market value of such assets as of the date of the offer. Any material change in the terms of any offer prior to closing will



constitute a new offer subject to the same right of first refusal by PFI as in the case of an initial offer. If PFI elects to purchase the seller's interest, closing on such purchase must occur by the later of: (a) the closing date specified in the third party offer; or (b) within 60 days from the date of notice to the seller of PFI's election to purchase. PFI's failure to exercise the option described in this [Section 8.9](#), will not constitute a waiver of any of the transfer conditions set forth in this [Article 8](#).

8.10. [Transfer Upon Death or Incapacity](#). Upon the death or permanent incapacity (mental or physical) of any person with an interest in this Agreement, in you, or in all or substantially all of the assets of your Stores, the executor, administrator, or personal representative of such person shall transfer such interest to a third party approved by PFI within six months after such death or mental incapacity. Such transfers, including, without limitation, transfers by devise or inheritance, will be subject to the same conditions as an *inter vivos* transfer, except that the Transfer Fee will be waived. In the case of transfer by devise or inheritance, however, if the heirs or beneficiaries of any such person are unable to meet the conditions of this [Article 8](#), the executor, administrator, or personal representative of the decedent shall transfer the decedent's interest to another party approved by PFI within six months, which disposition will be subject to all the terms and conditions for transfer contained in this Agreement. If the interest is not disposed of within such period, PFI may, at its option, terminate this Agreement pursuant to [Section 9.5](#).

8.11. [Non-Waiver of Claims](#). PFI's consent to a transfer will not constitute a waiver of any claims it may have against the transferring party, and it will not be deemed a waiver of PFI's right to demand strict compliance with any of the terms of this Agreement, or any other agreement to which PFI's and the transferor are parties.

## 9. DEFAULT AND TERMINATION

9.1. [Termination In the Event of Bankruptcy or Insolvency](#). You will be deemed to be in default under this Agreement, and all rights granted to you in this Agreement will automatically terminate without notice, if you become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against you and you do not oppose it; if you are adjudicated as bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver for you or other custodian for your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law is instituted by or against you; if a final judgment remains unsatisfied or of record for 30 days or longer (unless a *supersedeas* bond is filed); if you are dissolved; if execution is levied against your business or property; if judicial, non-judicial or administrative proceedings to foreclose any lien or mortgage against any Franchised Location premises or assets or equipment is instituted against you and not dismissed within 30 days; or if the real or personal property of the Franchised Business is sold after levy thereupon by any sheriff, marshal, or constable.

9.2. [Termination With Notice and Without Opportunity to Cure](#). PFI has the right to terminate this Agreement, which termination will become effective upon delivery of notice without opportunity to cure if: **(a)** you fail to adhere to the Development Schedule set forth in the Summary Pages; **(b)** you or any Owner is convicted of, or pleads no contest to, a felony, a crime involving moral turpitude, or any other crime or offense that PFI believes is reasonably likely to have an adverse effect on the System; **(c)** there is any transfer or attempted transfer in violation of [Article 8](#), of this Agreement; **(d)** you or any Owner fails to comply with the confidentiality or noncompetition covenants in [Article 6](#), and [Article 10](#), of this Agreement; **(e)** you or any Owner has made any material misrepresentations in connection with your developer application; or **(f)** PFI delivers to you three or more written notices of default pursuant to this [Article 9](#), within any rolling 12-month period, whether or not the defaults described in such notices ultimately are cured.

9.3. [Termination With 10-Day Cure Period](#). PFI has the right to terminate this Agreement, which termination will become effective upon delivery of written notice of termination, if you fail to cure the following defaults within 10 days after delivery of written notice: **(a)** failure to obtain or maintain required insurance coverage; **(b)** failure to pay any amounts due to PFI; **(c)** failure to pay any amounts due to your trade creditors (unless such amount is subject to a bona fide dispute); or **(d)** failure to pay any amounts for which PFI has advanced funds for or on your behalf, or upon which PFI is acting as guarantor of your obligations.

9.4. [Termination With 30-Day Cure Period](#). Except as otherwise provided in this [Article 9](#), PFI has the right to terminate this Agreement, which termination will become effective upon delivery of written notice of termination, if you fail to cure any curable default within 30 days after delivery of written notice.

9.5. [Termination Related to Death or Permanent Incapacity](#). PFI has the right to terminate this Agreement if an approved transfer as required by [Section 8.10](#), is not effected within the designated time frame following a death or permanent incapacity (mental or physical).

9.6. Cross-Default. Any default under any agreement between you, your Owners, or any of their respective Affiliates, and PFI or its Affiliates, which you fail to cure within any applicable cure period, will be considered a default under this Agreement and will provide an independent basis for termination of this Agreement.

9.7. Additional Remedies. If you are in Default of this Agreement, PFI may, in its sole discretion, elect to reduce the number of Stores which you may establish pursuant to the Development Schedule. If PFI elects to exercise this remedy as set forth above, you agree to continue to develop Stores in accordance with your rights and obligations under this Agreement, as modified. PFI's exercise of its remedy under this Section 9.7, will not constitute a waiver by PFI to exercise PFI's option to terminate this Agreement at any time with respect to a subsequent event of default of a similar or different nature.

## 10. COVENANTS

10.1. Noncompetition During Term of Agreement. You and each Owner acknowledge that you and each Owner will receive valuable specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques and trade secrets of PFI and the System. You and each Owner covenant and agree that during the Term of this Agreement, except as otherwise approved in writing by PFI, you and, if applicable, such Owner, will not, either directly or indirectly, for yourselves, or through, on behalf of, or in conjunction with any person, or legal entity:

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

10.1.2. Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any business, store, shop, dispensing unit, or retail outlet of any type, or commissary, ghost kitchen or delivery only concept, that offers gelato, ice cream, frozen custard, frozen yogurt, or other frozen treats/desserts, or beverage items or products that are offered at Paciugo stores, other than a Paciugo Store operated pursuant to a then-currently effective Franchise Agreement with PFI at any location within the United States, its territories, or commonwealths, or any other country, province, state, or geographic area in which PFI or its Affiliates have used, sought registration of, or registered the Marks or similar marks or operate or license others to operate a business under the Marks or similar marks.

10.2. Noncompetition After Expiration or Termination of Agreement. Commencing upon the later of: **(a)** a transfer permitted under Article 8, of this Agreement, expiration of this Agreement, or termination of this Agreement (regardless of the cause for termination); or **(b)** a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 10.2, and continuing for an uninterrupted period of two years thereafter, you shall not either directly or indirectly, for yourselves, or through, on behalf of, or in conjunction with any person, persons, or legal entity, own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as an owner or otherwise) or relationship or association with any business, store, shop, dispensing unit, or retail outlet of any type, or commissary, ghost kitchen or delivery only concept, that offers gelato, ice cream, frozen custard, frozen yogurt, or other frozen treats/desserts, or beverage items or products that are offered at Paciugo stores, other than a Paciugo Store operated pursuant to a then-currently effective Franchise Agreement with PFI, that: **(i)** is, or is intended to be, located at the location of any Store developed by you or previously operated by you or your Affiliate(s) under the terms of a Franchise Agreement; **(ii)** is within a one-mile radius of any Store developed by you or operated by you or your Affiliate(s) under the terms of a Franchise Agreement; or **(iii)** is within a one-mile radius of any other Store operating under the System and Marks that is in existence or under development at any location within the United States, its territories, or commonwealths, or any other country, province, state, or geographic area in which PFI or its Affiliates have used, sought registration of, or registered the Marks or similar marks, or operate or license others to operate a business under the Marks or similar marks, at the time of such expiration, termination, or transfer. If any Owner ceases to be an Owner of Developer for any reason during the Term of this Agreement, the foregoing covenant will apply to the departing Owner for a two-year period beginning on the date such person ceases to meet the definition of an Owner. The time periods relating to the obligations described in this Section 10.2 will be tolled during any period of noncompliance.

10.3. Additional Provisions. The parties acknowledge and agree that PFI shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 10.1, and 10.2, or any portion thereof, without your consent or the consent of any Owner, effective immediately upon delivery of written notice to the affected party; and you and each Owner agree that such person will comply forthwith with any covenant as so modified, which will be fully enforceable. You and each Owner expressly agree that the existence of any claims you may have against PFI, whether or not arising from this Agreement, will

not constitute a defense to the enforcement by PFI of the covenants in this Article 10. You agree to pay all costs and expenses (including reasonable attorneys' fees) incurred by PFI in connection with the enforcement of this Article 10.

10.4. Breach of Covenants Causes Irreparable Injury. You acknowledge that your violation of any covenant of this Article 10 would result in irreparable injury to PFI for which no adequate remedy at law may be available, and you consent to the issuance of, and agree to pay all court costs and reasonable attorneys' fees incurred by PFI in obtaining, without the posting of any bond, an *ex parte* or other order for injunctive or other legal or equitable relief with respect to such conduct or action.

10.5. Exception for Publicly Held Companies. The foregoing restrictions will not apply to your ownership or any Owner's ownership of less than a 5% beneficial interest in the outstanding equity securities of any company registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

10.6. Covenants from Individuals. Each individual whom PFI designates will be required to sign a confidentiality and noncompetition agreement substantially in the form attached as Attachment B-2 to this Agreement, and you are responsible for ensuring compliance with such agreement.

10.7. Improvements. If you or any of your Owners or employees develop any new concept, process, or improvement in the development of any Store under this Agreement, you agree to promptly notify PFI and provide PFI with all related information, as determined by PFI in its sole discretion, without compensation. Any such concept, process, or improvement will become PFI's sole property, and PFI will be the sole owner of all patents, patent applications, and other intellectual property rights related thereto. You, your Owners, and employees hereby **(a)** assign, waive, and release to PFI all present and future rights in the development, including the right to modify such concept, process, or improvement; **(b)** agree to assist PFI in obtaining and enforcing the intellectual property rights to any such concept, process, or improvement in any and all countries and further agree to execute and provide PFI with all necessary documentation for obtaining and enforcing such rights; **(c)** irrevocably designate and appoint PFI as their agent and attorney in fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property right related to any such concept, process, or improvement; and **(d)** grant to PFI a worldwide, perpetual, non exclusive, fully paid license to use and sublicense the use of the concept, process, or improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe their rights therein, if any provision of this Section 10.7. is found to be invalid or otherwise unenforceable.

## 11. REPRESENTATIONS

11.1. Representations of PFI. PFI represents and warrants that: **(a)** PFI is duly organized and validly existing under the law of the state of its formation; **(b)** PFI is duly qualified and authorized to do business in each jurisdiction in which its business activities or the nature of the properties it owns requires such qualification; and **(c)** the execution of this Agreement and the performance of the transactions contemplated by this Agreement are within PFI's corporate power and have been duly authorized.

11.2. Representations of Developer.

11.2.1. You represent and warrant that the ownership information set forth in the Summary Pages is accurate and complete in all material respects, and you hereby agree to notify PFI in writing prior to any change in the ownership information set forth in the Summary Pages, and in compliance with the transfer requirements of Article 8. of this Agreement. You further represent and warrant to PFI that: **(a)** you are duly organized and validly existing under the law of the state of your formation; **(b)** you are duly qualified and authorized to do business in each jurisdiction in which your business activities or the nature of the properties you own require such qualification; **(c)** your corporate charter or written partnership or limited liability company agreement, as applicable, will at all times provide that your activities are confined exclusively to the development and operation of the Franchised Business; **(d)** neither you nor any of your Affiliates or Owners own, operate, or have any financial or beneficial interest in any business that is the same as or similar to a Paciugo Store; and **(e)** the execution of this Agreement and the performance of the transactions contemplated by this Agreement are within your corporate power, or if you are a partnership or a limited liability company, are permitted under its written partnership or limited liability company agreement and have been duly authorized.

11.2.2. You acknowledge that you have conducted an independent investigation of the PACIUGO franchise opportunity and recognize that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent on your ability as an independent businessperson.

11.2.3. Except for representations contained in PFI's Franchise Disclosure Document provided to you in conjunction with this franchise offering, you represent that neither PFI nor its agents or representatives have made any representations, and

you have not relied on representations made by PFI or its agents or representatives, concerning actual or potential Gross Sales, expenses, or profits of a Paciugo Store.

11.2.4. You acknowledge that you have received a complete copy of PFI's Franchise Disclosure Document at least 14 calendar days before you signed this Agreement or paid any consideration to PFI for your franchise rights.

11.2.5. You acknowledge that you have read and that you understand the terms of this Agreement and its attachments and that you have had ample time and opportunity to consult with an attorney or business advisor of your choice about the potential risks and benefits of entering into this Agreement.

11.2.6. You understand that you will receive no territorial protection and that we and our Affiliates may engage in businesses that compete with your Store(s).

11.2.7. You hereby warrant and represent that neither you nor your Owners, officers, directors, managers, partners, agents, or employees, or their respective interests therein is now (nor will be during the term of this Agreement) identified, either by name or an alias, pseudonym, or nickname, on any of the lists of restricted or denied parties maintained by the United States government, including:

(a) "Denied Persons List" maintained by the U.S. Commerce Department's Bureau of Industry and Security (<http://www.bis.doc.gov/dpl/Default.shtml>);

(b) "Unverified List" maintained by the U.S. Commerce Department's Bureau of Industry and Security ([http://www.bis.doc.gov/Enforcement/UnverifiedList/unverified\\_parties.html](http://www.bis.doc.gov/Enforcement/UnverifiedList/unverified_parties.html));

(c) "Entity List" maintained by the U.S. Commerce Department's Bureau of Industry and Security (<http://www.bis.doc.gov/Entities/Default.html>);

(d) "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control ([www.treas.gov/offices/enforcement/ofac/](http://www.treas.gov/offices/enforcement/ofac/));

(e) "Debarred List" maintained by the Department of State (<http://pmdtc.state.gov/compliance/debar.html>); and

(f) "Nonproliferation Sanctions" maintained by the Department of State (<http://www.state.gov/t/isn/c15231.html>).

The foregoing constitutes continuing representations and warranties, and you agree to immediately notify PFI in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate, or misleading.

11.2.8. You further represent and warrant that neither you nor any of your Owners, officers, directors, managers, partners, agents, or employees has violated (nor will violate during the term of this Agreement) any law prohibiting money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (<http://epic.org/privacy/terrorism/hr3162.html>), U.S. Executive Order 13224 (<http://www.treasury.gov/resource-center/sanctions/Programs/Documents/terror.pdf>), or any similar law.

11.2.9. You acknowledge and agree that you are relying solely on Paciugo Franchise International, LLC, and not on any affiliated entities or parent companies related to Paciugo Franchise International, LLC, with regard to PFI's financial and other obligations under this Agreement, and no employee or other person speaking on behalf of, or otherwise representing, Paciugo Franchise International, LLC, has made any statement or promise to the effect that any affiliated entities or parent companies guarantee PFI's performance or financially back PFI.

## 12. NOTICES

12.1. Notices. Any notice or demand which either party is required or permitted to give hereunder must be in writing, signed by the notifying party and must be either delivered by hand, via email by a nationally-recognized electronic document signing platform (e.g., DocuSign<sup>®</sup>), by a nationally-recognized overnight courier service, or deposited in the U.S. mail, certified or registered mail, return receipt requested, postage paid. Notice will be deemed to have been given when (a) delivered by hand; (b) when confirmation of electronic delivery is recorded in the electronic document signing platform; (c) when delivered by a nationally recognized overnight courier service; or (d) upon the earlier of actual receipt or three calendar days after deposit in the U.S. mail, if sent by certified or registered mail, return receipt requested, postage paid. Notices and demands must be given to the respective parties at the mailing address set forth on the Summary Pages, unless and until a different address has been designated by written notice to the other party. Either Developer's email address set forth on the Summary Pages or the new

Paciugo email address issued by PFI to Developer must be used for sending notices via a nationally-recognized electronic document signing platform or email. Either party may change its mailing or email address for the purpose of receiving notices, demands, and other communications as provided in this Agreement by providing the other party written notice as set forth above.

### 13. CONSTRUCTION OF AGREEMENT; MISCELLANEOUS

13.1. Entire Agreement. This Agreement, and any other agreements executed by the parties concurrently with the parties' execution of this Agreement, represents the entire fully integrated agreement between the parties and supersedes all other negotiations, agreements, representations, and covenants, oral or written. Notwithstanding the foregoing, nothing in this Agreement will disclaim or require you to waive reliance on any representation that PFI made in the Franchise Disclosure Document (including its exhibits and amendments) that PFI delivered to you in connection with this franchise offering. Except for those changes permitted to be made unilaterally by PFI hereunder, no amendment, change or variance from this Agreement will be binding on either party unless mutually agreed to in writing by the parties and executed by their authorized officers or agents.

13.2. No Waiver. No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, options, duty, or power arising out of any breach or default by you or any of your Owners under this Agreement will constitute a waiver by PFI to enforce any such right, option, duty, or power against you or your Owners, or as to a subsequent breach or default by you or any of your Owners.

13.3. Severability. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision of this Agreement.

13.4. Survival of Terms. Any provision or covenant of this Agreement which expressly or by its nature imposes obligations beyond the expiration or termination of this Agreement will survive such expiration or termination.

13.5. Definitions and Captions. Unless otherwise defined in the body of this Agreement, capitalized terms have the meaning ascribed to them in Attachment A ("**Glossary of Additional Terms**"). All captions in this Agreement are intended for the convenience of the parties, and none will be deemed to affect the meaning or construction of any provision of this Agreement.

13.6. Persons Bound. This Agreement will be binding on the parties and their respective successors and assigns. As applicable, each Owner shall execute the Guaranty and Personal Undertaking attached as Attachment B-1. Failure or refusal to do so will constitute a breach of this Agreement. You and each Owner shall be joint and severally liable for each person's obligations hereunder and under the applicable Guaranty and Personal Undertaking.

13.7. Rules of Construction. Neither this Agreement nor any uncertainty or ambiguity in this Agreement will be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. Terms used in this Agreement will be construed and interpreted according to their ordinary meaning. If any provision of this Agreement is susceptible to two or more meanings, one of which would render the provision enforceable and the other(s) which would render the provision unenforceable, the provision will be given the meaning that renders it enforceable.

13.8. Timing. Time is of the essence with respect to all provisions in this Agreement. Where there is an event of Force Majeure, the party prevented from or delayed in performing its obligations under this Agreement must immediately notify the other party no later than five days after the occurrence of a Force Majeure giving full particulars of the Force Majeure and the reasons for the Force Majeure delaying that party in performing its obligations under this Agreement and that party must use its reasonable efforts to mitigate the effect of the event of Force Majeure upon its performance of this Agreement and to fulfill its obligations under this Agreement. Upon completion of the event of Force Majeure the party affected must as soon as reasonably practicable recommence the performance of its obligations under this Agreement. Notwithstanding the foregoing, if performance of either party is delayed because of a Force Majeure, the applicable deadline for performance will be extended for a period commensurate with the Force Majeure, but not to exceed 12 months.

13.9. Business Judgment Rule. Whenever PFI reserves discretion in a particular area or where PFI agrees to exercise its rights reasonably or in good faith, PFI will satisfy its obligations whenever it exercises reasonable business judgment in making such decision or exercising such rights. PFI's decisions or actions will be deemed to be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available, if such decision or action is intended, in whole or in part, to promote or benefit the System, generally, even if the decision or action also promotes PFI's financial or other individual interest.

13.10. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which together will constitute one agreement.

13.11. Remedies Cumulative. No right or remedy conferred upon or reserved to any party by this Agreement is intended to be, nor, will be deemed, exclusive of any other right or remedy in this Agreement by law or equity provided or permitted, but each will be cumulative of every other right or remedy. The expiration, earlier termination, or exercise of PFI's rights pursuant to Section 13 of this Agreement will not discharge or release you or any of your Owners from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination, or the exercise of such rights under this Agreement. Additionally, you and your Owners will pay all courts costs and reasonable attorneys' fees and costs incurred by PFI in obtaining any remedy available to PFI for any violation of this Agreement.

13.12. No Third-Party Beneficiary. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity, other than you, PFI, PFI's officers, directors, and personnel and such of your and PFI's respective successors and assigns as may be contemplated (and, as to you, authorized by Section 12.) any rights or remedies under or as a result of this Agreement.

#### **14. APPLICABLE LAW; DISPUTE RESOLUTION**

14.1. Choice of Law. This Agreement and all claims arising out of or related to this Agreement or the parties' relationship created hereby will be construed under and governed by the laws of the State of Texas (without giving effect to any conflict of laws).

#### **14.2. Mediation**

14.2.1. The parties acknowledge that during the Term and any extensions of this Agreement certain disputes may arise that the parties are unable to resolve, but that may be resolvable through mediation. To facilitate such resolution, PFI, you, and each Owner agree to submit to mediation any claim, controversy, or dispute between PFI or its Affiliates (and PFI's and its Affiliates' respective owners, officers, directors, managers, agents, representatives and/or employees) and you or your Affiliates (and your Owners, agents, representatives and/or employees) arising out of or related to: **(a)** this Agreement or any other agreement between PFI and you; **(b)** PFI's relationship with you; or **(c)** the validity of this Agreement or any other agreement between PFI and you, before bringing such claim, controversy, or dispute in a court or before any other tribunal.

14.2.2. The mediation will be conducted by a mediator agreed upon by PFI and you. If agreement cannot be reached within 15 days after either party has notified the other of its desire to seek mediation, then mediation will occur with the American Arbitration Association or any successor organization ("AAA") in accordance with its rules governing mediation. Mediation will be held at the offices of the AAA in the city where PFI's principal place of business is located at the time of the mediation. The costs and expenses of mediation paid to the AAA or to the mediator will be paid equally by the parties. All other mediation-related expenses, including but not limited to, attorneys' fees and travel expenses, will be paid by the party that incurred such expenses.

14.2.3. If the parties are unable to resolve the claim, controversy, or dispute within 90 days after the mediator has been chosen, then, unless such time period is extended by written agreement of the parties, either party may proceed with arbitration pursuant to Section 14.3. The parties agree that statements made during such mediation proceeding will not be admissible for any purpose in any subsequent legal proceeding.

14.2.4. Notwithstanding the foregoing provisions of this Section 14.2, the parties' agreement to mediate will not apply to controversies, disputes, or claims relating to or based on amounts owed to PFI pursuant to this Agreement, the Marks, or PFI's Confidential Information. Moreover, regardless of this mediation agreement, PFI and you each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief in any court of competent jurisdiction.

#### **14.3. Arbitration**

14.3.1. Any dispute, controversy, or claim arising out of or relating to this Agreement and the relationships created hereby that are not resolved during the mediation process described in Section 14.2 must be resolved by arbitration. The arbitration must be administered in accordance with the Commercial Rules of the AAA. The Arbitrator must be a person experienced in food service franchising or franchise law who has no prior business or professional relationship with either party. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.) ("FAA"). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction, and the arbitrator must state in writing the reasoning upon which the award is based. The costs and expenses of arbitration paid to the AAA or to the arbitrator will be paid equally by the parties, unless the rules for special hearings require otherwise. All other arbitration-related expenses, including but not limited to attorneys' fees and travel expenses, will be paid by the party which incurred such expense.

Notwithstanding the foregoing, the prevailing party in any matter brought pursuant to this Section 14.3, will be entitled to recover all fees and costs as set forth in Section 14.8.

14.3.2. Arbitration will be conducted in the city in which PFI maintains its principal business offices at the time of the arbitration. Arbitration will be conducted on an individual, not a class-wide, basis and an arbitration proceeding between the parties and their respective Owners, officers, directors, agents, and/or employees may not be consolidated with any other arbitration proceeding between PFI and any other person. The arbitrator has no power or authority to award punitive damages.

14.3.3. Any disputes concerning the enforceability or scope of this arbitration provision must be resolved pursuant to the FAA, and the parties agree that the FAA preempts any state law restrictions (including the site of the arbitration) on the enforcement of this arbitration provision and that arbitration will be conducted as provided for in this Section 14.3. If, prior to an Arbitrator's final decision, either you or PFI commences an action in any court for a claim that arises out of or relates to this Agreement (except for the purpose of enforcing this arbitration provision or as otherwise permitted by this Agreement), the party bringing the action in court will be responsible for the other party's expenses of enforcing this arbitration provision, including court costs, arbitration filing fees, and other costs and attorneys' fees.

14.3.4. If you institute any claim subject to this arbitration proceeding in any court, and PFI succeeds in a motion to compel arbitration of the claim, you must reimburse PFI its reasonable attorneys' fees and costs in defending the action and in its motion to compel arbitration.

14.3.5. You shall not assert any claim or cause of action against us, our officers, directors, shareholders, employees, or affiliates after two years following the event giving rise to such claim or cause of action.

14.3.6. Notwithstanding the foregoing, PFI has the right to apply to any court of competent jurisdiction for injunctive relief to prevent continued or threatened harm while arbitration is pending. You and your Owners irrevocably consent to personal jurisdiction in the federal and state courts that service the county where PFI's principal business office is located, for this purpose.

14.3.7. Notwithstanding the foregoing provisions of this Section 14.3, the parties' agreement to arbitrate will not apply to controversies, disputes, or claims related to or based on amounts owed to PFI pursuant to this Agreement, the Marks, or PFI's Confidential Information. Moreover, regardless of this arbitration agreement, PFI and you each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief in any court of competent jurisdiction.

14.4. Court Actions. To the extent that litigation is permitted in accordance with the above provisions, or, in the event that, notwithstanding the above provisions, it is ultimately determined that a particular claim is not arbitrable under applicable law or you bring a claim in any court of competent jurisdiction in violation of the above provisions, the following provisions will apply.

14.4.1. **VENUE. THE PARTIES AGREE THAT ANY ACTION BROUGHT BY EITHER PARTY AGAINST THE OTHER IN ANY COURT, WHETHER FEDERAL OR STATE, SHALL BE BROUGHT WITHIN THE STATE OR FEDERAL JUDICIAL DISTRICT COURTS IN WHICH PFI'S PRINCIPAL BUSINESS OFFICE IS LOCATED; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, YOU OR PFI MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION, AND THE PARTIES HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION.**

14.4.2. **WAIVER OF JURY TRIAL. PFI AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.**

14.4.3. **WAIVER OF PUNITIVE DAMAGES. THE PARTIES HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.**

14.5. Right to Injunctive Relief. Nothing contained in this Agreement will bar PFI's right to seek injunctive relief from any court of competent jurisdiction; and you agree to pay all costs and reasonable attorneys' fees incurred by PFI in obtaining such relief.

14.6. Release of Claims Under Prior Agreements. By executing this Agreement, you, on behalf of your Business Entity and Owners, hereby release and discharge PFI and its Affiliates and their members, officers, directors, employees, and agents, from any and all claims relating to or arising under any Development Agreement, Franchise Agreement, or any other agreement between you or your Affiliates and PFI or its Affiliates that was executed prior to the date of this Agreement, including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under any and all franchise disclosure, securities, antitrust, and/or deceptive trade practices laws, whether federal or state.

14.7. Attorneys' Fees. If either party commences a legal action against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit.



**STATE-SPECIFIC AMENDMENTS**  
**TO PACIUGO FRANCHISE INTERNATIONAL, LLC DEVELOPMENT AGREEMENT**

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
CALIFORNIA AMENDMENT TO DEVELOPMENT AGREEMENT**

For purposes of complying with the requirements of California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 *et seq.*, and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 *et seq.*, Paciugo Franchise International, LLC (“**Franchisor**”) and \_\_\_\_\_ (“**Developer**”) hereby amend the Development Agreement between them dated \_\_\_\_\_ (“**Agreement**”) as follows, to the extent the Agreement contains provisions that are inconsistent with the following:

1. California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination or non-renewal of a franchise. If the Agreement contains a provision that is inconsistent with California law, California law will control.
2. The Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 *et seq.*).
3. The Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
4. The Agreement requires binding arbitration. The arbitration will occur at Franchisor’s then-current principal place of business with the costs being borne by equally by the parties, unless the rules for special hearings require otherwise. All other arbitration-related expenses, including but not limited to attorneys’ fees and travel expenses, will be paid by the party which incurred such expense. The prevailing party in any matter brought pursuant to the dispute resolution provisions of the Agreement will be entitled to recover all fees and costs as set forth in the Agreement. Franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
5. The Agreement requires application of the laws of the state of Texas. This provision may not be enforceable under California law.
6. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of California law applicable to the provisions are met independently of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.
7. California Corporations Code section 31512.1 prohibits a franchisor from disclaiming or denying representations made by the franchisor or its agents to a prospective franchisee or a franchisee’s reliance on these representations, or disclaiming violations under the law, in any franchise disclosure document, franchise agreement or a related document. Accordingly, the Agreement is amended to delete Sections 11.2.1(b), 11.2.2, 11.2.3, 11.2.5, and 11.2.9 the intent being that these sections will have no force or effect with effect to franchises subject to the California Corporations Code section 31512.1.

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

**FRANCHISOR:**  
Paciugo Franchise International, LLC  
a Texas limited liability company

**DEVELOPER:** \_\_\_\_\_

By: \_\_\_\_\_  
Jeffrey P. Sinelli, CEO

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
ILLINOIS AMENDMENT TO DEVELOPMENT AGREEMENT**

For purposes of complying with the requirements of Illinois law, including the Illinois Franchise Disclosure Act of 1987, Ill. Rev. Stat. ch. 815 para. 705/1 – 705/44 (1994) (“**Illinois Franchise Disclosure Act**”), Paciugo Franchise International, LLC (“**Franchisor**”) and \_\_\_\_\_ (“**Developer**”) hereby amend the Development Agreement between them dated \_\_\_\_\_ (“**Agreement**”) as follows:

1. If the Agreement requires that it be governed by a state’s law, other than the state of Illinois, to the extent that such law conflicts with the Illinois Franchise Disclosure Act (including judicial decisions interpreting the Illinois Franchise Disclosure Act), Illinois law will govern.
2. Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
3. Any provision that designates jurisdiction or venue or required Franchisee to agree to jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which is otherwise enforceable in Illinois, except arbitration may take place outside the state of Illinois.
4. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of Illinois law applicable to the provisions are met independently of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.
5. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
6. Sections 11.2.1(b), 11.2.2, 11.2.3, 11.2.5, and 11.2.9 are deleted.
7. All other provisions of the Agreement are hereby ratified and confirmed.

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

**FRANCHISOR:**  
Paciugo Franchise International, LLC  
a Texas limited liability company

**DEVELOPER:**

By: \_\_\_\_\_  
Jeffrey P. Sinelli, CEO

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
MARYLAND AMENDMENT TO DEVELOPMENT AGREEMENT**

For purposes of complying with the requirements of Maryland law, including the Maryland Franchise Registration and Disclosure Law (“**Maryland Franchise Law**”), Paciugo Franchise International, LLC (“**Franchisor**”) and \_\_\_\_\_ (“**Developer**”) hereby amend the Development Agreement between them dated \_\_\_\_\_ (“**Agreement**”) as follows:

1. The Agreement is amended to reflect that:
  - (a) Any release required as part of the Agreement or as a condition of the sale, renewal, or assignment, or transfer of the franchise shall not apply to any liability under the Maryland Franchise Law.
  - (b) Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise.
  - (c) Any provision in the Agreement which requires litigation to be conducted in a forum other than the State of Maryland will not limit any rights Developer may have under the Maryland Franchise Law to bring suit in the State of Maryland.
  - (d) All representations requiring prospective franchisees to assent to a release, estoppel, or waiver of liability are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
  - (e) The Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.
2. The Agreement is supplemented with the following:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.
3. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of Maryland law applicable to the provisions are met independently of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.
4. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
5. Sections 11.2.1(b), 11.2.2, 11.2.3, 11.2.5, and 11.2.9 are deleted.
6. All other provisions of the Agreement are hereby ratified and confirmed.

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

**FRANCHISOR:**  
Paciugo Franchise International, LLC.  
a Texas limited liability company

**DEVELOPER:**

By: \_\_\_\_\_  
Jeffrey P. Sinelli, CEO

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
NORTH DAKOTA AMENDMENT TO DEVELOPMENT AGREEMENT**

For purposes of complying with the requirements of North Dakota Law, including the North Dakota Franchise Investment Law Section 51-19, North Dakota Century Code (“**North Dakota Law**”), Paciugo Franchise International, LLC. (“**Franchisor**”) and \_\_\_\_\_ (“**Developer**”) hereby agree to the following as it relates to the Development Agreement entered into by and between Franchisor and Developer:

1. The State of North Dakota has determined that the following types of provisions are deemed to be contrary to North Dakota Law:

(a) A provision requiring a North Dakota franchisee to sign a general release upon renewal of the Development Agreement;

(b) A provision requiring a North Dakota franchisee to consent to termination penalties or liquidated damages;

(c) A provision requiring a North Dakota franchisee to consent to the jurisdiction of courts outside the state of North Dakota;

(d) A provision restricting the time in which a North Dakota franchisee may make a claim to less than the applicable North Dakota statute of limitations;

(e) A provision calling for the waiver by a North Dakota franchisee of the right to trial by jury;

(f) A provision requiring a North Dakota franchisee to consent to a waiver of exemplary and punitive damages.

Any and all provisions in the Development Agreement that are in violation of Paragraphs 1 (a-f) above are deleted.

2. The following is hereby added to Article 10. of the Development Agreement:

North Dakota Century Code Section 9-08-06 subjects covenants not to compete to the provisions of that statute. The covenants not to compete contained within the Development Agreement are subject to Section 9-08-06 and may be unenforceable under North Dakota law.

3. The following is hereby added to Article 14. of the Development Agreement.

The site of any mediation or arbitration of the parties’ disputes shall be at a site mutually agreeable to all parties. If all parties cannot agree upon a location, the arbitration or mediation will be in Fargo, North Dakota.

4. In the event of any conflict between the terms of this Amendment and the terms of the Development Agreement, the terms of this Amendment will prevail.

5. Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of North Dakota Law are met independently without reference to this Amendment.

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

7. Sections 11.2.1(b), 11.2.2, 11.2.3, 11.2.5, and 11.2.9 are deleted.

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

*[Signature Page to follow]*

**FRANCHISOR:**

Paciugo Franchise International, LLC  
a Texas limited liability company

**DEVELOPER:**

By: \_\_\_\_\_  
Jeffrey P. Sinelli, CEO

Date: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
VIRGINIA AMENDMENT TO DEVELOPMENT AGREEMENT**

For purposes of complying with the requirements of Virginia law, including the Virginia Retail Franchising Act (“**Virginia Franchise Act**”), Paciugo Franchise International, LLC (“**Franchisor**”) and \_\_\_\_\_ (“**Developer**”) hereby amend the Development Agreement between them dated \_\_\_\_\_ (“**Agreement**”) as follows:

1. Under Section 13.1-564 of the Virginia Retail Franchising Act, (the “**Act**”), it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the Agreement does not constitute “reasonable cause”, as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.
2. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of Virginia law applicable to the provisions are met independently of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.
3. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
4. Sections 11.2.1(b), 11.2.2, 11.2.3, 11.2.5, and 11.2.9 are deleted.
5. All other provisions of the Agreement are hereby ratified and confirmed.

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

**FRANCHISOR:**  
Paciugo Franchise International, LLC  
a Texas limited liability company

**DEVELOPER:**

By: \_\_\_\_\_  
Jeffrey P. Sinelli, CEO

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
DEVELOPMENT AGREEMENT**

**ATTACHMENT A  
GLOSSARY OF ADDITIONAL TERMS**

“**Affiliate**” means an affiliate of a named person identified as any person or entity that is controlled by, controlling or under common control with such named person.

“**Business Entity**” means any person with the power to enter into contracts, other than a natural person. The term includes a corporation, limited liability company, limited partnership, and trust.

“**Confidential Information**” means all trade secrets, and other elements of the System; all customer information; all information contained in the Manual; PFI’s proprietary recipes and standards and specifications for product preparation, packaging and service; financial information; marketing data; vendor and supplier information; all other knowledge, trade secrets, or know-how concerning the methods of operation of the Franchised Business which may be communicated to you, or of which you may be apprised, by virtue of their operation under the terms of the Franchise Agreement, and all other information that PFI designates.

“**Controlling Interest**” means: (a) if you are a corporation or a limited liability company, that the Owners, either individually or cumulatively (i) directly or indirectly own at least 50% of the shares of each class of the developer entity’s issued and outstanding capital stock or membership units, as applicable; and (ii) are entitled, under its governing documents and under any agreements among the Owners, to cast a sufficient number of votes to require such entity to take or omit to take any action which such entity is required to take or omit to take under this Agreement; or (b) if you are a partnership, that the Owners (i) own at least 50% interest in the operating profits and operating losses of the partnership as well as at least 50% ownership interest in the partnership (and at least 50% interest in the shares of each class of capital stock of any corporate general partner); and (ii) are entitled under its partnership agreement or applicable law to act on behalf of the partnership without the approval or consent of any other partner or be able to cast a sufficient number of votes to require the partnership to take or omit to take any action which the partnership is required to take or omit to take under this Agreement. Any interest less than 50% of the corporation, limited liability company, or partnership is a “**Non-Controlling Interest**.”

“**Copyrighted Works**” means works of authorship which are owned by PFI and fixed in a tangible medium of expression including, without limitation, the content of the Manual, the design elements of the Marks, PFI’s product packaging and advertising and promotional materials, and the content and design of PFI’s website and advertising and promotional materials.

“**Development Agreement**” means the form of agreement prescribed by PFI and used to grant to its developers the right to develop one or more Paciugo Stores in a certain geographical area, including all attachments, exhibits, riders, guarantees, or other related documents, all as amended from time to time.

“**Development Period**” means each of the time periods indicated in the Summary Pages during which you shall have the right and obligation to construct, equip, open and thereafter continue to operate Paciugo Stores.

“**Franchise Agreement**” means the form of agreement prescribed by PFI and used to grant to its franchisees the right to own and operate a single Paciugo Store, including all attachments, exhibits, riders, guarantees, or other related documents, all as amended from time to time.

“**Force Majeure**” means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire, or other natural catastrophe); strikes, lockouts, or other industrial disturbances; war, terrorist acts, riot, or other civil disturbance; or other similar forces which you could not by the exercise of reasonable diligence have avoided; provided however, that neither an act or failure to act by a governmental authority, nor the performance, non-performance or exercise of rights under any agreement with you by any lender, landlord, or other person will be an event of Force Majeure under this Agreement, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure. Your financial inability to perform or your insolvency will not be an event of Force Majeure under this Agreement.

“**Franchised Location**” means the physical address where the franchisee will continuously operate a Paciugo Store to deliver authorized products in accordance with the terms of the applicable Franchise Agreement.

“**Incapacity**” means physical, emotional, or mental injury or illness which would prevent a person from performing the obligations set forth in this Agreement or in the guaranty made part of this Agreement for at least 90 consecutive days and from which the person suffering the incapacity is not likely to recover within 90 days from the date of determination of the incapacity,



as determined by a licensed practicing physician upon examination of the person, or if the person refuses to submit to an examination, then such person automatically shall be deemed to be incapacitated as of the date of such refusal.

“**Owner**” means each individual or entity holding a beneficial ownership in the franchisee. It includes all shareholders of a corporation, all members of a limited liability company, all general and limited partners of a limited partnership, and the grantor and the trustee of the trust.

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
DEVELOPMENT AGREEMENT**

**ATTACHMENT B-1  
GUARANTY AND PERSONAL UNDERTAKING**

1. I have read the Development Agreement between Paciugo Franchise International, LLC and \_\_\_\_\_ (“**Developer**”), having an Effective Date of \_\_\_\_\_.
2. I own a beneficial interest in Developer; I am an “**Owner**” within the definition contained in the Development Agreement; and I am a “**Guarantor**” under this Guaranty (defined below).
3. I understand that were it not for this Personal Guaranty and Undertaking (“**Guaranty**”), PFI would not have agreed to enter into the Development Agreement with Developer.
4. I will comply with all of the provisions contained in Article 6 of the Development Agreement concerning the use of the Confidential Information. I will maintain the confidentiality of all Confidential Information disclosed to me. I agree to use the Confidential Information only for the purposes authorized under the Development Agreement. I further agree not to disclose any of the Confidential Information, except: **(a)** to Developer’s employees on a need to know basis; **(b)** to Developer’s and my legal and tax professionals to the extent necessary for me to meet my legal obligations; and **(c)** as otherwise may be required by law.
5. I will comply with all of the provisions contained in Article 8 of the Development Agreement concerning the transfer of my interest in the Development Agreement and/or in Developer.
6. While I am an Owner of Developer and, for a two-year period after I cease to be an Owner (or two years after termination or expiration of the Development Agreement, whichever occurs first), I will not:
  - (a) Divert or attempt to divert any present or prospective customer of a Paciugo Store to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or
  - (b) Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any business, store, shop, dispensing unit, or retail outlet of any type, or commissary, ghost kitchen or delivery only concept, that offers gelato, ice cream, frozen custard, frozen yogurt, or other frozen treats/desserts, or beverage items or products that are offered at Paciugo stores, other than a Paciugo Store operated pursuant to a then-currently effective Franchise Agreement. This restriction will apply, while I am an Owner, to any location within the United States, its territories or commonwealths, or any other country, province, state, or geographic area in which PFI or its Affiliates have used, sought registration of, or registered the Marks or similar marks or operate or license others to operate a business under the Marks or similar marks. This restriction will apply for two years after I cease to be an Owner (or two years after termination or expiration of the Development Agreement, whichever occurs first) to any location that: **(i)** is, or is intended to be, located at the location of any Store developed by Developer or operated by Developer (as franchisee) or any of Developer’s Affiliates under the terms of a Franchise Agreement; **(ii)** is within a one-mile radius of any Store developed by Developer or operated by Developer (as franchisee) or any of Developer’s Affiliates under the terms of a Franchise Agreement; or **(iii)** is within a one-mile radius of any other Store operating under the System and Marks that is in existence or under development at any location within the United States, its territories, or commonwealths, or any other country, province, state, or geographic area in which PFI or its Affiliates have used, sought registration of, or registered the Marks or similar marks, or operate or license others to operate a business under the Marks or similar marks, at the time of such expiration, termination, or transfer. This time periods relating to the restrictions set forth in this Confidentiality Agreement will be tolled during any period of my noncompliance.
7. I agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Guaranty. If all or any portion of a covenant in this Guaranty is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which PFI is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Guaranty.
8. I understand and acknowledge that PFI shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Guaranty, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof, and I agree to comply forthwith with any covenant as so modified.

9. I agree that the provisions contained in Article 14, of the Development Agreement will apply to any dispute arising out of or relating to this Guaranty. If PFI brings any legal action to enforce its rights under this Guaranty, I will reimburse PFI its reasonable attorneys' fees and costs.

10. I hereby guarantee the prompt and full payment of all amounts owed by the Developer under the Development Agreement.

11. I will pay all amounts due under this Guaranty within 14 days after receiving notice from PFI that the Developer has failed to make the required payment. I understand and agree that PFI need not exhaust its remedies against the Developer before seeking recovery from me under this Guaranty.

12. No modification, change, impairment, or suspension of any of PFI's rights or remedies will in any way affect any of my obligations under this Guaranty. If the Developer has pledged other security or if one or more other persons have personally guaranteed performance of the Developer's obligations, I agree that PFI's release of such security will not affect my liability under this Guaranty.

13. If I am a resident of the State of California, or otherwise subject to the laws of the State of California, I hereby waive **(a)** all rights described in California Civil Code Section 2856(a)(1)-(2), inclusive, which includes, without limitation, any rights and defenses which are or may become available to the undersigned by reason of California Civil Code Sections 2787 to 2855, inclusive; and **(b)** California Civil Code Sections 2899 and 3433.

**I HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING PFI, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE DEVELOPMENT AGREEMENT AND/OR THE PERFORMANCE OF ANY PARTY UNDER THE DEVELOPMENT AGREEMENT.**

15. I understand that PFI's rights under this Guaranty will be in addition to, and not in lieu of, any other rights or remedies available to PFI under applicable law. I further understand and agree that my obligations under this Guaranty are joint and several as to other signatories to this Guaranty.

16. I agree that any notices required to be delivered to me must be in writing, signed by the notifying party, and must be either delivered by hand, via email by a nationally-recognized electronic document signing platform (e.g., DocuSign®), by a nationally-recognized overnight courier service, or deposited in the U.S. mail, certified or registered mail, return receipt requested, postage paid. Notice will be deemed to have been given when **(a)** delivered by hand; **(b)** when confirmation of electronic delivery is recorded in the electronic document signing platform; **(c)** when delivered by a nationally recognized overnight courier service; or **(d)** upon the earlier of actual receipt or three calendar days after deposit in the U.S. mail, if sent by certified or registered mail, return receipt requested, postage paid. Notices must be given to the mailing address set forth in this Guaranty, unless and until a different address has been designated by me, in writing, and delivered to PFI. I may change my mailing or email address for the purpose of receiving notices, demands, and other communications as provided in this Guaranty by providing PFI written notice as set forth above.

Intending to be legally bound, I have executed this Guaranty on the date set forth below:

**GUARANTOR:**

\_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
DEVELOPMENT AGREEMENT**

**ATTACHMENT B-2  
CONFIDENTIALITY AND NONCOMPETITION AGREEMENT**

In accordance with the terms of this Confidentiality and Noncompetition Agreement (“**Confidentiality Agreement**”) and in consideration of my relation to and/or connection or employment with \_\_\_\_\_ (“**Developer**”) (or to Developer’s affiliate if I am employed by Developer’s affiliated entity), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I (“**Covenantor**”) hereby acknowledge and agree that:

1. Developer has acquired the right from Paciugo Franchise International, LLC (“**PFI**”) to develop one or more Paciugo Stores (“**Franchised Business**”) which will operate under a separate Franchise Agreement and according to the system developed by PFI and/or its affiliates for operation and management of Franchised Businesses (“**System**”), as they may be changed, improved, and further developed from time to time in PFI’s sole discretion.
2. PFI possesses certain proprietary and confidential information relating to the development of the Franchised Business, which includes the Manual, recipes, trade secrets, and copyrighted materials, methods, and other techniques and know-how (“**Confidential Information**”). Any and all manuals, trade secrets, copyrighted materials, methods, information, knowledge, know-how, and techniques which PFI specifically designates as confidential are deemed to be Confidential Information for purposes of this Confidentiality Agreement.
3. Because I am a Covenantor, PFI and Developer will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, PFI’s operations manual (“**Manual**”), and other general assistance during the term of this Confidentiality Agreement.
4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the development of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.
5. The Confidential Information is proprietary, involves trade secrets of PFI, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by PFI as confidential. Unless PFI otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties to Developer and will continue to refrain from disclosing or using any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Developer under the Development Agreement.
6. Except as otherwise approved in writing by PFI, I shall not, while in my position with Developer and for a continuous uninterrupted period commencing upon the cessation or termination of my relationship and/or position with Developer, regardless of the cause for cessation or termination, and continuing for two years thereafter, either directly or indirectly, for myself or through, on behalf of, or in conjunction with any other person, partnership, corporation, or other limited liability company own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to, or have any interest in any business, store, shop, dispensing unit, or retail outlet of any type, or commissary, ghost kitchen or delivery only concept, that offers gelato, ice cream, frozen custard, frozen yogurt, or other frozen treats/desserts, or beverage items or products that are offered at Paciugo stores. The restrictions in this paragraph do not apply to my ownership of a less than five percent beneficial interest in the outstanding securities of any publicly held corporation. The time periods relating to the restrictions set forth in this Confidentiality Agreement will be tolled during any period of my noncompliance.
7. I agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Confidentiality Agreement. If all or any portion of a covenant in this Confidentiality Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which PFI is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Confidentiality Agreement.
8. I understand and acknowledge that PFI has the right, in its sole discretion, to reduce the scope of any covenant set forth in this Confidentiality Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof, and I agree to comply forthwith with any covenant as so modified. I also understand that neither I nor Developer may make any changes to this Confidentiality Agreement without the written consent of PFI.

9. PFI is a third-party beneficiary of this Confidentiality Agreement and may enforce it, solely and/or jointly with Developer. I am aware that my violation of this Confidentiality Agreement will cause PFI and Developer irreparable harm; therefore, I acknowledge and agree that Developer and/or PFI may apply for the issuance of an injunction preventing me from violating this Confidentiality Agreement, and I agree to pay Developer and PFI all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Confidentiality Agreement is enforced against me. Due to the importance of this Confidentiality Agreement to Developer and PFI, any claim I have against Developer or PFI is a separate matter and does not entitle me to violate or justify any violation of this Confidentiality Agreement.

10. This Confidentiality Agreement will be construed under the laws of the State of Texas.

11. **I HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING PFI, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE DEVELOPMENT AGREEMENT AND/OR THE PERFORMANCE OF ANY PARTY UNDER THE DEVELOPMENT AGREEMENT.**

12. I acknowledge that I am to receive valuable information emanating from PFI’s principal business office, wherever it may be located. Therefore, with respect to all claims, controversies, and disputes, I irrevocably consent to personal jurisdiction and submit myself to the jurisdiction of the federal and state courts that service the county where PFI’s principal business office is located. Notwithstanding the foregoing, I acknowledge and agree that PFI or Developer may bring and maintain an action against me in any court of competent jurisdiction for injunctive or other extraordinary relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions.

The parties hereto, intending to be legally bound, have executed this Confidentiality Agreement as of the dates set forth below.

**COVENANTOR:**

**ACKNOWLEDGED BY DEVELOPER:**

\_\_\_\_\_  
Signed as an Individual

By: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
Date: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT C - 1**  
**PACIUGO FRANCHISE INTERNATIONAL, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**FRANCHISE AGREEMENT**



**PACIUGO FRANCHISE INTERNATIONAL, LLC  
FRANCHISE AGREEMENT**

**FRANCHISE AGREEMENT  
SUMMARY PAGES**

**EFFECTIVE DATE:** \_\_\_\_\_  
**FRANCHISEE:** \_\_\_\_\_

**INFORMATION FOR NOTICES:**  
 Address: \_\_\_\_\_  
 Telephone Number: \_\_\_\_\_  
 Email Address: \_\_\_\_\_

**OPERATING PRINCIPAL:**  
 Address: \_\_\_\_\_  
 Telephone Number: \_\_\_\_\_  
 Email Address: \_\_\_\_\_

**SITE SELECTION AREA:** \_\_\_\_\_

**DOCUMENT PREPARATION FEE:** \$250  
 \$20,000 (initial Store)       \$15,000 (subsequent Store)

**INITIAL FRANCHISE FEE:**  \$7,500 (Co-brand Store)

**ROYALTY FEE:** 6% of Gross Sales

**OPENING ASSISTANCE FEE:**  \$5,000 (subject to change per Section 5.3.1.)  
 \$0 (Co-brand Store)

**BRAND DEVELOPMENT FUND CONTRIBUTION:** 2% of Gross Sales

**LOCAL ADVERTISING EXPENDITURE:** 2% of Gross Sales

**RENEWAL FEE:** An amount equal to 50% of the then-current initial franchise fee generally charged to Paciugo franchisees to enter into Franchise Agreements for subsequent Stores or Co-brand Stores

**FRANCHISEE and FRANCHISEE'S OWNERS:** Franchisee is duly formed in the State of \_\_\_\_\_, and the following is a list of all shareholders, partners, members, or other investors owning a direct or indirect interest in Franchisee and a description of the nature of their interest:

Name	% Ownership in Franchisee	Nature of Interest

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
ADDRESS FOR NOTICE:**

Attention: Legal Department  
 Paciugo Franchise International, LLC  
 1215 Viceroy Drive  
 Dallas, Texas 75247  
[legal@paciugo.com](mailto:legal@paciugo.com)



**FRANCHISED LOCATION:** \_\_\_\_\_

**OPENING DATE:** To be determined, subject to Section 3.5.

By signing below, each of the parties attests to the accuracy of the information contained in these Summary Pages and agrees to and intends to be legally bound by the terms and provisions of the Paciugo Franchise International, LLC Franchise Agreement attached to these Summary Pages, effective on the Effective Date set forth above.

**FRANCHISOR:**  
Paciugo Franchise International, LLC  
a Texas limited liability company

**FRANCHISEE:**

By: \_\_\_\_\_  
Jeffrey P. Sinelli, CEO

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
FRANCHISE AGREEMENT**

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**PACIUGO FRANCHISE INTERNATIONAL, LLC  
FRANCHISE AGREEMENT**

**THIS FRANCHISE AGREEMENT (“Agreement”)** is made and entered into as of the Effective Date reflected in the Summary Pages by and between Paciuco Franchise International, LLC, a Texas limited liability company with its principal office in Dallas, Texas (“**PFI**”), and the franchisee identified in the Summary Pages (“**you**” or “**Franchisee**”).

A. PFI has acquired the license to use and to sublicense the use of a distinctive system relating to the establishment and operation of a retail business that offers gelato and other specialty food items, beverage items, and products (“**System**”).

B. The distinguishing characteristics of the System include, without limitation, distinctive interior and exterior design, decor, color scheme, graphics, fixtures and furnishings, proprietary ordering procedures; special recipes and menu items; proprietary food preparation techniques and presentation standards; community and social networking presence and protocols; standards, specifications, policies, and procedures for operations; quality and uniformity of the products and services offered; procedures for inventory, management, and financial control; training and assistance; advertising and promotional programs; and other standards, specifications, techniques, and procedures that PFI designates for developing, operating, and managing a Paciuco Store, all of which PFI may change, improve, and further develop (collectively, “**Standards**”).

C. The System is identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the mark “**PACIUGO**” and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated by PFI in writing for use in connection with the System (“**Marks**”).

D. You have applied to PFI for a franchise to operate a Paciuco Store using the System and Marks (“**Store**” or “**Franchised Business**”), and PFI has approved your application and desires to grant you such franchise, all pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration for the mutual premises contained in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**1. GRANT**

1.1. Grant. Subject to the provisions of this Agreement, PFI hereby grants you the right (“**Franchise**”) to continuously operate a Paciuco Store at the Franchised Location identified (or to be identified) in the Summary Pages, to deliver authorized products to locations in accordance with the Standards (which may include distance or area restrictions), to use the Marks in the operation and promotion of the Franchised Business. To the extent that PFI may, from time to time, expand its service offerings, you have the right to provide such services in such area that PFI may authorize according to the terms of this Agreement and PFI’s then-current standards, policies, and procedures. You hereby undertake the obligation and agree to continually operate the Franchised Business during the Term hereof and strictly according to the terms and conditions of this Agreement. This Agreement grants you no right, among others to: **(a)** sublicense the use of the System or Marks; **(b)** co-brand with another concept or brand; **(c)** offer or sell products or services at or from any location other than the Franchised Location (such as from a cart, kiosk, food truck, ghost kitchen or delivery only concept) without PFI’s prior written consent; **(d)** ship Paciuco products, regardless of the destination, without PFI’s prior written consent; **(e)** offer or sell virtual products or services on any virtual platform (including, without limitation, the metaverse); or **(f)** distribute Paciuco products through any other channels, such as supermarkets, convenience stores or other retailers, or other food service providers (such as through a commissary, ghost kitchen or delivery only concept).

1.2. This Agreement grants no territorial protection. PFI may develop franchised and company-owned Stores at any location, and may develop and operate other businesses that may or may not compete with the Store, regardless of the economic effect of such operation on the Franchised Business. PFI may distribute products and services identified by the Marks at any location, regardless of the proximity to your Store, and may otherwise compete with you.

**2. TERM**

2.1. Term. Unless sooner terminated as provided in this Agreement, the term of this Agreement (“**Term**”) will begin on the Effective Date and will continue 10 years from the Opening Date.

2.2. Renewal. You may renew the franchise granted by this Agreement for two, consecutive five-year terms if, at the end of each term, each of the following conditions has been satisfied: **(a)** you have notified PFI of your intent to renew the franchise no less than 12 months and no more than 24 months before the then-current term has expired; **(b)** you are not in default of any material provision of this Agreement and you have complied with the material terms and conditions of this Agreement throughout the Term; **(c)** all amounts owed to PFI and its Affiliates, to third-party suppliers, and to your landlord have been

paid; **(d)** the Store has been renovated and refurbished so that it reflects PFI's then-current image, trade dress, equipment, and furnishings requirements; **(e)** you have the right to remain in possession of the Store premises, or have secured an alternate site with PFI's prior approval; **(f)** you comply with the then-current qualifications and training requirements; **(g)** you sign PFI's then-current form of Franchise Agreement, the terms of which may be materially different than the terms of this Agreement, and each Owner executes a personal guaranty and undertaking in the form PFI prescribes; **(h)** you and each Owner sign a general and full release in favor of PFI and its Affiliates and their respective, officers, directors, shareholders, members, managers, employees, and agents, of any claims arising out of or relating to the franchise relationship including the offer and sale of the Paciugo franchise opportunity; and **(i)** you pay the Renewal Fee, in the amount specified in the Summary Pages. Additional renewals will be at PFI's sole discretion, and such consideration by PFI, if any, must not be interpreted to grant to you, herein, any additional renewal terms.

2.3. Extension of this Agreement. If you continue to accept the benefits of this Agreement after the expiration of the initial Term but do not complete the requirements in Section 2.2., then at PFI's sole option, this Agreement may be treated as either: **(a)** expired as of the date of the expiration and you will be operating without a franchise or license to do so and in violation of our rights to the Marks and System; or **(b)** continued on a month-to-month basis ("**Interim Period**") and all your obligations will remain in full force and effect during the Interim Period as if the Agreement had not expired, except that, you will be required to pay us 125% of the stated Royalty Fee and 125% of the then-current Brand Development Fund Contribution set forth in the Summary Pages. Each Interim Period expires at the end of each calendar month unless this Agreement is continued as provided in this Section 2.3. The Interim Period does not create any new franchise rights, and upon expiration of the final Interim Period, you will be bound by all post-term obligations as provided in this Agreement.

### 3. SITE SELECTION, CONSTRUCTION; STORE LOCATION

3.1. Site Selection and On-Site Evaluation. Within 180 days after the Effective Date, you must have identified a site for the Store and submitted to PFI a site approval request packet, as set forth in Section 3.2., below. The site must be located within the Site Selection Area identified in the Summary Pages, must meet PFI's then-current site selection criteria, and must otherwise be mutually acceptable to you and to PFI. PFI may conduct site selection evaluations or provide site selection assistance on its own initiative or in response to your reasonable request, if deemed necessary by PFI, but PFI will not provide assistance or consider a request for an on-site evaluation until all information and materials described in Section 3.2. below have been received. Ultimate site selection is your sole responsibility. If PFI conducts an on-site evaluation of your proposed site or provides in-person site selection assistance, PFI will not charge a fee for such first-time services. PFI may charge \$500 for the second and any additional on-site evaluation or site selection assistance performed, and you must also pay or reimburse PFI its related out-of-pocket costs, including the costs of all transportation, lodging, and meals.

3.2. Franchise Site Application. For each proposed site that you identify, you must deliver to PFI a completed franchise site approval request packet containing all information required by PFI, such as a description of the proposed site, demographic characteristics, traffic patterns, parking, character of the neighborhood, competition from other businesses in the area, the proximity to other businesses, the nature of other businesses in proximity to the site, and other commercial characteristics (including the purchase price, rental obligations, and other lease terms for the proposed site) as well as the size, appearance, other physical characteristics, and a site plan of the premises. Within 60 days after receiving your site application and all additional requested information, PFI will notify you whether or not the site is approved. If PFI does not provide notification within the 60-day time period, its silence should not be considered approval or rejection of the site. **PFI's approval of a site is not an assurance that the Store will achieve a certain sales volume or level of profitability; it means only that the proposed site meets PFI's minimum criteria for Paciugo Stores. Once your site is approved, PFI is not responsible for any construction delays due to change orders, acts of God, disputes with landlords, architects, contractors, subcontractors, or any other vendor or due to any other action or reason occurring under your management of the build-out.**

3.3. Lease of Building. If you occupy the Store premises under a lease with a third-party landlord, PFI has the right to approve the lease terms, and you may not sign the lease until PFI has approved its terms. **PFI's approval of a lease does not mean that the economic terms of the lease are favorable; it means only that the lease contains the lease terms that PFI requires.** You must be listed as the tenant on the lease, and the lease must contain the terms reflected in Attachment D, including PFI's option to assume the lease in the event of expiration or termination of this Agreement. You shall deliver to PFI a fully-executed copy of the lease within 10 days after its execution.

3.4. Store Design and Build-Out. You must follow PFI's procedures for Store construction and build-out, which includes, but is not limited to, engaging an architect, design consultant, and/or general contractor that PFI specifies. You shall construct and build out the Store according to PFI's standards and specifications for design, decor, and layout and shall equip the Store

according to PFI's requirements for fixtures, furnishings, equipment, interior and exterior signage, artwork and graphics, trade dress, and awnings. PFI shall provide such advice regarding construction and build-out as it deems appropriate, but you are solely responsible for sourcing, hiring, and paying for the professional services needed for you to complete your Store design and build-out obligations. You are also solely responsible for obtaining all government approvals, zoning classifications, permits, and clearances relating to the Store and for complying with applicable requirements of the Americans with Disabilities Amendments Act. During construction, you must maintain general liability and property damage insurance of the type and with the limits PFI requires, protecting you, PFI, and its Affiliates and their respective partners, shareholders, directors, agents, and employees. Such policy or policies must be written by a responsible insurer or insurers acceptable to PFI and must contain a waiver of subrogation in favor of PFI and its Affiliates, and their respective partners, shareholders, directors, agents, and employees. You shall notify PFI in writing when construction begins and thereafter shall provide a weekly progress report. PFI and its designees have the right to inspect the site at all reasonable times.

3.5. **Opening.** Your opening date ("**Opening Date**") will be the date of your actual Store opening or 120 days from the date you take possession of the premises for the approved site, whichever occurs first; but the Opening Date must be no later than 365 days after the Effective Date. If you are unable to open your Store within 365 days after the Effective Date, PFI may, but is not obligated to, extend your Opening Date deadline in its sole discretion, provided that you have sent the extension request to PFI, in writing. The Opening Date will be reflected in an amendment to the Summary Pages or by any other form of written communication from PFI that defines the Opening Date, and such Opening Date will dictate for purposes of this Agreement. You may open the Store for business only with PFI's prior, written permission, which will be granted only if: **(a)** all amounts due PFI under this Agreement and all other agreements between PFI or its Affiliates and you or your Affiliates have been paid, **(b)** the Store has been constructed and equipped according to PFI's standards and specifications, **(c)** all of your pre-opening and training obligations have been satisfied, **(d)** PFI has received from you a signed ACH Authorization (**Attachment C**); **(e)** PFI has received from you a fully-executed copy of your Store lease containing the mandatory lease terms described in **Attachment D**; **(f)** PFI has received from you certificates of insurance as required by **Article 11**; and **(g)** you are otherwise in good standing under this Agreement.

3.6. **Relocation.** You may relocate the Store only with PFI's prior written consent. PFI will grant its consent if your lease expires or terminates through no fault of yours, or if the Store premises is destroyed or materially damaged by a Force Majeure event and you are not in default of this Agreement or any other agreement between you and PFI. Selection of the relocation site and Store construction, renovation, and opening will be governed by this **Article 3**; provided that if the relocation occurred as a result of a Force Majeure event, the Store must be open for business at the new location within 180 days after the previous location ceased operations.

If you request to relocate your Store for any other reason that is not the result of a Force Majeure event ("**Requested Relocation**"), then your Requested Relocation will only be granted at PFI's sole discretion. If your Requested Relocation is granted, then you must: **(a)** execute PFI's then-current form of Franchise Agreement, which may contain materially different terms than those in this Agreement; the term of such new agreement will be for the remaining Term of this Agreement at the time of relocation; **(b)** open the Store for business at the new location within five days after permanently closing the previous location; **(c)** pay PFI a \$5,000 fee ("**Relocation Fee**"); and **(d)** sign (and each of your Owners must sign) a general release in favor of PFI; provided, however, that any release will not be inconsistent with any state law regulating franchising. You are solely responsible for all relocation costs and expenses, which may include reimbursement to PFI for reasonable attorneys' fees associated with the relocation.

3.7. **Repair.** If your Store is destroyed or materially damaged by a Force Majeure event and you do not request to relocate the Store pursuant to **Section 3.6.**, or if PFI does not approve your request, then you must repair and/or re-construct your Store to PFI's then-current standards such that the Store is open and operating at the Franchised Location within 180 days after the occurrence of the Force Majeure event. PFI reserves the right to require you to pay a minimum Royalty Fee during the period the Store is not open and operating, and you agree to pay such minimum fee.

#### **4. FEES**

4.1. **Initial Franchise Fee.** Upon execution of this Agreement, you shall pay PFI an Initial Franchise Fee (less any Development Fee credit, if applicable) in the amount specified in the Summary Pages. The Initial Franchise Fee is fully earned by PFI when paid and your payment is not refundable.

4.2. **Royalty Fees.** During the Term of this Agreement, you shall pay to PFI a nonrefundable and continuing Royalty Fee in the amount specified in the Summary Pages for the right to use the System and the Marks. If any taxes, fees, or assessments are imposed on your payment of the Royalty Fee (except taxes imposed on PFI's net taxable income), you must also pay or reimburse PFI the amount of the taxes, fees, or assessments within 15 days after PFI's written notice to you.

4.3. Other Payments. In addition to all other payments provided for in this Agreement, you shall pay PFI and its Affiliates, and all of your third-party vendors, suppliers, and landlord promptly when due:

4.3.1. All amounts advanced by PFI or which PFI has paid, or for which it has become obligated to pay, on your behalf for any reason whatsoever.

4.3.2. The amount of all sales taxes, use taxes, personal property taxes, and similar taxes, which are or may be imposed upon you and required to be collected or paid by PFI **(a)** because of your Gross Sales, or **(b)** because of Initial Franchise Fees, Royalty Fees, or advertising fees (and Franchisee Advertising Association dues, if any) collected by PFI from you (but excluding ordinary income taxes). PFI, in its discretion, may collect the taxes in the same manner as Royalty Fees are collected and promptly pay the tax collections to the appropriate governmental authority; provided, however, that unless PFI so elects, it shall be your responsibility to pay all sales, use, or other taxes now or hereinafter imposed by any governmental authorities on Initial Franchise Fees, Royalty Fees, and all other payments made or due and owing under this Agreement.

4.3.3. Amounts due relating to your participation in marketing programs pursuant to Article 9 of this Agreement.

4.3.4. All amounts due PFI and its Affiliates, all Designated Suppliers, Designated Distributors, and your other trade creditors, and your landlord (unless such amount is subject to a bona fide dispute).

4.4. No Set-Off Rights. You may not set off, deduct, or otherwise withhold any fees or other amounts due PFI under this Agreement on grounds of alleged nonperformance by PFI of any of its obligations or for any other reason. Withholding Royalty Fees or any other amounts due PFI is a material breach of this Agreement.

4.5. Accounting Period. PFI shall have the right to define applicable accounting periods for purposes of calculating and paying amounts due under this Agreement. Each period, which may be defined in terms of days, weeks, or months, in PFI's sole discretion, will be considered an "**Accounting Period**" for all purposes under this Agreement. PFI has the right to change or modify the definition of an Accounting Period, in its discretion, for the entire Paciugo franchise system, generally, or for you, individually, if you fail to comply with this Agreement. PFI shall provide you at least 30 days advance written notice of any change in Accounting Period affecting the Paciugo franchise system, or at least 30 days advance written notice of any change in Accounting Period affecting you, individually, based on your noncompliance under this Agreement. You shall make all changes necessary to conform to such change or modification.

4.6. Payment Terms and Procedures. All payments required by this Agreement must be paid on the day or date PFI specifies ("**Due Date**"). If the Due Date is not a Business Day, then payment will be due on the next Business Day. PFI shall determine the amount of the Royalty Fee and other amounts due under this Agreement by accessing and retrieving Gross Sales data from your computer system, as permitted by Article 10. On each Due Date, PFI will transfer from your commercial bank operating account ("**Account**") the fees and Fund contributions due and owing.

4.7. Electronic Fund Transfer. You shall participate in PFI's then-current electronic funds transfer program authorizing PFI to use a pre-authorized bank draft system. You shall: **(a)** comply with PFI's procedures, as specified in the Manual or otherwise in writing; **(b)** perform those acts and sign and deliver those documents as may be necessary to accomplish payment by electronic funds transfer as described in this Section 4.7; **(c)** give PFI an authorization in the form designated by PFI to initiate debit entries and/or credit correction entries to the Account for payments of the Royalty Fee and all other amounts payable under this Agreement, including any interest charges; and **(d)** make sufficient funds available in the Account for withdrawal by electronic funds transfer no later than the Due Date for payment thereof. Notwithstanding the provisions of this Article 4, PFI reserves the right to modify, at its option, the method by which you pay the Royalty Fee and other amounts owed under this Agreement upon receipt of written notice by PFI. Your failure to have sufficient funds in the Account is a material breach of this Agreement.

4.8. Interest; Nonsufficient Funds Charge. Any payments not received by PFI by the Due Date will accrue interest at the rate of 18% per annum or the highest lawful interest rate permitted by the jurisdiction in which the Store operates, whichever is less. If any check or draft, electronic or otherwise, is returned for insufficient funds, you shall pay to PFI a nonsufficient funds charge for each check or draft in the amount of \$50 (which may be increased each year by an amount not to exceed 10% of the then-current amount) and reimburse PFI for all expenses that it incurs because of such nonsufficient funds.

4.9. Partial Payments; Application of Payments. If you pay less than the amount due, your payment will be considered a partial payment. PFI may accept such payment as a partial payment, irrespective of any endorsement or other statement that the payment constitutes full payment. PFI's acceptance of such partial payment will not be considered a waiver of any of its right to demand or receive full payment, and you hereby waive any estoppel defense in this regard. PFI may apply your payments to any indebtedness, in its sole and reasonable discretion, regardless of any designation that accompanies the payment.

4.10. Administration Fees, Collection Costs, and Expenses. If you fail to comply with any of the terms or conditions of this Agreement, PFI has the right to impose, and you shall pay on demand, an administrative fee, in an amount not to exceed \$100 per hour, for all time spent by PFI's personnel in connection with addressing and resolving your failure to comply with the terms of this Agreement (including, for example, your failure to timely provide financial information, a copy of your lease, a copy of your insurance certificate, *etc.*). This administrative fee will be in addition to any other fees due because of your noncompliance with this Agreement. You also must promptly reimburse PFI for any and all costs and expenses that it incurs in enforcing the terms of this Agreement including, without limitation, fees paid to a collection agency and reasonable attorneys' fees and accountants' fees. The fees and reimbursement obligations described in this Section 4.10. are in addition to and not in lieu of any other remedies available to PFI under this Agreement or applicable law.

4.11. Document Preparation Fees. To help offset legal and administrative costs incurred in connection with the preparation of this Agreement and any amendments to this Agreement, PFI has the right to charge, and you agree to pay, a document preparation fee of \$250 for the Agreement, plus \$250 for each amendment agreement to the Agreement, regardless of when the amendment agreement is drafted.

## 5. TRAINING AND ASSISTANCE

5.1. Initial Training. At least 30 days before the Opening Date of your first Store, your Operating Principal or District Manager, if applicable, must attend and complete to PFI's satisfaction, PFI's then-current initial training program. If you are acquiring more than one existing Store pursuant to a transfer, then at least 30 days before you close on the acquisition of the Stores, you must comply with PFI's then-current training requirements for such transfers. The number of people who must attend and satisfactorily complete, to PFI's satisfaction, PFI's then-current initial training for multi-Store acquisitions and the length of training will vary depending on the number of Stores you acquire, your experience in the food service business, and the experience of those you plan to employ. In addition to the other people we require to attend initial training, your Operating Principal or District Manager, if applicable, must attend and satisfactorily complete, as we determine, our initial training program for transfers of the type described above. The initial training program is provided to you at no charge and will take place at a location and time that PFI designates (including virtually). We may require you to attend additional on-the-job training at a Certified Training Store selected by us or to attend training provided by a third party, but we are not required to develop or designate any Store as a Certified Training Store. These training programs may be provided in cities other than Dallas, Texas. We may charge you a reasonable fee to attend additional on-the-job training, and the third-party providers may charge an attendance fee. At your request, PFI may permit additional individuals to attend the same training programs, subject to space availability. You are responsible for all costs and expenses of complying with PFI's training requirements including, without limitation, tuition/attendance fees, salary, travel, lodging, and dining costs for all of your employees who participate in the training. Additionally, you must sign the Liability Waiver, Attachment E, hereto. If you notify PFI within six months of completing the initial training program that you believe you did not receive adequate training, PFI will permit an additional person that we approve to attend our next regularly scheduled training program without charge. If PFI does not receive notification within this six-month period, then you will be deemed to have waived any claim that you did not receive adequate training. PFI reserves the right to modify the initial training program, at PFI's sole discretion, at any time.

5.2. Pre-Opening Consultation. In addition to the site selection assistance described in Section 3.1., PFI shall provide pre-opening consultation and advice it deems appropriate, by telephone or other remote means, which may include advice regarding site development and build-out; employee staffing, recruiting, and training, purchasing and inventory control; and such other matters as PFI deems appropriate. If you request on-site assistance, or if PFI deems on-site assistance necessary, you must pay PFI \$500 per site visit and reimburse PFI the costs of transportation, lodging, and meals.

### 5.3. Store Opening Assistance.

5.3.1. If this Agreement is being signed in conjunction with your first Paciugo Store, PFI will make available one or more individuals to provide you 5 days of on-site Store opening assistance. You must pay us an "**Opening Assistance Fee**" in the amount set forth in the Summary Pages no later than 45 days prior to the Opening Date, and PFI reserves the right to increase this amount by 10% each year. At your request, or if PFI deems necessary, PFI will provide additional, on-site opening assistance, subject to availability of personnel. In such event, you agree to pay PFI's then-current per diem fee for each individual that we provide for such assistance, plus our out-of-pocket costs for travel, lodging, and dining.

5.3.2. If this Agreement is being signed in conjunction with your second or additional Paciugo Store, although PFI is not required to provide you with on-site Store pre-opening assistance, if you request our assistance, or if we consider the assistance necessary in our sole discretion, PFI has the right to charge, and you agree to pay, the then-current Opening Assistance Fee.

5.4. Ongoing Consultation. PFI shall provide such ongoing consultation and advice as it deems appropriate, which may include information about new product development, instruction concerning the operation and management of a Paciugo Store, advertising and marketing advice, and financial and accounting advice. Such consultation and advice may be provided, in PFI's discretion, through Store visits by PFI personnel or other persons it designates, via meetings, seminars, or conferences, and/or through dissemination of electronic or printed materials.

5.5. Additional and/or Remedial Training.

5.5.1. You shall cause your Operating Principal, District Manager, and other employees that PFI designates to attend such additional courses, seminars, and other training programs which may be offered in various formats, including but not limited to, third-party providers, online training, regional meetings or seminars, traditional classroom training, and programs offered at the Paciugo Franchise Meeting. PFI or the third-party providers may charge tuition for the additional courses, seminars, or other training programs, and you are responsible for all training-related costs and expenses including, without limitation, tuition/attendance fees, salary, travel, lodging, and dining costs for all employees who participate in the training.

5.5.2. At any time during the Term of this Agreement, if you request, or if PFI determines in its sole discretion it is necessary, PFI will provide on-site remedial training, subject to the availability of PFI's personnel. You will pay PFI the per diem fee then being charged for on-site remedial training and pay or reimburse PFI for the expenses incurred by its representatives, including the costs of travel, lodging, and meals.

5.6. Performance by Delegate. You acknowledge and agree that any rights or duties of PFI may be exercised and/or performed by any of PFI's designees, Affiliates, agents (who may be an unaffiliated third party), or employees. PFI reserves the right to retain the services of a master development agent ("Area Director") in the geographic area in which the Store will be located. In such event, the Area Director may provide certain consultation, advice, services, and assistance as PFI may direct. You acknowledge and agree that you are not an intended third-party beneficiary under any agreement between PFI and any Area Director.

## **6. OPERATION OF THE FRANCHISED BUSINESS**

6.1. General Operating Requirements. You understand and acknowledge that every detail of the System is essential to maintaining and enhancing the goodwill associated with the Marks and the integrity of the brand. Accordingly, you will:

6.1.1. Operate the Franchised Business according to the highest applicable health standards and ratings, to timely obtain any and all permits, certificates, or licenses necessary for the lawful operation of the Franchised Business, to operate the Franchised Business according to PFI's operating methods, standards, and specifications, and to maintain, at all times, a high moral and ethical standard in the operation of the Franchised Business.

6.1.2. Accept debit cards, credit cards, Restaurant value cards, or other non-cash systems that PFI specifies periodically and participate in PFI's required payment procedures and collection of funds relating thereto. You further agree to acquire and install all necessary hardware and/or software used in connection with these non-cash systems. The parties acknowledge and agree that protection of customer privacy and credit card information is necessary to protect the goodwill of businesses operating under the Marks and System. Accordingly, you will cause the Franchised Business to meet or exceed, at all times, all applicable security standards developed by the Payment Card Industry Data Security Standards ("PCI DSS") council or its successor and other regulations and industry standards applicable to the protection of customer privacy and credit card information, including but not limited to the Fair and Accurate Credit Transaction Act ("FACTA"), and all other data security requirements we prescribe. You are solely responsible for educating yourself as to these regulations and standards and for achieving and maintaining applicable compliance certifications. You shall defend, indemnify, and hold PFI harmless from and against all claims arising out of or related to your violation of the provisions of this Section 6.1.2.

6.1.3. Notify PFI immediately by telephone and confirm in writing within 48 hours of any investigation or violation, actual or alleged, concerning any health, liquor, or narcotics laws or regulations or concerning any data breaches or data security threats and notify PFI in writing within 72 hours of the commencement of any investigation, action, suit, or proceeding or the issuance of any order, writ, injunction, award, or decree of any court, agency, or other government instrumentality, which may adversely affect the operation or financial condition of the Franchised Business.

6.1.4. Upon the occurrence of a Crisis Management Event, immediately inform PFI's President (or as otherwise instructed in the Manual) by telephone, or as set forth in this Agreement, of such event and cooperate fully with PFI and with the appropriate authorities with respect to the investigation of the Crisis Management Event. In an effort to mitigate possible damages to the Marks and System, you must cooperate fully with PFI with respect to the Crisis Management Event, which may



include but is not limited to temporary closure of the Store in PFI's sole discretion, managing and making statements, and other responses to the Crisis Management Event

6.1.5. Process and handle all customer complaints connected with or relating to the Store and promptly notify PFI of all: **(i)** food related illnesses; **(ii)** safety or health violations; **(iii)** claims exceeding \$1,000; and **(iv)** any other material claims against or losses suffered by the Franchised Business. You shall maintain any communications with governmental authorities affecting the Store during the Term of this Agreement and for one year after the expiration or earlier termination hereof. If any customer of the Franchised Business contacts PFI to report a complaint about your Store, the parties agree that PFI may, in its discretion, compensate the customer in such manner as PFI determines appropriate, and you agree to reimburse PFI the amount of such compensation upon demand by PFI.

6.1.6. Attend, and cause your Operating Principal to attend, the Paciugo Franchise Meeting.

6.1.7. Purchase and use all operations-related programs, materials, and services we require, at our sole discretion, and if such programs or materials are supplied by third-party vendors, you will pay all costs and/or fees associated with such programs, materials, and services.

6.1.8. Comply with all laws pertaining to sending emails, including but not limited to the Controlling the Assault of Non-solicited Pornography and Market Act of 2003 (CAN-SPAM Act).

6.1.9. Upon request from PFI, provide PFI a copy of all third-party contracts you enter into in connection with your operation of the Store. PFI reserves the right to review such contracts for the purpose of enforcing brand standards, but not for the purpose of approving or negotiating any terms set forth therein.

## 6.2. Operating Principal; District Manager.

6.2.1. If you operate one Paciugo Store, the Store must be supervised by the Operating Principal. If the Franchisee is an individual or general partnership, the Operating Principal will be the individual Franchisee or one of the general partners. If the Franchisee is a Business Entity, the Operating Principal will be an individual with at least a 10% equity interest in the Franchisee. The Operating Principal shall have full control over day-to-day Store management and operations. Unless a District manager is appointed, as described below: **(a)** the Operating Principal must attend and successfully complete PFI's initial training program and all additional training (including food safety training) that PFI requires, to PFI's satisfaction; and **(b)** the Operating Principal shall devote his or her full-time efforts to Store operations and shall not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitment. PFI shall have approved the Operating Principal as meeting its then-current qualifications for such position. If the Operating Principal ceases to serve in, or no longer qualifies for, such position, or transfers his or equity interest, you shall designate another qualified person to serve as your Operating Principal within 30 days after the date the prior Operating Principal ceases to serve or no longer qualifies to serve. Any proposed replacement Operating Principal must successfully complete the initial training program and such other training (including food safety training) required by PFI and be approved by PFI, before assuming his or her position as Operating Principal and, in no event, later than 90 days after the previous Operating Principal ceased to serve in such position.

6.2.2. If you operate more than one Paciugo Store, or if the Operating Principal will not devote full-time efforts to the management and operation of the Store governed by this Agreement then, in addition to the Operating Principal, you must appoint an individual to serve as your District Manager. Your District Manager shall have full control over day-to-day Store management and operations. Your District Manager need not have an equity interest in your Business Entity, but must have completed PFI's initial training program and all additional training (including food safety training) that PFI requires, to PFI's satisfaction. Your District Manager shall devote his or her full-time efforts to Store management and operations and shall not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitment. PFI shall have approved the District Manager as meeting its then-current qualifications for such position and shall not have later withdrawn such approval. If the District Manager ceases to serve in, or no longer qualifies for, such position, you shall designate another qualified person to serve as your District Manager within 30 days after the date the prior District Manager ceases to serve or no longer qualifies to serve. Any proposed replacement District Manager must successfully complete the initial training program and such other training (including food safety training) required by PFI and be approved by PFI, before assuming his or her position as District Manager and, in no event, later than 90 days after the previous District Manager ceased to serve in such position.

6.3. Employee Policy; Uniforms and Employee Appearance. You shall maintain a competent, conscientious, and trained staff, and shall take such steps as are necessary to ensure that your employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; and meet such minimum standards as PFI may establish from time

to time in the Manual or otherwise in writing. You shall cause all employees, while working at the Store, to: **(a)** wear uniforms of such color, design, and other specifications as PFI may designate from time to time, and **(b)** present a neat and clean appearance. In no case shall any of your employees wear his or her Paciugo uniform while working for you at any location other than the Franchised Business. Notwithstanding the foregoing, PFI does not dictate your hiring or other employment practices policies, and you are required to be knowledgeable of and adhere to all federal and state employment-related laws.

6.4. Authorized Menu Offerings; Online Ordering. You must offer and sell all menu items that PFI requires, and only those menu items that PFI has approved. You shall prepare, package, and serve all menu items in accordance with PFI's recipes, standards, and procedures for preparation, presentation, and service as communicated to you from time to time via the Manual or other written directives. Such standards and procedures may include, without limitation, adherence to recipes (including use of prescribed ingredients and prescribed measure of ingredients), use of Proprietary Products, use of containers and paper goods bearing the Marks, packaging procedures, requirements or prohibitions relating to "combo meals," product holding times, and other standards for displaying for sale menu items and other merchandise. You shall participate in all market research programs that PFI requires, which may include test-marketing new products, purchasing a reasonable quantity of new products for test-marketing, and promoting the sale of the new products, and provide PFI with timely reports and test results for all such programs. You shall participate in any online ordering program developed or implemented to allow customers to order Paciugo menu items or other promotional products through the Internet or through other digital applications. Participation in such program is mandatory, and you agree to pay to us or a third party an amount we require, up to \$200 per month, for costs and fees to support such program, which amount may be increased each year by an amount not to exceed 10% of the then-current monthly fee.

6.5. Purchase Requirements. You must purchase and install, at your expense, all fixtures, furnishings, equipment, decor, trade dress, signs, and other items as PFI may reasonably direct; and shall refrain from installing or permitting to be installed on or about the Store premises any fixtures, furnishings, equipment, decor, signs, vending or game machines, or other items not approved for use by PFI. In addition, you shall purchase and use only ingredients, containers, packaging materials, and supplies that conform to PFI's standards and specifications; and shall purchase, use, offer, and/or promote the food and beverage products and other ingredients which are produced or manufactured in accordance with PFI's proprietary recipes, specifications, and/or formulas or which PFI designates as "**Proprietary Products.**"

6.6. Purchases from Designated Sources.

6.6.1. You agree to purchase only from PFI or suppliers designated by PFI ("**Designated Suppliers**"): **(a)** fixtures, furniture, equipment, interior and exterior signage, graphics, decor, trade dress, as PFI defines trade dress, and Store design consulting services; **(b)** food products and ingredients whether or not they are developed by or for us pursuant to a special recipe, formula, or specifications, including but not limited to bread, bread products, meat, and protein-related products; **(c)** all fountain and bottled beverages; **(d)** uniforms, shirts, memorabilia, and all merchandise and items intended for retail sale (whether or not bearing our Marks); **(e)** advertising, point-of-purchase materials, and other printed promotional materials; **(f)** gift certificates and stored value cards; **(g)** stationery, business cards, contracts, and forms; **(h)** bags, packaging, and supplies bearing our Marks; and **(i)** all other goods and/or services as PFI requires. In addition to Designated Suppliers, PFI may require you to buy your requirements of food, ingredients, and supplies from affiliated or third-party distributors ("**Designated Distributors**"), and you shall comply with all such requirements. PFI may establish commissaries and distribution facilities owned and operated by PFI or an Affiliate that PFI may deem a Designated Distributor. PFI may receive money or other benefits from Designated Suppliers and Designated Distributors based on your purchases; you agree that PFI has the right to retain and use all such benefits as it deems appropriate, in its sole discretion.

6.6.2. You may purchase from any supplier items and services for which PFI has not identified Designated Suppliers or Designated Distributors, as long as the items and services meet PFI's specifications. These specifications may include brand requirements ("**Approved Brands**"), and to the extent that Approved Brands have been identified, you may purchase and use only the Approved Brands.

6.6.3. PFI may from time to time modify the list of Designated Suppliers, Designated Distributors, and/or Approved Brands. You shall promptly comply with all such modifications. **PFI is not responsible for any delays, damages, acts of God, or defects relating to your purchases of goods or services from Designated Suppliers or Designated Distributors. PFI is not responsible for any cost increases related to increases in material costs, labor costs, service costs or fees, commodity prices, shipping and transportation costs, or other costs. Additionally, PFI makes no warranties of any kind concerning goods and services sold to or supplied by Designated Suppliers or Designated Distributors including, but not limited to, any warranty concerning the freshness, quality, or shelf-life of any product sold by Designated Suppliers or Designated Distributors. PFI expressly disclaims all implied warranties with respect to products sold or services provided by Designated Suppliers and Designated Distributors, including the warranty of merchantability and/or fitness for a**

**particular use. You are solely responsible for inspecting all products, ingredients and services and determining their fitness for sale or use. You hereby waive all claims and demands of whatever kind or nature against PFI arising out of or relating to the quality and/or fitness of products or services supplied by Designated Suppliers and Designated Distributors.**

6.6.4. PFI may approve one or more suppliers for any goods or materials and may approve a supplier only as to certain goods or materials. PFI may concentrate purchases with one or more suppliers or distributors to obtain lower prices and/or the best advertising support and/or services for any group of Paciugo Stores or any other group of Stores franchised or operated by PFI or its Affiliates. Approval of a supplier may be conditioned on requirements relating to the frequency of delivery, reporting capabilities, standards of service, including prompt attention to complaints, or other criteria, and concentration of purchases, as set forth above, and may be temporary pending a further evaluation of such supplier by PFI.

6.6.5. If you propose to purchase from a previously unapproved source, you shall submit to PFI a written request for such approval, or shall request the supplier to submit a written request on its own behalf. PFI has the right to require, as a condition of its approval, that its representatives be permitted to inspect the supplier's facilities, and that such information, specifications, and samples as PFI reasonably requires be delivered to PFI and/or to an independent, certified laboratory designated by PFI for testing prior to granting approval. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test shall be paid by you. PFI will notify you within 60 days after your request as to whether you are authorized to purchase such products from that supplier. PFI reserves the right, at its option, to re-inspect the facilities and products of any such approved supplier and to revoke its approval of any supplier upon the suppliers' failure to meet PFI's criteria for quality and reliability.

#### 6.7. Franchised Location; Vehicles.

6.7.1. You shall maintain the Store (including adjacent public areas) in a clean, orderly, condition and in excellent repair and in accordance with PFI's standards. You shall, at your expense, make such additions, alterations, repairs, and replacements under this Agreement as may be required for that purpose, including, without limitation, such periodic repainting, repairing, and replacing of obsolete or deteriorated signs, furnishings, fixtures, equipment, and decor as PFI may reasonably direct. Upon PFI's request, you shall install and maintain at the Store premises interactive multi-media equipment, devices, and facilities PFI requires, including, without limitation, approved music systems, wi-fi, and other wireless Internet and communications systems, and interactive displays, including plasma or LCD screens. If such requirements include in-Store video camera systems, PFI will be given login credentials for remote access to the camera systems.

6.7.2. You shall not cause or permit vending, game or gaming machines, pay telephones, automatic teller machines, Internet kiosks, or any other mechanical or electrical device to be installed or maintained at the Franchised Location without our consent, which consent will only be granted at our sole discretion.

6.7.3. You shall purchase and install, at your expense, all fixtures, furnishings, equipment, decor, signs, and other items as PFI may reasonably direct from time to time in the Manual or otherwise in writing in accordance with PFI's standards and specifications; and shall refrain from installing or permitting to be installed on or about the Franchised Location, any fixtures, furnishings, equipment, decor, signs, vending, or game machines or other items not previously approved in writing as meeting PFI's standards and specifications. In the event any designated equipment is removed due to failure to comply with System standards, PFI has the right to replace such equipment, or make arrangements to have such equipment serviced, repaired, and/or cleaned at your expense.

6.7.4. At PFI's request, you shall make such alterations as may be necessary to reflect new product offerings and marketing incentives, including updating or replacing menu boards and the purchase and use of new interior signage, graphics, and/or point of sale materials.

6.7.5. At PFI's request, but not more often than once every 60 months (and in addition to any work which you may undertake pursuant to other sections of this Agreement), you shall refurbish the Store, at your own expense, to conform to the building design, trade dress, color schemes, and presentation of the Marks in a manner consistent with the then-current public image for new or remodeled Paciugo Stores in the System, including, without limitation, replacement or renovation of equipment, remodeling, redecoration, and modifications to existing improvements and reasonable structural changes that PFI may reasonably require or that may be required by law.

6.7.6. Any vehicle used in connection with the operation of the Store must meet PFI's image and other standards. You shall place such signs and decor items on the vehicle as PFI requires and keep the vehicle clean and in good working order. No one under the age of 18 and no one without a valid driver's license may be permitted to operate a vehicle used in connection with the Store. Each individual who operates a vehicle used in connection with Store operations must comply with all applicable

laws, regulations, and rules of the road and use due care and caution in the operation and maintenance of the vehicles. Except as stated herein, PFI does not exercise any control over any motor vehicle used by Franchisee.

6.8. **Days and Hours of Operation.** You shall cause the Store to be open and operating on the days (currently seven days per week) and during the hours that PFI prescribes in the Manual. Recognizing that an unauthorized closure of the Store results in lost sales and payment of a lower Royalty Fee and negatively affects the value of the Paciugo brand, you agree to pay to PFI an unauthorized closure fee in the amount of \$250 for each day the Store fails to maintain required hours of operation (including closure for the day, early closure, or late opening) without PFI's prior authorization or permission. This fee is not a penalty, but is intended as a reasonable estimation of the amount of Royalty Fee lost and other damages that PFI will sustain as a result of the unauthorized closure. This fee is in addition to and not in lieu of any other rights or remedies available to PFI under this Agreement or applicable law.

6.9. **Quality Assurance Inspections; Testing.** PFI has the right to enter upon the Store premises, including "virtual" Store visits via in-Store video camera systems or other developing technology, during regular business hours to inspect the Store for quality assurance purposes. Such inspections are for the purpose of enforcing System standards. They are not intended to exercise, nor do they constitute, control over your day-to-day operation of your Restaurant or the Franchised Business. You shall allow PFI from time to time to obtain samples of ingredients, products, and supplies, without charge therefor, for testing for quality assurance purposes. If notified of a deficiency in PFI's System standards, you must promptly cure the deficiency. If you fail to promptly cure the deficiency, PFI may undertake to cure the deficiency on your behalf. In such case, PFI has the right to charge, and you agree to pay upon demand, a reasonable fee for its services, and you must reimburse PFI for all out-of-pocket costs that it incurred in connection with taking such corrective measures.

6.10. **Pricing.** To the fullest extent permitted by applicable law, PFI reserves the right to establish maximum, minimum, or other pricing requirements with respect to the prices you may charge for products or services.

6.11. **Intranet/Extranet System.** PFI may, at its option, establish and maintain an intranet or extranet system ("**Intranet**") through which members of the Paciugo franchise network may communicate and through which PFI may disseminate training modules, Store-opening tools, updates to the Manual, and other Confidential Information. PFI will have no obligation to establish or to maintain the Intranet indefinitely and may dismantle it at any time without liability to you. PFI may establish policies and procedures for the Intranet's use. PFI expects to adopt and adhere to a reasonable privacy policy. However, you acknowledge that, as administrator of the Intranet, PFI can access and view any communication that anyone posts on the Intranet. You further acknowledge that the Intranet and all communications and documents that are posted to it will become PFI's property, free of any claims of privacy or privilege that you or any other individual may assert. If you fail to pay when due any amount payable to PFI under this Agreement, or if you fail to comply with any policy or procedure governing the Intranet, PFI may temporarily suspend your access to any chat room, bulletin board, listserv, or similar feature the Intranet includes until such time as you fully cure the breach. PFI has the right to impose, and you agree to pay to us or a third party, an amount we require, up to \$100 per month, for costs and fees to support such Intranet communications, which amount may be increased each year by an amount not to exceed 10% of the then-current monthly fee.

6.12. **Website; Social Media.** PFI may, but will not be obligated to, establish and maintain from time to time PFI's website to provide information about the System and the goods and services that Paciugo Stores provide. PFI has sole discretion and control over the design and content of PFI's website. Any representations and warranties of any kind whatsoever, express or implied, regarding PFI's website(s), including representations and warranties as to the operation, functionality, lack of interruption or resources of PFI's website(s), are expressly excluded. Without limiting the foregoing, we disclaim any implied warranties of merchantability and fitness for a particular purpose as to PFI's website(s). As to any malfunctioning of PFI's website(s), PFI will not be liable to you for any consequential, incidental, indirect, economic, special, exemplary or punitive damages, such as, but not limited to, loss of revenue or anticipated profits or lost business, even if you have advised PFI that such damages are possible as a result of any breach of warranty or malfunction. You agree to comply with PFI's social media policy as communicated to you and as modified from time to time.

6.13. **Compliance with Laws.** As between you and PFI, you are solely responsible for the safety and well-being of your employees and customers of the Franchised Business. Accordingly, you shall fully comply with all federal, state, and local laws, rules, and regulations when exercising your rights and fulfilling your obligations under this Agreement. It is your sole responsibility to apprise yourself of the existence and requirements of all such laws, rules, and regulations and to adhere to them at all times during the Term of this Agreement.

6.14. **Required Products and Services Risk.** **You acknowledge and agree that products, equipment, services, and technology are constantly changing, whether updated, improved, replaced, or discontinued. Consequently, such changes sometimes create transition and incompatibility challenges. By entering into this Agreement, you acknowledge the**

**potential of such occurrences and assume all risk associated with such issues, which you acknowledge may affect your ability to order or receive products or services or to conduct business, and you acknowledge and agree that PFI is not responsible for any damages caused by such issues or technology failures, including lost sales or profits. Any representations and warranties of any kind whatsoever, express or implied, regarding the products, equipment, services, and technology, including representations and warranties as to the quality, availability, operation, functionality, lack of interruption or resources, are expressly excluded. Without limiting the foregoing, PFI disclaims any implied warranties of merchantability and fitness for a particular purpose as to products, equipment, services, and technology. As to any malfunctioning of products, equipment, and technology, PFI will not be liable to you for any consequential, incidental, indirect, economic, special, exemplary or punitive damages, such as, but not limited to, loss of revenue or anticipated profits or lost business, even if you have advised PFI that such damages are possible as a result of any breach of warranty or malfunction.**

## **7. MARKS AND COPYRIGHTS**

7.1. PFI's Representations. PFI represents to you that it has obtained from its Affiliate a license to use and to sublicense to you the right to use the Marks in accordance with the terms and conditions of this Agreement.

7.2. Acknowledgments. You expressly acknowledge that PFI or its Affiliate owns all right, title, and interest in and to the Marks and the goodwill associated with the Marks and that you have no ownership interest in the Marks. You further acknowledge and agree that any and all goodwill associated with the Store and identified by the Marks is PFI's property and will inure directly and exclusively to the benefit of PFI and that, upon the expiration or termination of this Agreement for any reason, no monetary amount will be assigned as attributable to any goodwill associated with your use of the Marks. You understand and agree that any use of the Marks other than as expressly authorized by this Agreement, without PFI's prior written consent, may constitute an infringement of PFI's rights herein and that the right to use the Marks granted herein does not extend beyond the termination or expiration of this Agreement.

7.3. Use of the Marks. You shall use only the Marks designated by PFI, shall use them only in the manner that PFI authorizes and permits, and shall use them with the symbols "®", "™", or "SM", as appropriate. You shall use the Marks only in connection with the operation and promotion of the Franchised Business and only in the manner prescribed by PFI. Notwithstanding the foregoing, you may not use the Marks, or allow the Marks to be used, by any other person or entity, in conjunction with selling the Store or the assets associated therewith or the Franchised Business, or placing an advertisement or listing, in or through any form of media, which advertisement seeks to sell, in whole or in part, the Store or the assets associated therewith, or that seeks to source a loan or investor for the Store or the Franchised Business. Such advertisements or listings must only describe the Store or the Franchised Business in general terms. You must enforce this restriction with the activities of all sales agents, brokers, or other representatives who assist you with such sale. You may not contest ownership or validity of the Marks or any registration thereof or engage in any conduct that adversely affects the ownership or registration of the Marks or PFI's right to use or to sublicense the use of the Marks. You shall execute all documents that PFI requests in order to protect the Marks or to maintain their validity and enforceability.

7.4. Restriction Against Use in Your Corporate Name. You may not use the Marks or any part thereof in your corporate name, and you may not use them to incur any obligation or indebtedness on PFI's behalf.

7.5. Restriction Against Use of the Marks and Copyrighted Works on the Internet. You may not use the Marks or any part or derivative thereof or any of PFI's Copyrighted Works on the Internet, except as expressly permitted in writing. Without limiting the generality of the foregoing, you may not use the Marks or any part or derivative of the Marks or any abbreviation, acronym, or phonetic variation thereof as part of any URL or, domain name, including but not limited to any gaming website, social networking website, or marketing/discounting website; as part of any user name; as part of any unauthorized email address; or as part of any unauthorized software application (app). You also may not display on any website (including commercial websites, gaming websites, social networking websites, and marketing and advertising websites) any of PFI's Copyrighted Works, which include the design portion of its Marks, or any menu items or collateral merchandise identified by the Marks. Additionally, you acknowledge that PFI is the lawful, rightful, and sole owner of certain Internet domain names that have been established or may be established by PFI in the future, and you unconditionally disclaim any ownership interest in those or any colorably similar Internet domain name(s).

7.6. Notice. You shall identify yourself as an independent franchise owner of the Franchised Business in conjunction with any use of the Marks or operation of the Franchised Business, including, but not limited to, such use on email signatures, invoices, order forms, receipts, business stationery, business cards, employment and payroll documents, and contracts, as well as at such conspicuous locations at the Store as PFI may designate in writing. The form and content of such notice will comply with the standards set forth in the Manual.

7.7. **Infringement.** You shall promptly notify PFI of any suspected unauthorized use of, or any challenge to the validity of the Marks, Copyrighted Works, or any challenge to PFI's or its Affiliates' ownership of, PFI's license to use and to license others to use, or your right to use, the Marks or Copyrighted Works licensed under this Agreement. PFI shall have complete discretion to take any action it deems appropriate in connection with any infringement of, or challenge or claim to, any Mark or Copyrighted Work and the right to control exclusively, or to delegate control of, any settlement, litigation, Patent and Trademark Office proceeding, or other proceeding arising out of any such alleged infringement, challenge, or claim or otherwise relating to any Mark or Copyrighted Work. PFI or its Affiliate has the right to direct and control any administrative proceeding or litigation, or other adjudicative proceeding involving the Marks or Copyrighted Works, including any settlement thereof. In the event of any litigation relating to your use of the Marks or Copyrighted Works, you shall execute any and all documents and do such acts as may, in the opinion of PFI, 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 your use of the Marks or Copyrighted Works in a manner inconsistent with the terms of this Agreement, PFI agrees to reimburse you for your associated costs.

7.8. **Changes to the Marks.** PFI reserves the right, in its sole discretion, to designate one or more new, modified or replacement Marks for your use and to require your use of any such new, modified or replacement Marks in addition to or in lieu of any previously designated Marks. You must comply with any such directive relating to the use of new, modified, or replacement Marks within 60 days following your receipt of our written notice to you.

## **8. SYSTEM, MANUAL, AND INFORMATION**

8.1. **Manual.** PFI will provide you access to the Manual via our Intranet. You shall operate the Franchised Business in accordance with the standards, methods, policies, and procedures specified in the Manual. You acknowledge and agree that PFI's required standards exist to protect the System and the Marks, not for the purpose of establishing any control or duty to take control over the day-to-day operations of your Restaurant. The Manual contents will at all times remain the sole property of PFI. If any dispute arises as to the contents of the Manual, the terms of the master copy of the information contained in the Manual maintained by PFI will be controlling.

8.2. **System Modification.** You acknowledge that the System, the Manual, and the products and services offered by the Franchised Business may be modified, (such as, but not limited to, the addition, deletion, and modification of menu items, operating procedures, products, and services) from time to time by PFI. You agree to comply, at your expense, with all such modifications, including, without limitation, all requirements to implement the modifications, such as replacement or renovation of equipment, remodeling, redecoration, and modifications to existing improvements, including structural changes. PFI shall notify you of any such System changes and you shall implement any System changes upon receipt of notice thereof from PFI and shall complete their implementation within such time as PFI may reasonably specify. For purposes of this Agreement, System changes shall include, without limitation, changes in any of the categories referred to in this [Section 8.2](#). Further, PFI reserves the right to materially vary its standards or franchise agreement terms for any franchisee depending on the circumstances, including but not limited to, timing of the grant of the franchise, trade area/market variables, local business practices, population, or any other condition which PFI considers important to the successful operation of Paciugo Stores, and you acknowledge that such variances may be necessary. You have no right to require PFI to disclose any variation or to grant the same or a similar variation to you.

8.3. **Confidentiality.** You and your Owners shall maintain the confidentiality of all Confidential Information. You shall use Confidential Information only in connection with the operation of the Franchised Business and shall divulge Confidential Information only to your employees and only on a need to know basis. This obligation survives expiration or termination of this Agreement.

## **9. ADVERTISING AND MARKETING**

9.1. **General.** All of your promotional and marketing materials must be presented in a dignified manner and must conform to PFI's standards and specifications related to advertising, marketing, and trademark use. You shall submit to PFI samples of proposed promotional and marketing materials and notify PFI of the intended media before first publication or use. PFI shall use reasonable efforts to approve or disapprove proposed promotional and marketing materials within 15 days after their receipt. You may not use the promotional or marketing materials until PFI expressly approves the materials and the proposed media. Once approved, you may use the materials only in connection with the media for which they were approved. PFI may disapprove your promotional or marketing materials, or the media for which they were approved, at any time, and you must discontinue using any disapproved materials or media upon your receipt of written notice of disapproval. Additionally, at PFI's discretion, you must pay PFI, on demand, \$1,000 per occurrence for the use of any unauthorized marketing or advertising materials, which the parties agree is a reasonable estimation of the administrative and legal costs likely to be incurred by PFI

as a result of such unauthorized use. This fee is in addition to and not in lieu of any other remedies available to PFI under this Agreement or applicable law.

9.2. Initial Advertising and Marketing Campaign. In addition to all other advertising and promotion obligations described in this Article 9, within 30 days after the Opening Date, you must conduct an initial advertising and marketing campaign to promote the opening of the Store. The initial advertising and marketing campaign must comply with PFI's Standards, which may include, without limitation, use of certain materials and media, the length of the promotion, and the amount spent. PFI must approve, in advance, all advertising items, methods, and media you use in connection with opening advertising program. You must submit to PFI an accurate accounting of all such expenditures upon our request.

9.3. Brand Development Fund.

9.3.1. Each month during the Term, you shall contribute to the Brand Development Fund (“**Fund**”) the amount stated in the Summary Pages, unless otherwise required by PFI. You shall submit payment in the same manner and time frame as the Royalty Fee.

9.3.2. PFI has the right to use Fund monies, in its sole discretion, to pay for any and all advertising, marketing, promotions, and public relations activities that use or contain the Marks. Such expenses may include: creative development services (including creation (and related research) and modification of Store design and trade dress, logos, Marks, copyrights, and other intellectual property, menu design, graphics and vehicle wraps, and advertising and promotional items, including the cost of retiring expired or obsolete printed items and materials, photography services, and design software); preparing and procuring market studies, providing or obtaining marketing services (including, without limitation, new product development; conducting customer surveys, focus groups, and marketing-related mystery shops and customer interviews); employing advertising and/or public relations agencies; developing, producing, distributing and placing advertising (including, without limitation, preparing and conducting media advertising campaigns in various media, local Store advertising and promotion in a particular area or market, or for the benefit of a particular Store or Stores in connection with Store opening promotions or otherwise); conducting crypto currency and other blockchain promotions; developing and maintaining a presence on any virtual platform (including, without limitation, the metaverse); conducting and administering in-Store promotions; preparing and executing direct mail advertising, and developing, producing, and purchasing point-of-sale advertising, menus and menu boards, and other sales aids and promotional items and materials); research and development (including, without limitation, purchase of equipment (including ovens), smallwares, and packaging required for new product testing and development, hiring culinary talent and/or engaging culinary consultants, and intellectual property-related research and filings, including patents and Internet-based intellectual properties); developing, updating, and hosting Paciugo websites and Web-based platforms (including development of locator programs) and/or an intranet or extranet system; soliciting new franchises; obtaining sponsorships and endorsements; preparing and conducting sweepstakes and other promotions; developing, administering, and distributing coupons, certificates and stored value card programs, and the cost of products associated with the redemption of free coupons, gift certificates and stored value cards; developing and administering other customer loyalty programs; developing and administering online ordering platforms; providing and procuring public relations services; conducting public relations activities; charitable donations; and membership fees in international, national, regional, and/or local trade or other associations or organizations. From time to time, we may engage in initiatives, new or otherwise, relating to the brand development activities stated above, and in order to implement or maintain the new or existing initiatives, we may use Fund monies to pay for the initial and recurring costs of new or existing initiatives. PFI reserves the right to shift all or a portion of an initiative's recurring costs from the Fund to the franchisees, as authorized under this Agreement. PFI also may use Fund monies to reimburse itself for its costs of personnel and other administrative and overhead costs associated with providing the services described in this Section 9.3.2.

9.3.3. The parties acknowledge that PFI owns all rights, and retains all copyrights, in all design and content developed using Fund monies, and that PFI will have sole control over the creative concepts, content, form, and media placement of all advertising and promotional materials developed with Fund monies, and the allocations of Fund monies to production, placement, and other costs. PFI will own all copyright in any works created using Fund monies. You acknowledge and agree that PFI is not obligated to expend Fund monies for placement of advertising in your trading area, or to ensure that the Franchised Business benefits directly or *pro rata* from the expenditure of Fund monies. PFI has no fiduciary duty to you or to any other person with respect to the collection or expenditure of Fund monies. Upon your reasonable request, PFI will provide you an annual statement of Fund contributions and expenditures.

9.3.4. In any fiscal year, PFI may spend on behalf of the Fund an amount greater or less than the aggregate contributions of all franchisees to the Fund in that year. The Fund may borrow money from PFI, its Affiliates, or others to cover deficits, if any, from time to time. If PFI or its Affiliates lend money to the Fund, PFI or its Affiliates may charge interest at an

annual rate that is 1% greater than the rates PFI or its Affiliates pay its lenders. Although the Fund is intended to be perpetual, PFI may terminate the Fund at any time. The Fund will not be terminated, however, until all Fund monies have been spent as provided in this [Section 9.3](#), or returned to the Fund contributors on the basis of their respective contributions. Any amounts contributed to the Fund that are not spent in the year they are collected will remain in the Fund for future expenditures.

9.4. [Intentionally omitted.]

9.5. [Local Advertising Expenditure](#). Each year you shall expend for local advertising purposes the amount of the Local Advertising Expenditure set forth in the Summary Pages. The expenditures must conform to PFI's standards and be documented to us on a quarterly basis in a format that we prescribe. Any amounts contributed to a franchisee advertising association pursuant to [Section 9.6.](#), below, will be credited toward satisfaction of your Local Advertising Expenditure. Notwithstanding the foregoing, upon not less than 30 days' notice to you, we may require that all or a portion of the Local Advertising Expenditure amount set forth in the Summary Pages be reallocated from the Local Advertising Expenditure requirement to your Fund contribution requirement. In that event, the total combined amounts that you must spend for contributions to the Fund and for Local Advertising Expenditures will remain the same.

Additionally, PFI reserves the right to require you to pay directly to PFI your required Local Advertising Expenditure via weekly contributions. Each quarter, we will reimburse you from these monies based upon the actual documented amount of Local Advertising Expenditure spent by you in that quarter. Any amount that is less than the then-current required Local Advertising Expenditure not spent by you for the fiscal year will be contributed to the Fund.

9.6. [Franchisee Advertising Associations](#).

9.6.1. PFI may, from time to time, form local or regional advertising associations ("**Association**") to pay for the development, placement, and distribution of advertising for the benefit of Stores located in the geographic region served by the Association. Any Association established by PFI will be operated solely as a conduit for the collection and expenditure of Association fees for the foregoing purposes.

9.6.2. If PFI forms an Association for the region in which the Store is located, you agree to participate in the Association pursuant to the terms of this [Section 9.6.](#), and you agree to pay the dues and other fees established by the members of the respective Association. You hereby grant PFI the right to collect your required Association contributions in the same manner as your Royalty Fee payments pursuant to [Article 4.](#) of this Agreement and contribute such payments to the Advertising Association on your behalf.

9.6.3. PFI has the exclusive right to create, dissolve, and merge each Association created, in its discretion, and to create and amend the organizational and governing documents related thereto, provided that such documents: **(a)** operate by majority vote, with each Paciugo Store (including Stores owned by PFI or its Affiliates) entitled to one vote; **(b)** entitle PFI to cast one vote (in addition to any votes it may be entitled to because of its operation of Stores in the area served by the Association); **(c)** permit the members of the Association, by majority vote, to determine the amount of required contributions; and **(d)** provide that any funds left in the Association at the time of dissolution will be returned to the members in proportion to their contributions during the 12-month period immediately preceding termination.

9.6.4. You agree to be bound by all organizational and governing documents created by PFI and, at PFI's request, shall execute all documents necessary to evidence or affirm your agreement. The Association will begin operating on a date determined in advance by PFI, and the Association will reimburse PFI for all costs associated with forming the Association, including but not limited to attorneys' fees and state filing fees.

9.6.5. No advertising or promotional plans or materials may be used by the Association or furnished to its members without PFI's prior approval. All advertising plans and materials must conform to the Standards and must be submitted to PFI for approval according to the procedures set forth in [Section 9.1.](#) of this Agreement.

9.7. [Loyalty Programs, Prize Promotions, Meal Deals, and Promotional Literature](#).

9.7.1. You shall participate in and offer to your customers: **(a)** all customer loyalty and reward programs; **(b)** all contests, sweepstakes, and other prize promotions; and **(c)** all meal deals, which PFI may develop from time to time. PFI will communicate to you in writing the details of each such program, promotion, and meal deal, and you shall promptly display all point-of-sale advertising and promotion-related information at such places within the Store as PFI may designate. You shall purchase and distribute all coupons, clothing, toys, and other collateral merchandise (and only the coupons, clothing, toys, and collateral merchandise) designated by PFI for use in connection with each such program, promotion, or meal deal.



9.7.2. If PFI develops or authorizes the sale of gift certificates and/or stored value cards, loyalty cards, and/or customized promotional receipts, you shall acquire and use all computer software and hardware necessary to process their sale and to process purchases made using them and be solely responsible for the service charges related to such processing. All proceeds from the sale of all gift certificates and stored value cards belong exclusively to PFI, and you shall remit the proceeds of such sales to PFI according to the procedures that PFI prescribes periodically. PFI shall reimburse or credit to you (at PFI's option) the redeemed value of gift cards and stored value cards accepted as payment for products and services sold by the Store. You are responsible for the accurate reporting of gift certificate and stored value card sales and the corresponding impact on Gross Sales. You have until 30 days after the end of our fiscal year to notify PFI of any errors you made in calculating Gross Sales as those errors relate to the reporting of gift certificate and stored value card sales.

9.7.3. You also shall display at the Store all promotional literature and information as PFI may reasonably require from time to time. This may include, among other things, displaying signage or other literature containing information about the Paciugo franchise offering.

9.8. Participation in Marketing Programs. You shall, at all times, cooperate with PFI and other franchisees of PFI and shall actively participate in any and all sales, public relations, advertising, cooperative advertising, and purchasing programs or promotional programs (including, without limitation, product give-away promotions) which may be developed and implemented by PFI. Participation may include, without limitation, purchasing (at your expense) and using: **(a)** point of sale materials; **(b)** e-commerce; **(c)** counter cards, displays, and give-away items promoting loyalty programs, prize promotions, movie tie-in promotions, and other marketing campaigns and programs; **(d)** product mix and ingredients for product giveaways; and **(e)** equipment necessary to administer loyalty programs and to prepare and print customized purchase receipts, coupons. PFI may collect Store-specific information relating to advertising and marketing programs, including but not limited to customer data, but PFI is not required to share such information with you.

9.9. Business Directory Listings. You shall place and pay the cost of business listings in such print and online directories and categories, whether electronic or hard copy, as PFI may require from time to time. Amounts paid for business directory listings will not be credited toward any of your expenditures under this Article 9.

## **10. POS SYSTEM; ACCOUNTING AND RECORDS; TAXES**

10.1. POS System. You shall acquire and use only the point of sale cash registers and computer systems and equipment that PFI prescribes for use by Paciugo Stores ("**POS System**") and adhere to PFI's requirements for use, including without limitation accounting for all Gross Sales through the POS System. Requirements may include, among other things, connection to remote servers, off-site electronic repositories, and high speed Internet connections. PFI may, in its sole discretion, require you to add to your POS System memory, ports, and other accessories or peripheral equipment or additional, new, or substitute software, replace or upgrade your POS System (software and hardware) and other computers as PFI prescribes, and enter into maintenance agreements for the POS System and other computers. Because the POS System must be used solely for POS-related purposes that are set forth by the POS System provider and approved by us, you may elect to purchase a secondary computer for use at the Store for routine business functions and related software, such as Internet browsing, word processing, spreadsheet preparation, and emailing. PFI will provide you 90 days advance written notice of any change to its POS System requirements. You must acquire, install, and maintain such anti-virus and anti-spyware software as PFI requires, and you must adopt and implement such Internet user policies as PFI may prescribe for purposes of avoiding, blocking, and eliminating viruses and other conditions that interfere with operation of the POS System.

10.2. Software. You must: **(a)** use any proprietary software programs, system documentation manuals, and other proprietary materials that PFI requires in connection with the operation of the Store; **(b)** input and maintain in the POS System such data and information as PFI prescribes in the Manual, software programs, documentation, or otherwise; and **(c)** purchase new or upgraded software programs, system documentation manuals, and other proprietary materials at then-current prices whenever PFI adopts such new or upgraded programs, manuals, and materials system-wide. You must enter into all software license agreements, "terms of use" agreements, and software and hardware maintenance agreements, in the form and manner PFI prescribes, and pay all fees imposed thereunder.

10.3. No Warranty. Any representations and warranties of any kind whatsoever, express or implied, regarding point of sale cash registers, computer systems, equipment, software, hardware and maintenance agreements PFI prescribes, including representations and warranties as to the operation, functionality, lack of interruption or resources of the same, are expressly excluded. Without limiting the foregoing, PFI disclaims any implied warranties of merchantability and fitness for a particular purpose as to prescribed point of sale cash registers, computer systems, equipment, software, hardware and maintenance agreements. As to any malfunctioning of prescribed point of sale cash registers, computer systems, equipment, software, hardware and maintenance agreements, PFI will not be liable to you for any consequential, incidental, indirect, economic,

special, exemplary or punitive damages, such as, but not limited to, loss of revenue or anticipated profits or lost business, even if you have advised PFI that such damages are possible as a result of any breach of warranty or malfunction.

10.4. Independent Access. PFI may independently poll Gross Sales and other information input and compiled by your POS System from a remote location. There is no limitation on PFI's right to access this information. PFI may require that you connect to a web-based application enabling independent access to the information on your POS System and other in-Store computer and camera systems. If PFI requires your connection to such an application, you agree to acquire all software licenses needed to use the application (which may require your payment of periodic subscription fees) and to install and use all hardware needed to connect to the application and to facilitate the exchange of electronic information as contemplated by this Section 10.4.

10.5. Maintenance of Records. You shall prepare and preserve for at least five years from the date of preparation complete and accurate books, records, and accounts according to generally accepted accounting principles and in the form PFI prescribes. Additionally, concurrently with the execution of this Agreement, you must provide PFI true and accurate copies of your charter documents and governing documents including Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution hereof, and any amendments to the foregoing. You shall promptly provide such additional information as PFI may from time to time request concerning all persons who may have any direct or indirect financial interest in the Business Entity.

10.6. Submission of Financial Statements and Tax Returns. No later than March 15 of each calendar year, you shall provide to PFI: **(a)** a copy of the previous year's annual profit and loss statements; **(b)** a copy of the previous year's sales tax returns; and **(c)** if requested, a copy of your federal and state income tax returns for the previous year; provided, however, that if you are an individual franchisee, you may submit only those schedules to your personal tax returns which reflect the revenues and expenses of the Franchised Business.

10.7. Submission of Performance Reports. You must accurately report to PFI the Store's Gross Sales and such other financial information as PFI may reasonably require using the procedures that PFI prescribes periodically. Reports will be due on the date prescribed by PFI and will be signed by an authorized representative, attesting to their accuracy. Within 30 days following the end of each calendar quarter, you must provide to PFI a copy of your profit and loss statements prepared according to generally accepted accounting principles and which accurately reflect your financial information for the applicable Accounting Periods. PFI may require that you submit the profit and loss statements in a standardized format that we provide to all of our franchisees. You also must provide to PFI such other reports, computer back-up, and other information that PFI may reasonably request.

10.8. Audit of Franchisee Records. PFI or its designated agent has the right to audit, examine, and copy your books, records, accounts, and business tax returns at any time. If an inspection or audit reveals underpayment of amounts owed to PFI, you shall immediately pay the understated amount with interest as provided in Section 4.8. If an audit or inspection reveals your understatement of Gross Sales by 3% or more for any Accounting Period then, in addition to amounts due on the understatement and interest, you shall promptly reimburse PFI all costs and expenses that it incurred in connection with performing the audit or inspection (including travel, lodging and wage expenses, and attorneys' and accountants' fees). Notwithstanding the foregoing, if PFI becomes aware of your failure to account for Gross Sales, as required in Section 10.1, through any method other than an audit, then, in lieu of or in addition to termination as provided for in Section 13.2, PFI reserves the right to require you to pay PFI, on demand, \$1,000 for each such failure to account for Gross Sales.

10.9. Use of Financial Information in Franchise Disclosure Document. You acknowledge and agree that it may be in the best interest of the franchise system to share historical revenue and expense information with prospective franchisees. To that end, you hereby authorize PFI to publish information concerning the Store's Gross Sales and other information reported to PFI in its franchise disclosure document and in other reports which may be presented to existing PFI franchisees.

10.10. Taxes. You shall promptly pay all taxes due and owing based on your operation of the Store and the Franchised Business including, without limitation, sales taxes, income taxes, and property taxes.

10.11. Authorization to Release Information. You hereby authorize (and agree to execute any other documents deemed necessary to effect such authorization) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors, and other persons or entities with whom you do business in connection with your Franchised Business to disclose to PFI any financial, sales or account information in their possession relating to you, the Store, or the Franchised Business, which PFI may request.

## 11. INDEPENDENT CONTRACTOR, INSURANCE, AND INDEMNIFICATION

11.1. Independent Contractor. The parties acknowledge and agree that you are operating the Franchised Business as an independent contractor. Nothing contained in this Agreement will create or be construed to create a partnership, joint venture, or agency relationship between the parties. Neither party has any fiduciary obligations to the other, or will be liable for the debts or obligations of the other. Neither party may bind the other, transact business in the other party's name, or in any manner make any promises or representations on behalf of the other party, unless otherwise agreed in writing, between them. PFI does not participate in the hiring, promoting, disciplining, or discharging of your employees or in setting or paying wages or benefits to your employees, and you acknowledge that PFI has no power, responsibility, or liability with respect to the hiring, promoting, disciplining, or discharging of employees or in setting or paying their wages. You shall conspicuously identify yourself and the Franchised Business in all dealings with your customers, contractors, suppliers, public officials, and others, as an independent franchisee of PFI, and shall place a conspicuous notice, in the form and at such place as PFI prescribes, notifying the public of such independent ownership. Additionally, you must communicate to all employees that you, not PFI, are their employer; and you must ensure that no payroll checks or other employment-related documents (such as job applications and W-2s) contain or reference the Marks or PFI's name. Each of the parties will file its own tax, regulatory, and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

### 11.2. Insurance Obligations.

11.2.1. You shall maintain in full force and effect at all times during the Term of this Agreement, at your expense, an insurance policy or policies protecting you, PFI, and its Affiliates and their respective partners, shareholders, directors, managers, agents, and employees, against any demand or claim with respect to personal and bodily injury, death, or property damage, or any loss, liability, or expense arising or occurring upon or in connection with the operation of the Franchised Business.

11.2.2. All policies must: **(a)** be written by insurer(s) licensed and admitted to write coverage in the state in which the Franchised Business is located and with a rating of "A" or better as set forth in the most recent edition of the A.M. Best Company's rating guide; **(b)** comply with PFI's written requirements at the time such policies are obtained, and **(c)** provide at least the types and minimum amounts of coverage specified below or as described within PFI's written notice to you of any changes to the requirements. All public liability and property damage policies must name PFI and its partners, affiliates, shareholders, directors, agents, and employees as additional insureds on a primary, non-contributory basis.

11.2.3. Such policies must include, at the minimum, the following coverage: **(a)** "all risk" property insurance, including business interruption insurance, customarily obtained by similar businesses in the Store's principal trade area; **(b)** comprehensive general liability insurance, including products and contractual, in an amount of not less than \$2,000,000 per occurrence; **(c)** automobile liability coverage, including coverage of owned, non-owned, and hired vehicles with coverage in amounts not less than \$1,000,000 combined single limit; and **(d)** workers' compensation insurance in amounts required by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation for injured workers satisfactory to PFI. PFI reserves the right to unilaterally modify the types of coverage and/or minimum coverage requirements set forth above as market or industry conditions warrant.

11.2.4. In connection with any and all insurance that you are required to maintain under this Section 11.2., you and your insurers shall agree to waive their rights of subrogation against PFI, and you shall provide evidence of such waiver in accordance with this Section 11.2.

11.2.5. Your obligation to obtain and maintain insurance must not be limited in any way by reason of any insurance which may be maintained by PFI, nor will your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 11.3. of this Agreement.

11.2.6. All public liability and property damage policies must contain a provision that PFI and its Affiliates, although named as additional insureds, must nevertheless be entitled to recover under such policies on any loss occasioned to PFI, or its Affiliates, partners, shareholders, officers, directors, agents, or employees by reason of your negligence.

11.2.7. At least 10 days prior to the time you are first required to carry insurance, and thereafter at least 30 days prior to the expiration of any policy, you shall deliver to PFI a certificate of insurance evidencing your compliance with this Article 11. Each certificate of insurance must expressly provide that no less than 30 days' prior written notice will be given to PFI in the event of material alteration to or cancellation or non-renewal of the coverages evidenced by such certificates.

11.2.8. If you fail to procure or maintain these minimum insurance requirements, PFI or its designee has the right (but is not required) to procure such insurance on your behalf. Such right will be in addition to and not in lieu of any other rights or remedies available to PFI. If this occurs, you shall reimburse PFI the cost of the premium upon demand, and also upon demand, pay a reasonable administrative fee as set forth in Section 4.10., above.

11.3. Indemnification. You shall indemnify and hold harmless to the fullest extent by law, PFI, its Affiliates, and their respective directors, officers, employees, shareholders, and agents, (collectively, “**Indemnitees**”) from any and all “**losses and expenses**” (as hereinafter defined) incurred in connection with any litigation or other form of administrative process, adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof, which arises directly or indirectly from, as a result of, or in connection with your employment relationships with your employees; the training you, your Owners, or any of your employees receive by us; your breach of this Agreement, and/or your operation of the Franchised Business including, but not limited to, claims arising out of or as a result of the maintenance and operation of vehicles or the Franchised Location (collectively, “**event**”), and regardless of whether the losses and expenses resulted from any strict or vicarious liability imposed by law on the Indemnitees; provided, however, that this indemnity will not apply to any liability arising from the gross negligence of Indemnitees (except to the extent that joint liability is involved, in which event the indemnification provided in this Agreement will extend to any finding of comparative negligence or contributory negligence attributable to you). For the purpose of this Section 11.3., the term “**losses and expenses**” will be deemed to include compensatory, exemplary, or punitive damages; fines and penalties; attorneys’ fees; experts’ fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for damages to PFI’s reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. Under no circumstances will PFI be required or obligated to seek recovery from third parties or otherwise mitigate its losses in order to maintain a claim under this provision, and PFI’s failure to seek such recovery or mitigate its loss will in no way reduce the amounts recoverable by PFI under this provision. You must give PFI prompt notice of any event of which you are aware, for which indemnification is required, and, at your expense and risk, PFI may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement thereof, provided that PFI will seek your advice and counsel. Any assumption by PFI will not modify your indemnification obligation. PFI may, in its sole and absolute discretion, take such actions as it seems necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereof as may be, in PFI’s sole and absolute discretion, necessary for the protection of the Indemnitees or the System. This provision survives termination or expiration of this Agreement.

## 12. TRANSFER OF INTEREST

12.1. Transfer by PFI. PFI may transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity. With respect to any assignment which results in the subsequent performance by the assignee of all of PFI’s obligations under this Agreement, the assignee shall expressly assume and agree to perform such obligations, and shall become solely responsible for all of PFI’s obligations under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, you expressly affirm and agree that PFI and/or its Affiliates may sell their assets, the Marks, the Copyrighted Works, or the System; may sell 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. With regard to any of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of PFI’s name, the Marks (or any variation thereof), the Copyrighted Works, the System, and/or the loss of association with or identification of Paciugo Franchise International, LLC as the franchisor under this Agreement. You specifically waive any and all other claims, demands, or damages arising from or related to the foregoing merger, acquisition, and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract, or breach of the implied covenant of good faith and fair dealing. You agree that PFI has the right, now or in the future, to purchase, merge, acquire, or affiliate with an existing competitive or non-competitive franchise network, chain, or any other business regardless of the location of that chain’s or business’ facilities, and to operate, franchise, or license those businesses and/or facilities as Paciugo Stores operating under the Marks, the Copyrighted Works or any other marks following PFI’s purchase, merger, acquisition, or affiliation, regardless of the location of these facilities (which you acknowledge may be proximate to the Franchised Business).

12.2. Transfer by Individual Franchisee to Business Entity for Convenience. If you are an individual, you may transfer your interest in this Agreement to a Business Entity for convenience of operation by signing PFI’s standard form of assignment and assumption agreement if: **(a)** the Business Entity is formed solely for purposes of operating the Franchised Business; **(b)** you provide to PFI a copy of the Business Entity’s formation and governing documents and a certificate of good standing from the jurisdiction under which the Business Entity was formed; **(c)** you and your Affiliates are in compliance with this Agreement and all other agreements with PFI or its affiliates; **(d)** you pay PFI its reasonable attorneys’ fees; and **(e)** you and each Owner

and guarantor execute a general release in a form satisfactory to PFI of any and all claims against PFI and its Affiliates and their respective officers, directors, managers, shareholders, agents, and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances; provided, however, that any release will not be inconsistent with any state law regulating franchising.

12.3. Transfer Among Owners; Transfer of Non-Controlling Interest. If you are a Business Entity, your Owners may transfer their ownership interests in the Business Entity among each other, and may transfer up to a Non-Controlling Interest in the Business Entity to one or more third parties if: (a) you have provided to PFI advance notice of the transfer; (b) you and your Affiliates are in compliance with this Agreement and all other agreements with PFI or its Affiliates; (c) you sign an amendment reflecting the new ownership; (d) each new Owner has signed a Guaranty and Personal Undertaking in the form of Attachment B-1; (e) you pay PFI its reasonable attorneys' fees; and (f) you and each Owner and guarantor execute a general release in a form satisfactory to PFI of any and all claims against PFI and its Affiliates and their respective officers, directors, managers, shareholders, agents, and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances; provided, however, that any release will not be inconsistent with any state law regulating franchising.

12.4. Transfer of Agreement; Transfer of the Franchised Business; Transfer of Controlling Interest. All other transfers (including any sale or transfer of your interest in this Agreement, the sale or transfer of all or substantially all of the assets of the Store, and the sale of a Controlling Interest in you if you are a Business Entity) require PFI's prior written consent. PFI will not unreasonably withhold its consent to a transfer, but may condition its consent on satisfaction of any or all of the following:

12.4.1. You have provided PFI the following at least 120 days prior to the proposed closing date of the proposed transfer: (a) written request for PFI's consent to the transfer; (b) payment of the non-refundable Transfer Fee; and (c) a copy of the proposed asset purchase/transfer agreements, including sale terms. The "Transfer Fee" is non-refundable and is \$7,500 if the transferee is an existing developer or franchisee of PFI, or \$10,000 if the transferee is not an existing developer or franchisee of PFI.

12.4.2. The transferee has demonstrated to PFI's satisfaction that the transferee meets PFI's then-current educational, managerial and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to operate the Franchised Business; and meets PFI's then-current liquid and net worth requirements.

12.4.3. All of your accrued monetary obligations and all other outstanding obligations to PFI, its Affiliates, and your third-party suppliers are, or will be at the time of the transfer, current and fully paid and satisfied, and you must be in full compliance with this Agreement and any other agreements between you and PFI, its Affiliates, and your suppliers.

12.4.4. You or the transferee have refurbished the Store premises prior to the closing of the transfer such that the Store meets PFI's image, equipment, and POS System requirements for new Paciugo Stores, or so that it meets PFI's then-current repair and maintenance standards, whichever PFI chooses at its sole discretion.

12.4.5. You and each Owner have executed a general release, in a form satisfactory to PFI, of any and all claims against PFI and its Affiliates and their respective officers, directors, shareholders, agents and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances; provided, however, that any release will not be inconsistent with any state law regulating franchising.

12.4.6. The transferee executes PFI's then-current form of Franchise Agreement, the terms of which may be materially different than the terms of this Agreement and may include, among other things, a different percentage royalty fee and different advertising obligations. The term of such agreement will be the remaining Term of this Agreement at the time of transfer. If the transferee is a Business Entity, then the transferee's Owners each must sign PFI's standard form of Guaranty and Personal Undertaking.

12.4.7. The transferee shall have complied with PFI's then-current initial training requirements.

12.4.8. If PFI introduced the buyer to you, you have paid all fees due PFI under its then-current franchise resale policy or program.

12.4.9. If PFI consents to the transfer contemplated by this Section 12.4., and if for any reason the transfer does not close, you must reimburse PFI for its reasonable attorneys' fees incurred in conjunction with the abandoned transfer.

12.4.10. If, for any reason, a requested transfer does not close and you desire to enter into the transfer process with a different transferee, all of the requirements set forth above will apply, including but not limited to your obligation to pay the Transfer Fee. PFI may, in its sole discretion, credit all or a portion of the previously-paid Transfer Fee to the replacement

transfer, but is not obligated to do so. If PFI does not provide such credit, then you must pay the Transfer Fee as described in [Section 12.4.1](#).

12.5. [Transfers Void](#). Any purported transfer, by operation of law or otherwise, made without PFI's prior written consent will be considered null and void and will be considered a material breach of this Agreement.

12.6. [Security Interest](#). You may grant a security interest in this Agreement or the franchise represented by this Agreement only to the limited extent permitted by Section 9-408 of the Uniform Commercial Code. Any such security interest may only attach to an interest in the proceeds of the operation of the Franchised Business and may not entitle or permit the secured party to take possession of or operate the Franchised Business or to transfer your interest in the franchise without PFI's consent.

12.7. [Private or Public Offerings](#). If you are a Business Entity and you intend to issue equity interests in the Business Entity pursuant to a public or private offering, you must first obtain PFI's written consent, which consent will not be unreasonably withheld. You must provide to PFI for its review a copy of all offering materials (whether or not such materials are required by applicable securities laws) at least 60 days prior to such documents being filed with any government agency or distributed to investors. No offering will imply (by use of the Marks or otherwise) that PFI is participating in an underwriting, issuance or offering of your securities, and PFI's review of any offering shall be limited to ensuring compliance with the terms of this Agreement. PFI may condition its approval on satisfaction of any or all of the conditions set forth in [Section 12.4](#), and on execution of an indemnity agreement, in a form prescribed by PFI, by you and any other participants in the offering. For each proposed offering, you shall pay to PFI a retainer in an amount determined by PFI, which PFI shall use to reimburse itself for the reasonable costs and expenses it incurs (including, without limitation, attorneys' fees and accountants' fees) in connection with reviewing the proposed offering.

12.8. [Right of First Refusal](#). If you receive a bona fide offer to purchase your interest in this Agreement or all or substantially all of the assets of the Store, or if any Owner receives a bona fide offer to purchase his or her equity interests in you, and you or such Owner wishes to accept such offer, you or the Owner must deliver to PFI written notification of the offer and, except as otherwise provided herein, PFI has option, exercisable within 30 days after receipt of such written notification, to purchase the seller's interest on the same terms and conditions offered by the third party. If the bona fide offer provides for the exchange of assets other than cash or cash equivalents, the bona fide offer must include the fair market value of the assets and you shall submit with the notice an appraisal prepared by a qualified independent third party evidencing the fair market value of such assets as of the date of the offer. Any material change in the terms of any offer prior to closing will constitute a new offer subject to the same right of first refusal by PFI as in the case of an initial offer. If PFI elects to purchase the seller's interest, closing on such purchase must occur by the later of: **(a)** the closing date specified in the third-party offer; or **(b)** within 60 days from the date of notice to the seller of PFI's election to purchase. PFI's failure to exercise the option described in this [Section 12.8](#) will not constitute a waiver of any of the transfer conditions set forth in this [Article 12](#).

12.9. [Transfer Upon Death or Incapacity](#). Upon the death or permanent incapacity (mental or physical) of any person with an interest in this Agreement, in you, or in all or substantially all of the assets of the Franchised Business, the executor, administrator, or personal representative of such person shall transfer such interest to a third party approved by PFI within six months after such death or mental incapacity. Such transfers, including, without limitation, transfers by devise or inheritance, will be subject to the same conditions as an *inter vivos* transfer, except that the Transfer Fee will be waived. In the case of transfer by devise or inheritance, however, if the heirs or beneficiaries of any such person are unable to meet the conditions of this [Article 12](#), the executor, administrator, or personal representative of the decedent shall transfer the decedent's interest to another party approved by PFI within six months, which disposition will be subject to all the terms and conditions for transfer contained in this Agreement. If the interest is not disposed of within such period, PFI may, at its option, terminate this Agreement, pursuant to [Section 13.5](#).

12.10. [Non-Waiver of Claims](#). PFI's consent to a transfer will not constitute a waiver of any claims it may have against the transferring party, and it will not be deemed a waiver of PFI's right to demand strict compliance with any of the terms of this Agreement, or any other agreement to which PFI and the transferor are parties.

### **13. DEFAULT AND TERMINATION**

13.1. [Termination In the Event of Bankruptcy or Insolvency](#). You shall be deemed to be in default under this Agreement, and all rights granted to you in this Agreement will automatically terminate without notice, if you become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against you and you do not oppose it; if you are adjudicated as bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver for you or other custodian for your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of

competent jurisdiction; if proceedings for a composition with creditors under any state or federal law is instituted by or against you; if a final judgment remains unsatisfied or of record for 30 days or longer (unless a *supersedeas* bond is filed); if you are dissolved; if execution is levied against your business or property; if judicial, non-judicial, or administrative proceedings to foreclose any lien or mortgage against the Franchised Location premises or assets or equipment is instituted against you and not dismissed within 30 days; or if the real or personal property of the Franchised Business is sold after levy thereupon by any sheriff, marshal, or constable.

13.2. Termination With Notice and Without Opportunity To Cure. PFI has the right to terminate this Agreement, which termination will become effective upon delivery of notice without opportunity to cure if: **(a)** your Operating Principal or District Manager fails to successfully complete training; **(b)** you fail to open the Store for business by the Opening Date; **(c)** you abandon the Franchised Business (which will be presumed if you cease operations for three consecutive days or more); **(d)** you lose any license required to operate the Franchised Business or the Franchised Business loses the right to occupy the Store premises of the Franchised Location; **(e)** you fail to relocate and open, or re-open, the Store that closed due to a Force Majeure event; **(f)** you or any Owner or District Manager are convicted of, or plead no contest to, a felony, a crime involving moral turpitude, or any other crime or offense that PFI believes is reasonably likely to have an adverse effect on the System; **(g)** there is any transfer or attempted transfer in violation of Article 12, of this Agreement; **(h)** you or any Owner fails to comply with the confidentiality or noncompetition covenants in Section 15.1, of this Agreement; **(i)** you or any Owner has made any material misrepresentations in connection with your franchise application; **(j)** you fail to comply with notification requirements set forth in Sections 6.1.3. or 6.1.4., concerning investigations and Crisis Management Events; **(k)** you understate any payment to PFI by 3% or more, or understate any such payment in any amount, twice in any rolling 12-month period; **(l)** an imminent threat or danger to public health or safety results from the operation of the Franchised Business; **(m)** you knowingly maintain false books or records or submit any false reports or statements to PFI; **(n)** you offer unauthorized products or services from the Store premises or in conjunction with the Marks or Copyrighted Works; **(o)** you purchase items for which PFI has identified approved or designated supplier or distributor from an unapproved source; **(p)** you fail to pass two or more quality assurance inspections within any rolling 12-month period; **(q)** you violate PFI policies for Store operations, without authorization or permission, on two or more occasions within any rolling 12-month period, including without limitation failure to accurately account for all Gross Sales through the POS System, whether or not PFI issued a written notice of default of such violations; **(r)** you fail to participate in any advertising or marketing program pursuant to Sections 9.3., 9.5., 9.6., or 9.7., or fail to maintain required hours of operation pursuant to Section 6.8. on two or more occasions without prior written permission, within any rolling 12-month period; or **(s)** PFI delivers to you three or more written notices of default pursuant to this Article 13, within any rolling 12-month period, whether or not the defaults described in such notices ultimately are cured.

13.3. Termination With 10-Day Cure Period. PFI has the right to terminate this Agreement, which termination will become effective upon delivery of written notice of termination, if you fail to cure the following defaults within 10 days after delivery of written notice: **(a)** failure to obtain or maintain required insurance coverage; **(b)** failure to pay any amounts due to PFI; **(c)** failure to pay any amounts due to the landlord of the Store's premises, your suppliers, or other trade creditors (unless such amount is subject to a bona fide dispute); **(d)** failure to pay any amounts for which PFI has advanced funds for or on your behalf, or upon which PFI is acting as guarantor of your obligations; **(e)** violation of any provision of this Agreement concerning the use and protection of the Marks or Copyrighted Works; or **(f)** violation of any provision of this Agreement concerning the preparation, service, appearance, or quality of Paciugo products.

13.4. Termination With 30-Day Cure Period. Except as otherwise provided in this Article 13, PFI has the right to terminate this Agreement, which termination will become effective upon delivery of written notice of termination, if you fail to cure any curable default within 30 days after delivery of written notice.

13.5. Termination Related to Death or Permanent Incapacity. PFI has the right to terminate this Agreement if an approved transfer as required by Section 12.9, is not effected within the designated time frame following a death or permanent incapacity (mental or physical).

13.6. Cross-Default. Any default under any agreement between you, your Owners, or any of their respective Affiliates, and PFI or its Affiliates, which you fail to cure within any applicable cure period, will be considered a default under this Agreement and will provide an independent basis for termination of this Agreement.

13.7. Additional Remedies. In addition to, or in lieu of, termination of this Agreement, in its sole discretion: **(a)** PFI may require the Store to be closed in response to any inaction or action by you that, in Franchisor's sole discretion, could potentially cause long-term brand damage or during any cure period relating to a default based on public health and safety concerns; and **(b)** WWFI may: **(i)** require payment by cash on delivery for products or services supplied by PFI; **(ii)** stop selling or providing any products or services to you; **(iii)** suspend its performance of any obligations under this Agreement; and/or **(iii)** direct or

request any third party suppliers not to sell or provide products or services to you. No such actions by PFI will be a breach or constructive termination of this Agreement, change in competitive circumstances or similarly characterized, and you will not be relieved of any obligation under this Agreement because of any such action.

#### **14. OBLIGATIONS UPON TERMINATION OR EXPIRATION**

14.1. Cease Use of Marks; Copyrighted Works; Cancellation of Fictitious Name; Assignment of Email Addresses, URLs, Domain Names, Internet Listings, Business Directory Listings. Upon termination or expiration of this Agreement, you shall immediately cease all use of the Marks, Copyrighted Works, and Confidential Information. You shall cancel any assumed name registration containing the Marks. You shall, at PFI's option and request, assign to PFI all rights to all email addresses, URLs, domain names, Internet listings, Business Directory Listings, and Internet accounts relating to the Franchised Business. You hereby appoint PFI as your attorney-in-fact with full power and authority for the sole purpose of assigning these rights to PFI. This appointment will be deemed to be coupled with an interest and will continue in full force and effect until the termination or expiration of this Agreement.

14.2. Assignment of Lease; De-Identification. At PFI's request, you shall assign to PFI or its designee your interest in the lease, including your interest in all leasehold improvements, without additional compensation. If PFI does not request assignment of the lease before or as of the date of expiration or termination of this Agreement, then within 10 days after termination or expiration of this Agreement, you shall modify the Store premises (including, without limitation, changing the color scheme and other distinctive design features PFI requires and changing and assigning to PFI the telephone numbers) as may be necessary to distinguish the appearance of the Franchised Location from that of other Paciugo Stores, and shall make such specific additional changes to the Franchised Location as PFI may reasonably request for that purpose. PFI shall also have the right, at its option and at your expense, to enter the Store premises and take all actions necessary to de-identify the premises as a Paciugo Store, including, but not limited to, removing all signs, advertising materials, displays, proprietary equipment and inventory, and any other items which display the Marks or are indicative of Paciugo trade dress. Such costs incurred due to PFI's de-identification efforts must be paid by you immediately upon notice.

14.3. Return of Manual and Other Confidential Information. You shall immediately deliver to PFI any hardcopies or downloaded electronic copies of the Manual and all other manuals, records, correspondence, files, and any instructions containing Confidential Information relating to the operation of the Franchised Business which are in your possession; and all copies thereof (all of which are acknowledged to be the property of PFI).

14.4. Pay Amounts Owed. You and your Owners must promptly pay all sums owing to PFI and its Affiliates. Such sums include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by PFI as a result of any default by you, which obligation will give rise to and will remain, until paid in full, a lien in favor of PFI against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by you and used by you at the Franchised Location during the Term of this Agreement.

14.5. PFI's Right to Purchase Tangible Assets. PFI has the option to purchase any or all of the Store's furniture, fixtures, equipment, and interior and exterior signs at the lesser of your cost or then-current fair market value and may set off against the purchase price any amounts that you owe PFI. PFI shall exercise its option by written notice to you, delivered on or before the date of expiration or termination of this Agreement.

14.6. Trademark Infringement. If you fail to comply with a written notice of termination sent by PFI and a court later upholds such termination of this Agreement, if such termination was disputed by you, then your operation of the Store, from and after the date of termination stated in such notice, will constitute willful trademark infringement and unfair competition by you, and you shall be liable to PFI for damages resulting from such infringement in addition to any fees paid or payable hereunder, including, without limitation, any profits which you derived from such post termination operation of the Store.

14.7. Payment of Liquidated Damages.

14.7.1. You acknowledge and agree that if this Agreement is terminated as a result of your default, including without limitation your abandonment or permanent closure of the Franchised Location before the expiration of the Term of this Agreement, such termination may result in lost future revenue and profits to PFI, harm to the goodwill associated with the System and the Marks, and increased costs to PFI to redevelop or re-franchise the market in which the Franchised Location is located. PFI and you agree that such damages may be difficult to quantify or estimate. Therefore, you will pay PFI, as liquidated damages for the premature termination of this Agreement, and not as a penalty for breaching this Agreement or in lieu of any other payment, a lump sum equal to the weekly average of the Franchised Location's Gross Sales for the 104-week (two years) period preceding the termination (or if the Franchised Location has not been operating as a Store for 104 weeks, the weekly



average of the Franchised Location's Gross Sales for the actual period of operations preceding the termination), multiplied by the Royalty Fee set forth in the Summary Pages, multiplied by 104 weeks (two years). Notwithstanding the foregoing, if the number of weeks remaining between PFI's written notice of termination or the occurrence of an event of termination and the date on which the Term of this Agreement would otherwise have expired is less than 104 weeks, then the time period for calculating the amount of liquidated damages will be the number of weeks remaining in the Term. Liquidated Damages are payable on demand.

14.7.2. The parties to this Agreement acknowledge that a precise calculation of the full extent of the damages PFI will incur in the event of termination of this Agreement is difficult in the extreme and agree that the payment provided for under Section 14.7.1. is reasonable in light of the damages PFI will incur in the event of termination. In addition to PFI's right to the payment of liquidated damages as provided for in Section 14.7.1., PFI is not otherwise limited in its ability to recover other monies due under the Agreement (including, without limitation, under Section 14.4.) and to otherwise seek damages or equitable relief for the harm caused by the conduct which gave rise to the termination, as well as for any other of your defaults under the Agreement, and to obtain such other relief in law or equity as provided for in this Agreement, including without limitation, enforcing your compliance with the post-termination obligations set forth herein; provided, that PFI is not entitled to recover damages for lost future revenue or profits in excess of the liquidated damages specified in Section 14.7.1.

## 15. COVENANTS

15.1. Noncompetition During Term of Agreement. You and each Owner acknowledge and agree that you and each Owner will receive valuable specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques and trade secrets of PFI and the System. You and each Owner covenant and agree that during the Term of this Agreement, except as otherwise approved in writing by PFI, you and each Owner will not, either directly or indirectly, for yourselves, or through, on behalf of, or in conjunction with any person, or legal entity:

15.1.1. Divert or attempt to divert any present or prospective customer of a Paciugo Store to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

15.1.2. Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any business, store, shop, dispensing unit, or retail outlet of any type, or commissary, ghost kitchen or delivery only concept, that offers gelato, ice cream, frozen custard, frozen yogurt, or other frozen treats/desserts, or beverage items or products that are offered at Paciugo stores, other than a Paciugo Store operated pursuant to a then-currently effective Franchise Agreement with PFI, at any location within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which PFI or its Affiliates have used, sought registration of or registered the Marks or similar marks or operate or license others to operate a business under the Marks or similar marks.

15.2. Noncompetition After Expiration or Termination of Agreement. Commencing upon the later of: (a) a transfer permitted under Article 12. of this Agreement, expiration of this Agreement (without renewal), or termination of this Agreement (regardless of the cause for termination); or (b) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 15.2., and continuing for an uninterrupted period of two years thereafter, you shall not either directly or indirectly, for yourselves, or through, on behalf of, or in conjunction with any person, persons, or legal entity, own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as an owner or otherwise) or relationship or association with any business, store, shop, dispensing unit, or retail outlet of any type, that offers gelato, ice cream, frozen custard, frozen yogurt, or other frozen treats/desserts, or beverage items or products that are offered at Paciugo stores, other than a Paciugo Store operated pursuant to a then-currently effective Franchise Agreement with PFI, that: (i) is, or is intended to be, located at the location of the former Franchised Location; (ii) is within a one-mile radius of the former Franchised Location; or (iii) is within a one-mile radius of any other Store operating under the System and Marks, that is in existence or under development at any location within the United States, its territories, or commonwealths, or any other country, province, state, or geographic area in which PFI or its Affiliates have used, sought registration of, or registered the Marks or similar marks, or operate or license others to operate a business under the Marks or similar marks, at the time of such expiration, termination, or transfer. If any Owner ceases to be an Owner of the Franchisee for any reason during the Term of this Agreement, the foregoing covenant will apply to the departing Owner for a two-year period beginning on the date such person ceases to meet the definition of an Owner. The time periods relating to the obligations described in this Section 15.2. will be tolled during any period of noncompliance.

15.3. Additional Provisions. The parties acknowledge and agree that PFI has the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 15.1. and 15.2., or any portion thereof, without your consent or the consent of any Owner, effective immediately upon delivery of written notice to the affected party; and you and each Owner agree that such person shall comply forthwith with any covenant as so modified. You and each Owner expressly agree that the existence of any claims you may have against PFI, whether or not arising from this Agreement, will not constitute a defense to PFI's enforcement of the covenants in this Article 15. You will pay all costs and expenses (including reasonable attorneys' fees) incurred by PFI in connection with the enforcement of this Article 15.

15.4. Covenants from Individuals. Each individual who attends PFI's training program, or whom PFI designates, must sign a confidentiality and noncompetition agreement substantially in the form attached as Attachment B-2 to this Agreement, and you are responsible for ensuring compliance with such agreement.

15.5. Breach of Covenants Causes Irreparable Injury. You acknowledge that your violation of any covenant of this Article 15 would result in irreparable injury to PFI for which no adequate remedy at law may be available, and you consent to the issuance of, and agree to pay all court costs and reasonable attorneys' fees incurred by PFI in obtaining, without the posting of any bond, an *ex parte* or other order for injunctive or other legal or equitable relief with respect to such conduct or action.

15.6. Exception for Publicly Held Companies. The foregoing restrictions will not apply to your ownership or any Owner's ownership of less than a 5% beneficial interest in the outstanding equity securities of any company registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

15.7. Improvements. If you or any of your Owners or employees develop any new concept, process, or improvement in the development of any Store under this Agreement, you agree to promptly notify PFI and provide PFI with all related information, as determined by PFI in its sole discretion, without compensation. Any such concept, process, or improvement will become PFI's sole property, and PFI shall be the sole owner of all patents, patent applications, and other intellectual property rights related thereto. You, your Owners, and employees hereby: **(a)** assign, waive, and release to PFI any rights you or they may have or acquire, including the right to modify such concept, process, or improvement; **(b)** agree to assist PFI in obtaining and enforcing the intellectual property rights to any such concept, process, or improvement in any and all countries and further agree to execute and provide PFI with all necessary documentation for obtaining and enforcing such rights; **(c)** irrevocably designate and appoint PFI as their agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property right related to any such concept, process, or improvement; and **(d)** grant to PFI a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process, or improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe their rights therein, if any provision of this Section 15.7. is found to be invalid or otherwise unenforceable.

## 16. REPRESENTATIONS

16.1. Representations of PFI. PFI represents and warrants that: **(a)** PFI is duly organized and validly existing under the law of the state of its formation; **(b)** PFI is duly qualified and authorized to do business in each jurisdiction in which its business activities or the nature of the properties it owns requires such qualification; and **(c)** the execution of this Agreement and the performance of the transactions contemplated by this Agreement are within PFI's corporate power and have been duly authorized.

### 16.2. Representations of Franchisee.

16.2.1. You represent and warrant that the ownership information set forth in the Summary Pages is accurate and complete in all material respects, and you hereby agree to notify PFI in writing prior to any change in the ownership information set forth in the Summary Pages, and in compliance with the transfer requirements of Article 12. of this Agreement. You further represent and warrant to PFI that: **(a)** you are duly organized and validly existing under the law of the state of your formation; **(b)** you are duly qualified and authorized to do business in each jurisdiction in which your business activities or the nature of the properties you own require such qualification; **(c)** your corporate charter or written partnership or limited liability company agreement, as applicable, will at all times provide that your activities are confined exclusively to the operation of the Franchised Business; and **(d)** neither you nor any of your Affiliates or Owners own, operate, or have any financial or beneficial interest in any business that is the same as or similar to a Paciugo Store; and **(e)** the execution of this Agreement and the performance of the transactions contemplated by this Agreement are within your corporate power, or if you are a partnership or a limited liability company, are permitted under your written partnership or limited liability company agreement and have been duly authorized.

16.2.2. You acknowledge that you have conducted an independent investigation of the Paciugo franchise opportunity and recognize that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent on your ability as an independent business person.

16.2.3. Except for representations contained in PFI's Franchise Disclosure Document provided to you in conjunction with this franchise offering, you represent that neither PFI nor its agents or representatives have made any representations, and you have not relied on representations made by PFI or its agents or representatives, concerning actual or potential Gross Sales, expenses, or profits of a Paciugo Store.

16.2.4. You acknowledge that you have received a complete copy of PFI's Franchise Disclosure Document at least 14 calendar days before you signed this Agreement or paid any consideration to PFI for your franchise rights.

16.2.5. You acknowledge that you have read and that you understand the terms of this Agreement and its attachments and that you have had ample time and opportunity to consult with an attorney or business advisor of your choice about the potential risks and benefits of entering into this Agreement.

16.2.6. You understand that you will receive no territorial protection and that PFI and our Affiliates may engage in businesses that compete with your Store(s).

16.2.7. You hereby warrant and represent that neither you nor your Owners, officers, directors, managers, partners, agents, or employees, or their respective interests therein is now (nor will be during the term of this Agreement) identified, either by name or an alias, pseudonym, or nickname, on any of the lists of restricted or denied parties maintained by the United States government, including:

(a) "Denied Persons List" maintained by the U.S. Commerce Department's Bureau of Industry and Security (<http://www.bis.doc.gov/dpl/Default.shtml>);

(b) "Unverified List" maintained by the U.S. Commerce Department's Bureau of Industry and Security ([http://www.bis.doc.gov/Enforcement/UnverifiedList/unverified\\_parties.html](http://www.bis.doc.gov/Enforcement/UnverifiedList/unverified_parties.html));

(c) "Entity List" maintained by the U.S. Commerce Department's Bureau of Industry and Security (<http://www.bis.doc.gov/Entities/Default.html>);

(d) "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control ([www.treas.gov/offices/enforcement/ofac/](http://www.treas.gov/offices/enforcement/ofac/));

(e) "Debarred List" maintained by the Department of State (<http://pmdtc.state.gov/compliance/debar.html>); and

(f) "Nonproliferation Sanctions" maintained by the Department of State (<http://www.state.gov/t/isn/c15231.html>).

The foregoing constitutes continuing representations and warranties, and you agree to immediately notify PFI in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate, or misleading.

16.2.8. You further represent and warrant that neither you nor any of your Owners, officers, directors, managers, partners, agents, or employees has violated (nor will violate during the term of this Agreement) any law prohibiting money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (<http://epic.org/privacy/terrorism/hr3162.html>), U.S. Executive Order 13224 (<http://www.treasury.gov/resource-center/sanctions/Programs/Documents/terror.pdf>), or any similar law.

16.2.9. You acknowledge and agree that you are relying solely on Paciugo Franchise International, LLC, and not on any affiliated entities or parent companies related to Paciugo Franchise International, LLC, with regard to PFI's financial and other obligations under this Agreement, and no employee or other person speaking on behalf of, or otherwise representing, Paciugo Franchise International, LLC, has made any statement or promise to the effect that any affiliated entities or parent companies guarantee PFI's performance or financially back PFI.

## 17. NOTICES

17.1. Notices. Any notice or demand which either party is required or permitted to give hereunder must be in writing, signed by the notifying party and must be either delivered by hand, via email by a nationally-recognized electronic document signing platform (e.g., DocuSign®), by a nationally-recognized overnight courier service, or deposited in the U.S.

mail, certified or registered mail, return receipt requested, postage paid. Notice will be deemed to have been given when **(a)** delivered by hand; **(b)** when confirmation of electronic delivery is recorded in the electronic document signing platform; **(c)** when delivered by a nationally recognized overnight courier service; or **(d)** upon the earlier of actual receipt or three calendar days after deposit in the U.S. mail, if sent by certified or registered mail, return receipt requested, postage paid. Notices and demands must be given to the respective parties at the mailing address set forth on the Summary Pages, unless and until a different address has been designated by written notice to the other party. Either Franchisee's email address set forth on the Summary Pages or the new Paciugo email address issued by PFI to Franchisee must be used for sending notices via a nationally-recognized electronic document signing platform or email. Either party may change its mailing or email address for the purpose of receiving notices, demands, and other communications as provided in this Agreement by providing the other party written notice as set forth above.

## **18. CONSTRUCTION OF AGREEMENT; MISCELLANEOUS**

18.1. Entire Agreement. This Agreement, and any other agreements executed by the parties concurrently with the parties' execution of this Agreement, represents the entire fully integrated agreement between the parties and supersedes all other negotiations, agreements, representations, and covenants, oral or written. Notwithstanding the foregoing, nothing in this Agreement will disclaim or require you to waive reliance on any representation that PFI made in the Franchise Disclosure Document (including its exhibits and amendments) that PFI delivered to you in connection with this franchise offering. Except for those changes permitted to be made unilaterally by PFI hereunder, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to in writing by the parties and executed by their authorized officers or agents.

18.2. No Waiver. No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, options, duty, or power arising out of any breach or default by you or any of your Owners under this Agreement will constitute a waiver by PFI to enforce any such right, option, duty, or power against you or your Owners, or as to a subsequent breach or default by you or any of your Owners.

18.3. Severability. The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision of this Agreement.

18.4. Survival of Terms. Any provision or covenant of this Agreement which expressly or by its nature imposes obligations beyond the expiration or termination of this Agreement will survive such expiration or termination.

18.5. Definitions and Captions. Unless otherwise defined in the body of this Agreement, capitalized terms have the meaning ascribed to them in Attachment A ("**Glossary of Additional Terms**"). All captions in this Agreement are intended for the convenience of the parties, and none will be deemed to affect the meaning or construction of any provision of this Agreement.

18.6. Persons Bound. This Agreement will be binding on the parties and their respective successors and assigns. Each Owner shall execute the Guaranty and Personal Undertaking attached as Attachment B-1. Failure or refusal to do so will constitute a breach of this Agreement. You and each Owner shall be joint and severally liable for each person's obligations hereunder and under the Guaranty and Personal Undertaking.

18.7. Rules of Construction. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. Terms used in this Agreement shall be construed and interpreted according to their ordinary meaning. If any provision of this Agreement is susceptible to two or more meanings, one of which would render the provision enforceable and the other(s) which would render the provision unenforceable, the provision will be given the meaning that renders it enforceable.

18.8. Timing. Time is of the essence with respect to all provisions in this Agreement. Where there is an event of Force Majeure, the party prevented from or delayed in performing its obligations under this Agreement must immediately notify the other party no later than five days after the occurrence of a Force Majeure giving full particulars of the Force Majeure and the reasons for the Force Majeure delaying that party in performing its obligations under this Agreement and that party must use its reasonable efforts to mitigate the effect of the event of Force Majeure upon its performance of this Agreement and to fulfill its obligations under this Agreement. Upon completion of the event of Force Majeure the party affected must as soon as reasonably practicable recommence the performance of its obligations under this Agreement. Notwithstanding the foregoing, if performance of either party is delayed because of a Force Majeure, the applicable deadline for performance will be extended for a period commensurate with the Force Majeure, but not to exceed 12 months.

18.9. Business Judgment Rule. Whenever PFI reserves discretion in a particular area or where PFI agrees to exercise its rights reasonably or in good faith, PFI will satisfy its obligations whenever it exercises reasonable business judgment in making

such decision or exercising such rights. PFI's decisions or actions will be deemed to be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available, if such decision or action is intended, in whole or in part, to promote or benefit the System, generally, even if the decision or action also promotes PFI's financial or other individual interest.

18.10. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which together will constitute one agreement.

18.11. SBA Addendum. If you are obtaining a loan from the U.S. Small Business Administration to finance or assist with the financing of development and/or operation of the Store, the SBA may require you to sign an addendum to this Agreement.

18.12. Remedies Cumulative. No right or remedy conferred upon or reserved to PFI or you by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each will be cumulative of every other right or remedy. The expiration, earlier termination, or exercise of PFI's rights pursuant to Section 13, of this Agreement will not discharge or release you or any of your Owners from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination, or the exercise of such rights under this Agreement. Additionally, you and your Owners will pay all courts costs and reasonable attorneys' fees and costs incurred by PFI in obtaining any remedy available to PFI for any violation of this Agreement.

18.13. No Third-Party Beneficiary. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity, other than you, PFI, PFI's officers, directors, and personnel and such of your and PFI's respective successors and assigns as may be contemplated (and, as to you, authorized by Section 12.) any rights or remedies under or as a result of this Agreement.

## **19. APPLICABLE LAW; DISPUTE RESOLUTION**

19.1. Choice of 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 will be governed by and construed in accordance with the laws of the State of Texas without regard to its conflict of law rules.

### **19.2. Mediation.**

19.2.1. The parties acknowledge that during the Term and any extensions of this Agreement certain disputes may arise that the parties are unable to resolve, but that may be resolvable through mediation. To facilitate such resolution, PFI, you, and each Owner will submit to mediation any claim, controversy, or dispute between PFI or its Affiliates (and PFI's and its Affiliates' respective owners, officers, directors, agents, representatives, and/or employees) and you or your Affiliates (and your Owners, agents, representatives, and/or employees) arising out of or related to: **(a)** this Agreement or any other agreement between PFI and you; **(b)** PFI's relationship with you; or **(c)** the validity of this Agreement or any other agreement between PFI and you, before bringing such claim, controversy or dispute in a court or before any other tribunal.

19.2.2. The mediation will be conducted by a mediator agreed upon by PFI and you. If agreement cannot be reached within 15 days after either party has notified the other of its desire to seek mediation, then mediation will occur with the American Arbitration Association or any successor organization ("AAA") in accordance with its rules governing mediation. Mediation will be held at the offices of the AAA in the city where PFI's principal business office is located at the time of the mediation. The costs and expenses of mediation paid to the AAA or to the mediator will be paid equally by the parties. All other mediation-related expenses, including but not limited to, attorneys' fees and travel expenses, will be paid by the party which incurred such expense.

19.2.3. If the parties are unable to resolve the claim, controversy, or dispute within 90 days after the mediator has been chosen, then, unless such time period is extended by written agreement of the parties, either party may proceed with arbitration pursuant to Section 19.3. The parties agree that statements made during such mediation proceeding will not be admissible for any purpose in any subsequent legal proceeding.

19.2.4. Notwithstanding the foregoing provisions of this Section 19.2, the parties' agreement to mediate will not apply to controversies, disputes, or claims relating to or based on amounts owed to PFI pursuant to this Agreement, the Marks, Copyrighted Works, or PFI's Confidential Information. Moreover, regardless of this mediation agreement, PFI and you each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief in any court of competent jurisdiction.

19.3. Arbitration.

19.3.1. Any dispute, controversy, or claim arising out of or relating to this Agreement and the relationships created hereby that are not solved during the mediation process described in Section 19.2, must be resolved by arbitration. The arbitration must be administered in accordance with the Commercial Rules of the AAA. The Arbitrator must be a person experienced in food service franchising or franchise law who has no prior business or professional relationship with either party. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.) (“FAA”). Judgment upon the arbitrator’s award may be entered in any court of competent jurisdiction, and the arbitrator must state in writing the reasoning upon which the award is based. The costs and expenses of arbitration paid to the AAA or to the arbitrator will be paid equally by the parties, unless the rules for special hearings require otherwise. All other arbitration-related expenses, including but not limited to attorneys’ fees and travel expenses, will be paid by the party which incurred such expense. Notwithstanding the foregoing, the prevailing party in any matter brought pursuant to this Section 19.3, will be entitled to recover all fees and costs as set forth in Section 19.8.

19.3.2. Arbitration will be conducted in the city in which PFI maintains its principal business office at the time of the arbitration. Arbitration will be conducted on an individual, not a class wide basis, and an arbitration proceeding between the parties and their respective Owners, officers, directors, agents, and/or employees may not be consolidated with any other arbitration proceeding between PFI and any other person. The arbitrator has no power or authority to award punitive damages.

19.3.3. Any disputes concerning the enforceability or scope of this arbitration provision must be resolved pursuant to the FAA, and the parties agree that the FAA preempts any state law restrictions (including the site of the arbitration) on the enforcement of this arbitration provision and that arbitration will be conducted as provided for in this Section 19.3. If, prior to an Arbitrator’s final decision, either you or PFI commences an action in any court for a claim that arises out of or relates to this Agreement (except for the purpose of enforcing this arbitration provision or as otherwise permitted by this Agreement), the party bringing the action in court will be responsible for the other party’s expenses of enforcing this arbitration provision, including court costs, arbitration filing fees, and other costs and attorneys’ fees.

19.3.4. If you institute any claim subject to this arbitration proceeding in any court, and PFI succeeds in a motion to compel arbitration of the claim, you must reimburse PFI its reasonable attorneys’ fees and costs in defending the action and in its motion to compel arbitration.

19.3.5. You shall not assert any claim or cause of action against us, our officers, directors, shareholders, employees, or affiliates after two years following the event giving rise to such claim or cause of action.

19.3.6. Notwithstanding the foregoing provisions of this Section 19.3, the parties’ agreement to arbitrate will not apply to controversies, disputes, or claims related to or based on amounts owed to PFI pursuant to this Agreement, the Marks, or PFI’s Confidential Information. Moreover, regardless of this arbitration agreement, PFI and you each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief in any court of competent jurisdiction.

19.3.7. Notwithstanding the foregoing, PFI has the right to apply to any court of competent jurisdiction for injunctive relief to prevent continued or threatened harm while arbitration is pending. You and your Owners irrevocably consent to personal jurisdiction in the federal and state courts that service the county where PFI’s principal business office is located, for this purpose.

19.4. Court Actions. To the extent that litigation is permitted in accordance with the above provisions, or, in the event that, notwithstanding the above provisions, it is ultimately determined that a particular claim is not arbitrable under applicable law or you bring a claim in any court of competent jurisdiction in violation of the above provisions, the following provisions will apply.

19.4.1. **VENUE. THE PARTIES AGREE THAT ANY ACTION BROUGHT BY EITHER PARTY AGAINST THE OTHER IN ANY COURT, WHETHER FEDERAL OR STATE, SHALL BE BROUGHT WITHIN THE STATE OR FEDERAL JUDICIAL DISTRICT COURTS IN WHICH PFI’S PRINCIPAL BUSINESS OFFICE IS LOCATED; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, YOU OR PFI MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION, AND THE PARTIES HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION.**

19.4.2. **WAIVER OF JURY TRIAL.** PFI AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

19.4.3. **WAIVER OF PUNITIVE DAMAGES.** THE PARTIES HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.

19.5. **RIGHT TO SEEK ACTUAL DAMAGES.** WITHOUT LIMITING ANY RIGHTS PFI HAS PURSUANT TO THIS AGREEMENT, OR BY LAW, STATUTE, OR IN EQUITY, PFI HAS THE RIGHT TO SEEK ACTUAL DAMAGES FROM YOU AND YOUR OWNERS.

19.6. **Right to Injunctive Relief.** Nothing contained in this Agreement will bar PFI's right to seek injunctive relief from any court of competent jurisdiction; and you agree to pay all costs and reasonable attorneys' fees incurred by PFI in obtaining such relief.

19.7. **Release of Claims Under Prior Agreements.** By executing this Agreement, you, on behalf of your Business Entity and Owners, hereby release and discharge PFI and its Affiliates and their members, officers, directors, employees, and agents, from any and all claims relating to or arising under any Development Agreement, Franchise Agreement, or any other agreement between you and PFI or its Affiliates that was executed prior to the date of this Agreement, including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under any and all franchise disclosure, securities, antitrust, and/or deceptive trade practices laws, whether federal or state.

19.8. **Attorneys' Fees.** If either party commences a legal action against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit.

**STATE-SPECIFIC AMENDMENTS**  
**TO PACIUGO FRANCHISE INTERNATIONAL, LLC FRANCHISE AGREEMENT**



**PACIUGO FRANCHISE INTERNATIONAL, LLC  
CALIFORNIA AMENDMENT TO FRANCHISE AGREEMENT**

For purposes of complying with the requirements of California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 *et seq.*, and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 *et seq.*, Paciugo Franchise International, LLC (“**Franchisor**”) and \_\_\_\_\_ (“**Franchisee**”) hereby amend the Franchise Agreement between them dated \_\_\_\_\_ (“**Agreement**”) as follows, to the extent the Agreement contains provisions that are inconsistent with the following:

1. California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination or non-renewal of a franchise. If the Agreement contains a provision that is inconsistent with California law, California law will control.
2. The Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 *et seq.*).
3. The Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
4. The Agreement requires binding arbitration. The arbitration will occur at Franchisor’s then-current principal place of business with the costs being borne by equally by the parties, unless the rules for special hearings require otherwise. All other arbitration-related expenses, including but not limited to attorneys’ fees and travel expenses, will be paid by the party which incurred such expense. The prevailing party in any matter brought pursuant to the dispute resolution provisions of the Agreement will be entitled to recover all fees and costs as set forth in the Agreement. Franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
5. The Agreement requires application of the laws of the state of Texas. This provision may not be enforceable under California law.
6. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of California law applicable to the provisions are met independently of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.
7. No disclaimer, questionnaire, clause or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other inconsistent term of any document executed in connection with the franchise.
8. California Corporations Code section 31512.1 prohibits a franchisor from disclaiming or denying representations made by the franchisor or its agents to a prospective franchisee or a franchisee’s reliance on these representations, or disclaiming violations under the law, in any franchise disclosure document, franchise agreement or a related document. Accordingly, the Agreement is amended to delete Sections 16.2.1(b), 16.2.2, 16.2.3, 16.2.5, and 16.2.9; the intent being that these sections will have no force or effect with effect to franchises subject to the California Corporations Code section 31512.1.

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

**FRANCHISOR:**  
Paciugo Franchise International, LLC  
a Texas limited liability company

**FRANCHISEE:**

By: \_\_\_\_\_  
Jeffrey P. Sinelli, CEO

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
ILLINOIS AMENDMENT TO FRANCHISE AGREEMENT**

For purposes of complying with the requirements of Illinois law, including the Illinois Franchise Disclosure Act of 1987, Ill. Rev. Stat. ch. 815 para. 705/1 – 705/44 (1994) (“**Illinois Franchise Disclosure Act**”), Paciugo Franchise International, LLC (“**Franchisor**”) and \_\_\_\_\_ (“**Franchisee**”) hereby amend the Franchise Agreement between them dated \_\_\_\_\_ (“**Agreement**”) as follows:

1. If the Agreement requires that it be governed by a state’s law, other than the state of Illinois, to the extent that such law conflicts with the Illinois Franchise Disclosure Act (including judicial decisions interpreting the Illinois Franchise Disclosure Act), Illinois law will govern.
2. Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
3. Any provision that designates jurisdiction or venue or required Franchisee to agree to jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which is otherwise enforceable in Illinois, except arbitration may take place outside the state of Illinois.
4. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of Illinois law applicable to the provisions are met independently of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.
5. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
6. Sections 16.2.1(b), 16.2.2, 16.2.3, 16.2.5, and 16.2.9 are deleted.
7. All other provisions of the Agreement are hereby ratified and confirmed.

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

**FRANCHISOR:**  
Paciugo Franchise International, LLC  
a Texas limited liability company

**FRANCHISEE:**

By: \_\_\_\_\_  
Jeffrey P. Sinelli, CEO

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
MARYLAND AMENDMENT TO FRANCHISE AGREEMENT**

For purposes of complying with the requirements of Maryland law, including the Maryland Franchise Registration and Disclosure Law (“**Maryland Franchise Law**”), Paciugo Franchise International, LLC (“**Franchisor**”) and \_\_\_\_\_ (“**Franchisee**”) hereby amend the Franchise Agreement between them dated \_\_\_\_\_ (“**Agreement**”) as follows:

1. The Agreement is amended to reflect that:
  - (a) Any release required as part of the Agreement or as a condition of the sale, renewal, or assignment, or transfer of the franchise shall not apply to any liability under the Maryland Franchise Law.
  - (b) Any claims arising under the Maryland Franchise Law must be brought within three years after the grant of the franchise.
  - (c) Any provision in the Agreement which requires litigation to be conducted in a forum other than the State of Maryland will not limit any rights Franchisee may have under the Maryland Franchise Law to bring suit in the State of Maryland.
  - (d) All representations requiring prospective franchisees to assent to a release, estoppel, or waiver of liability are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
  - (e) The Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

2. The Agreement is supplemented with the following:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

3. The following statement is hereby added to the Franchisee Questionnaire, Attachment F to the Agreement, Addendum and Amendment to Paciugo Franchise International, LLC (Which Wich® Co-Branding Program) and Addendum and Amendment to Paciugo Franchise International, LLC (Wich!™ Co-Branding Program), if applicable:

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

4. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of Maryland law applicable to the provisions are met independently of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

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

6. Sections 16.2.1(b), 16.2.2, 16.2.3, 16.2.5, and 16.2.9 are deleted.

7. All other provisions of the Agreement are hereby ratified and confirmed.

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

*[Signature Page to follow]*

**FRANCHISOR:**

Paciugo Franchise International, LLC  
a Texas limited liability company

**FRANCHISEE:**

By: \_\_\_\_\_  
Jeffrey P. Sinelli, CEO

Date: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
NORTH DAKOTA AMENDMENT TO FRANCHISE AGREEMENT**

For purposes of complying with the requirements of North Dakota Law, including the North Dakota Franchise Investment Law Section 51-19, North Dakota Century Code (“**North Dakota Law**”), Paciugo Franchise International, LLC (“**Franchisor**”) and \_\_\_\_\_ (“**Franchisee**”) hereby agree to the following as they relate to the Franchise Agreement entered into by and between Franchisor and Franchisee:

1. The State of North Dakota has determined that the following types of provisions are deemed to be contrary to North Dakota Law:

- (a) A provision requiring a North Dakota franchisee to sign a general release upon renewal of the Franchise Agreement;
- (b) A provision requiring a North Dakota franchisee to consent to termination penalties or liquidated damages;
- (c) A provision requiring a North Dakota franchisee to consent to the jurisdiction of courts outside the state of North Dakota;
- (d) A provision restricting the time in which a North Dakota franchisee may make a claim to less than the applicable North Dakota statute of limitations;
- (e) A provision calling for the waiver by a North Dakota franchisee of the right to trial by jury;
- (f) A provision requiring a North Dakota franchisee to consent to a waiver of exemplary and punitive damages.

Any and all provisions in the Franchise Agreement that are in violation of Paragraphs 1 (a-f) above are deleted.

2. The following is hereby added to Article 15 of the Franchise Agreement:

North Dakota Century Code Section 9-08-06 subjects covenants not to compete to the provisions of that statute. The covenants not to compete contained within the Franchise Agreement are subject to Section 9-08-06 and may be unenforceable under North Dakota law.

3. The following is hereby added to Article 19 of the Franchise Agreement.

The site of any mediation or arbitration of the parties’ disputes shall be at a site mutually agreeable to all parties. If all parties cannot agree upon a location, the arbitration or mediation shall be in Fargo, North Dakota.

4. In the event of any conflict between the terms of this Amendment and the terms of the Franchise Agreement, the terms of this Amendment will prevail.

5. Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of North Dakota Law are met independently without reference to this Amendment.

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

7. Sections 16.2.1(b), 16.2.2, 16.2.3, 16.2.5, and 16.2.9 are deleted.

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

**FRANCHISOR:**  
Paciugo Franchise International, LLC  
a Texas limited liability company

**FRANCHISEE:**

By: \_\_\_\_\_  
Jeffrey P. Sinelli, CEO

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
VIRGINIA AMENDMENT TO FRANCHISE AGREEMENT**

For purposes of complying with the requirements of Virginia law, including the Virginia Retail Franchising Act (“**Virginia Franchise Act**”), Paciugo Franchise International, LLC (“**Franchisor**”) and \_\_\_\_\_ (“**Franchisee**”) hereby amend the Franchise Agreement between them dated \_\_\_\_\_ (“**Agreement**”) as follows:

1. Under Section 13.1-564 of the Virginia Retail Franchising Act, (the “**Act**”), it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the Agreement does not constitute “reasonable cause”, as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.
2. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of Virginia law applicable to the provisions are met independently of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.
3. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
4. Sections 16.2.1(b), 16.2.2, 16.2.3, 16.2.5, and 16.2.9 are deleted.
5. All other provisions of the Agreement are hereby ratified and confirmed.

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

**FRANCHISOR:**  
Paciugo Franchise International, LLC  
a Texas limited liability company

**FRANCHISEE:**

By: \_\_\_\_\_  
Jeffrey P. Sinelli, CEO

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
FRANCHISE AGREEMENT**

**ATTACHMENT A  
GLOSSARY OF ADDITIONAL TERMS**

“**Account**” means your commercial bank operating account.

“**Affiliate**” means an affiliate of a named person identified as any person or entity that is controlled by, controlling, or under common control with such named person.

“**Agreement**” means the Franchise Agreement.

“**Business Day**” means each day other than a Saturday, Sunday, U.S. holiday or any other day on which the Federal Reserve is not open for business in the United States.

“**Business Entity**” means any person with the power to enter into contracts, other than a natural person. The term includes a corporation, limited liability company, limited partnership, and trust.

“**Certified Training Store**” means a Store owned by a franchisee that provides training to other franchisees and that has met PFI’s criteria to be designated as a Certified Training Store.

“**Confidential Information**” means all trade secrets, the Standards, and other elements of the System; all customer information; all information contained in the Manual; PFI’s proprietary recipes and standards and specifications for product preparation, packaging and service; financial information; marketing data; vendor and supplier information; all other knowledge, trade secrets, or know-how concerning the methods of operation of the Franchised Business which may be communicated to you, or of which you may be apprised, by virtue of their operation under the terms of the Franchise Agreement, and all other information that PFI designates.

“**Controlling Interest**” means: **(a)** if you are a corporation or a limited liability company, that the Owners, either individually or cumulatively **(i)** directly or indirectly own at least 50% of the shares of each class of the franchisee entity’s issued and outstanding capital stock or membership units, as applicable; and **(ii)** are entitled, under its governing documents and under any agreements among the Owners, to cast a sufficient number of votes to require such entity to take or omit to take any action which such entity is required to take or omit to take under this Agreement; or **(b)** if you are a partnership, that the Owners **(i)** own at least 50% interest in the operating profits and operating losses of the partnership as well as at least 50% ownership interest in the partnership (and at least 50% interest in the shares of each class of capital stock of any corporate general partner); and **(ii)** are entitled under its partnership agreement or applicable law to act on behalf of the partnership without the approval or consent of any other partner or be able to cast a sufficient number of votes to require the partnership to take or omit to take any action which the partnership is required to take or omit to take under this Agreement. Any interest less than 51% of the corporation, limited liability company, or partnership is a “**Non-Controlling Interest**.”

“**Copyrighted Works**” means works of authorship which are owned by PFI and fixed in a tangible medium of expression including, without limitation, the content of the Manual, the design elements of the Marks, PFI’s menus, bulletins, correspondence and communications with our franchisees, training, advertising and promotional materials, and the content and design of PFI’s website.

“**Crisis Management Event**” means any event that occurs at or about the Store premises or in connection with the operation of the Franchised Business that has or may cause harm or injury to customers or employees, such as food contamination, food spoilage/poisoning, food tampering/sabotage, contagious diseases, natural disasters, terrorist acts, shootings or other acts of violence, data breaches, real or threatened, or any other circumstance which may materially and adversely affect the System or the goodwill symbolized by the marks.

“**Development Agreement**” means the form of agreement prescribed by PFI and used to grant to its developers the right to develop one or more Paciugo Stores in a certain geographical area, including all attachments, exhibits, riders, guarantees, or other related documents, all as amended from time to time.

“**Franchise Agreement**” means the form of agreement prescribed by PFI and used to grant to its franchisees the right to own and operate a single Paciugo Store, including all attachments, exhibits, riders, guarantees, or other related instruments, all as amended from time to time.

“**Force Majeure**” means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire, or other natural catastrophe); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot, or other civil disturbance; or other similar forces which you could not by the exercise of reasonable diligence have avoided; provided however, that neither an act or failure to act by a

governmental authority, nor the performance, non-performance or exercise of rights under any agreement with you by any lender, landlord, or other person will be an event of Force Majeure under this Agreement, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure. Your financial inability to perform or your insolvency will not be an event of Force Majeure under this Agreement.

**“Gross Sales”** Gross Sales is the total Selling Price of all services and products and all income of every other kind and nature related to your Paciugo Store, including income related to catering operations and special events and the full value of meals provided to your bona fide employees as a benefit of their employment (except you may deduct from Gross Sales the value of any employee discounts that are given during the week in which the meals are provided), whether for cash or credit and regardless of collection in the case of credit. Gross Sales does not include (i) receipts from any public telephone, vending machine, or video games installed in your Paciugo Store, except for your share of the revenues; (ii) sales (or similar) taxes that you collect from your customers if you transmit them to the appropriate taxing authority; (iii) proceeds from isolated sales of trade fixtures that are not part of the products and services you offer and that do not have any material effect on the operation of your Paciugo Store; (iv) tips or gratuities paid directly by Store customers to your employees or paid to you and then turned over to these employees by you in lieu of direct tips or gratuities; or (v) returns to shippers or manufacturers. Gross Sales also does not include proceeds from the sale of gift certificates or stored value cards (all proceeds from the sale of gift certificates and stored value cards belong to us), but it does include the redemption value of gift certificates and stored value cards at the time purchases are made. You are responsible for the accurate reporting of gift certificate and stored value card sales and the corresponding impact on Gross Sales. You have until 30 days after the end of our fiscal year to notify us of any errors you made in calculating Gross Sales as those errors relate to the reporting of gift certificate and stored value card sales. “Selling Price” is defined as the non-discounted, regular menu price.

**“Incapacity”** means physical, emotional, or mental injury or illness which would prevent a person from performing the obligations set forth in this Agreement or in the guaranty made part of this Agreement for at least 90 consecutive days and from which the person suffering the incapacity is not likely to recover within 90 days of the date of determination of the incapacity, as determined by a licensed practicing physician upon examination of the person, or if the person refuses to submit to an examination, then such person automatically will be deemed to be incapacitated as of the date of such refusal.

**“Manual”** means the compilation of information and knowledge that is necessary and material to the System. The term “Manual,” as used in this Agreement, includes all publications, materials, drawings, memoranda, videotapes, CDs, DVDs, MP3s, and other electronic media that PFI from time to time may loan or otherwise make available to you. The Manual may be supplemented or amended from time to time by letter, electronic mail, bulletin, videotape, CD, DVD, MP3, or other communications concerning the System to reflect changes in the image, specifications, and standards relating to developing, equipping, furnishing, and operating a Paciugo Store.

**“Owner”** means each individual or entity holding a beneficial ownership in the franchisee. It includes all shareholders of a corporation, all members of a limited liability company, all general and limited partners of a limited partnership, and the grantor and the trustee of the trust.

**“Marks”** means certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the mark “Paciugo” and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated by PFI in writing for use in connection with the System.

**“Proprietary Products”** means recipes and menu items that incorporate PFI’s trade secrets and proprietary information and products and ingredients that are manufactured according to our proprietary specifications.

**“Paciugo Franchise Meeting”** means the meeting, which may vary in place and length that PFI conducts and/or sponsors to provide you information regarding the System and various aspects of the business, which meeting may or may not be conducted on an annual basis.



**PACIUGO FRANCHISE INTERNATIONAL, LLC  
FRANCHISE AGREEMENT**

**ATTACHMENT B-1  
GUARANTY AND PERSONAL UNDERTAKING**

1. I have read the Franchise Agreement between Paciugo Franchise International, LLC and \_\_\_\_\_ (“**Franchisee**”), having an Effective Date of \_\_\_\_\_.
2. I own a beneficial interest in Franchisee; I am an “**Owner**” within the definition contained in the Franchise Agreement; and I am a “**Guarantor**” under this Guaranty (defined below).
3. I understand that were it not for this Guaranty and Personal Undertaking (“**Guaranty**”), PFI would not have agreed to enter into the Franchise Agreement with Franchisee.
4. I will comply with of the provisions contained in Article 7 of the Franchise Agreement concerning the Franchisee’s use of PFI’s Marks and Copyrighted Works (as that term is defined in the Franchise Agreement). I understand that, except for the license granted to Franchisee, I have no individual right to use the Marks or Copyrighted Works, and I have no ownership interest in the Marks or Copyrighted Works.
5. I will comply with all of the provisions contained in Article 8 of the Franchise Agreement concerning the use of the Confidential Manual and Information. I will maintain the confidentiality of all Confidential Information disclosed to me. I agree to use the Confidential Information only for the purposes authorized under the Franchise Agreement. I further agree not to disclose any of the Confidential Information, except: **(a)** to Franchisee’s employees on a need to know basis; **(b)** to Franchisee’s and my legal and tax professionals to the extent necessary for me to meet my legal obligations; and **(c)** as otherwise may be required by law.
6. I will comply with all of the provisions contained in Article 12 of the Franchise Agreement concerning the transfer of my ownership interest in the Franchise Agreement and/or in Franchisee.
7. While I am an Owner of Franchisee and, for a two-year period after I cease to be an Owner (or two years after termination or expiration (without renewal) of the Franchise Agreement, whichever occurs first), I will not:
  - (a) Divert or attempt to divert any present or prospective customer of a Paciugo Store to any competitor by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or
  - (b) Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any business, store, shop, dispensing unit, or retail outlet of any type, or commissary, ghost kitchen or delivery only concept, that offers gelato, ice cream, frozen custard, frozen yogurt, or other frozen treats/desserts, or beverage items or products that are offered at Paciugo stores, other than a Paciugo Store operated pursuant to a then-currently effective Franchise Agreement. This restriction will apply, while I am an Owner, to any location within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which PFI or its Affiliates have used, sought registration of or registered the Marks or similar marks or operate or license others to operate a business under the Marks or similar marks. This restriction will apply for two years after I cease to be an Owner (or two years after termination or expiration of the Franchise Agreement, whichever occurs first) to any location that: **(i)** is, or is intended to be, located at the location of the former Franchised Location; **(ii)** is within a one-mile radius of the former Franchised Location; or **(iii)** is within a one-mile radius of any other Store operating under the System and Marks, that is in existence or under development at any location within the United States, its territories, or commonwealths, or any other country, province, state, or geographic area in which PFI or its Affiliates have used, sought registration of, or registered the Marks or similar marks, or operate or license others to operate a business under the Marks or similar marks, at the time of such expiration, termination, or transfer. The time periods relating to restrictions set forth in this Guaranty will be tolled during any period of my noncompliance.
8. I agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Guaranty. If all or any portion of a covenant in this Guaranty is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which PFI is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Guaranty.

9. I understand and acknowledge that PFI shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Guaranty, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof, and I agree to comply forthwith with any covenant as so modified.

10. I agree that the provisions contained in Article 19, of the Franchise Agreement will apply to any dispute arising out of or relating to this Guaranty. If PFI brings any legal action to enforce its rights under this Guaranty, I will reimburse PFI its reasonable attorneys' fees and costs.

11. I hereby guarantee the prompt and full payment of all amounts owed by the Franchisee under the Franchise Agreement.

12. I will pay all amounts due under this Guaranty within 14 days after receiving notice from PFI that the Franchisee has failed to make the required payment. I understand and agree that PFI need not exhaust its remedies against the Franchisee before seeking recovery from me under this Guaranty.

13. No modification, change, impairment, or suspension of any of PFI's rights or remedies will in any way affect any of my obligations under this Guaranty. If the Franchisee has pledged other security or if one or more other persons have personally guaranteed performance of the Franchisee's obligations, I agree that PFI's release of such security or other guarantor will not affect my liability under this Guaranty.

14. If I am a resident of California, or otherwise subject to the laws of the State of California, I hereby waive (a) all rights described in California Civil Code Section 2856(a)(1)-(2), inclusive, which includes, without limitation, any rights and defenses which are or may become available to the undersigned by reason of California Civil Code Sections 2787 to 2855, inclusive; and (b) California Civil Code Sections 2899 and 3433.

**15. I HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING PFI, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE FRANCHISE AGREEMENT, THE PERFORMANCE OF ANY PARTY UNDER THE FRANCHISE AGREEMENT, AND/OR THE OFFER OR GRANT OF THE FRANCHISE.**

16. I understand that PFI's rights under this Guaranty will be in addition to, and not in lieu of, any other rights or remedies available to PFI under applicable law. I further understand and agree that my obligations under this Guaranty are joint and several as to the other signatories to this Guaranty.

17. I agree that any notices required to be delivered to me must be in writing, signed by the notifying party, and must be either delivered by hand, via email by a nationally-recognized electronic document signing platform (e.g., DocuSign®), by a nationally-recognized overnight courier service, or deposited in the U.S. mail, certified or registered mail, return receipt requested, postage paid. Notice will be deemed to have been given when (a) delivered by hand; (b) when confirmation of electronic delivery is recorded in the electronic document signing platform; (c) when delivered by a nationally recognized overnight courier service; or (d) upon the earlier of actual receipt or three calendar days after deposit in the U.S. mail, if sent by certified or registered mail, return receipt requested, postage paid. Notices must be given to the mailing address set forth in this Guaranty, unless and until a different address has been designated by me, in writing, and delivered to PFI. I may change my mailing or email address for the purpose of receiving notices, demands, and other communications as provided in this Guaranty by providing PFI written notice as set forth above.

Intending to be legally bound, I have executed this Guaranty on the date set forth below:

**GUARANTOR:**

\_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
FRANCHISE AGREEMENT**

**ATTACHMENT B-2  
CONFIDENTIALITY AND NONCOMPETITION AGREEMENT**

In accordance with the terms of this Confidentiality and Noncompetition Agreement (“**Confidentiality Agreement**”) and in consideration of my relation to and/or connection or employment with \_\_\_\_\_ (“**Franchisee**”) (or to Franchisee’s affiliate if I am employed by Franchisee’s affiliated entity) and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I (“**Covenantor**”) hereby acknowledge and agree that:

1. Franchisee has acquired the right and franchise from Paciugo Franchise International, LLC (“**PFI**”) to establish and operate a Franchised Business (“**Franchised Business**”) and the right to use in the operation of the Franchised Business PFI’s trade names, trademarks, and service marks, including the service mark Paciugo (“**Marks**”) and the system developed by PFI and/or its affiliates for operation and management of Franchised Businesses (“**System**”), as they may be changed, improved, and further developed from time to time in PFI’s sole discretion.
2. PFI possesses certain proprietary and confidential information relating to the operation of the Franchised Business, which includes the Manual, recipes, trade secrets, and copyrighted materials, methods, and other techniques and know-how (“**Confidential Information**”). Any and all manuals, trade secrets, copyrighted materials, methods, information, knowledge, know-how, and techniques which PFI specifically designates as confidential are deemed to be Confidential Information for purposes of this Confidentiality Agreement.
3. Because I am a Covenantor, PFI and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, PFI’s operations manual (“**Manual**”), and other general assistance during the term of this Confidentiality Agreement.
4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.
5. The Confidential Information is proprietary, involves trade secrets of PFI, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by PFI as confidential. Unless PFI otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties to Franchisee and will continue to refrain from disclosing or using any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.
6. Except as otherwise approved in writing by PFI, I shall not, while in my position with Franchisee and for a continuous uninterrupted period commencing upon the cessation or termination of my relationship and/or position with Franchisee, regardless of the cause for cessation or termination, and continuing for two years thereafter, either directly or indirectly, for myself or through, on behalf of, or in conjunction with any other person, partnership, corporation, or other limited liability company own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to, or have any interest in any business, store, shop, dispensing unit, or retail outlet of any type, or commissary, ghost kitchen or delivery only concept, that offers gelato, ice cream, frozen custard, frozen yogurt, or other frozen treats/desserts, or beverage items or products that are offered at Paciugo stores within a radius of one-mile of any Paciugo Unit, as those terms are defined in the Franchise Agreement. The restrictions in this paragraph do not apply to my ownership of less than a five percent beneficial interest in the outstanding securities of any publicly-held corporation. The time periods relating to the restrictions set forth in this Confidentiality Agreement will be tolled during any period of my noncompliance.
7. I agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Confidentiality Agreement. If all or any portion of a covenant in this Confidentiality Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which PFI is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Confidentiality Agreement.
8. I understand and acknowledge that PFI has the right, in its sole discretion, to reduce the scope of any covenant set forth in this Confidentiality Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof, and I agree to comply forthwith with any covenant as so modified. I also understand that neither I nor Franchisee may make any changes to this Confidentiality Agreement without the written consent of PFI.

9. PFI is a third-party beneficiary of this Confidentiality Agreement and may enforce it, solely and/or jointly with Franchisee. I am aware that my violation of this Confidentiality Agreement will cause PFI and Franchisee irreparable harm; therefore, I acknowledge and agree that Franchisee and/or PFI may apply for the issuance of an injunction preventing me from violating this Confidentiality Agreement, and I agree to pay Franchisee and PFI all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Confidentiality Agreement is enforced against me. Due to the importance of this Confidentiality Agreement to Franchisee and PFI, any claim I have against Franchisee or PFI is a separate matter and does not entitle me to violate or justify any violation of this Confidentiality Agreement.

10. This Confidentiality Agreement will be construed under the laws of the State of Texas.

11. **I HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING PFI, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE FRANCHISE AGREEMENT, THE PERFORMANCE OF ANY PARTY UNDER THE FRANCHISE AGREEMENT, AND/OR THE OFFER OR GRANT OF THE FRANCHISE.**

12. I acknowledge that I am to receive valuable information emanating from PFI’s principal business office, wherever it may be located. Therefore, with respect to all claims, controversies, and disputes, I irrevocably consent to personal jurisdiction and submit myself to the jurisdiction of the federal and state courts that service the county where PFI’s principal business office is located. Notwithstanding the foregoing, I acknowledge and agree that PFI or Franchisee may bring and maintain an action against me in any court of competent jurisdiction for injunctive or other extraordinary relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions.

The parties hereto, intending to be legally bound, have executed this Confidentiality Agreement as of the dates set forth below.

**COVENANTOR:**

**ACKNOWLEDGED BY FRANCHISEE:**

\_\_\_\_\_  
Signed as an Individual

By: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
FRANCHISE AGREEMENT**

**ATTACHMENT C  
ACH AUTHORIZATION AGREEMENT FOR DIRECT PAYMENTS (ACH DEBITS)**

Please complete and sign this form.

**FRANCHISEE INFORMATION**

Franchisee Name or Legal Entity

Paciugo Store Number & Location

Name and Email of Person to Receive ACH Debit Advice

**Authorization Agreement**

I (we) hereby authorize Paciugo Franchise International, LLC (“**Company**”) to make ACH withdrawals from my (our) account at the financial institution named below. I also authorize the Company to initiate direct deposits into this account in the event that a debit entry is made in error. I (we) acknowledge that the origination of ACH transactions to or from my (our) account must comply with the provisions of U.S. law.

I agree to indemnify the Company for any loss arising in the event that any withdrawals from my (our) account are dishonored, whether with or without cause and whether intentionally or inadvertently.

This agreement will remain in effect until the Company has received advanced written notice of cancellation from me (us) in such time and in such manner as to afford the Company a reasonable opportunity to act on it, and in no event will such notice period be less than 30 days.

**PAYOR/FRANCHISEE ACCOUNT INFORMATION**

Name of Financial Institution:

ABA Routing Number:

Account Number:

Checking

Savings

**PAYOR/FRANCHISEE SIGNATURE**

Authorized Signature (Primary):

Date:

Authorized Signature (Joint):

Date:

Account holder(s), please sign here: **(Joint accounts require the signature of all persons having authority over the account)**

Please scan and email this Authorization and a copy of a voided check to: [accounting@sinelliconcepts.com](mailto:accounting@sinelliconcepts.com)

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
FRANCHISE AGREEMENT**

**ATTACHMENT D  
LEASE RIDER**

This Lease Rider (“**Rider**”) is entered into by the undersigned on the dates set forth below.

(a) Landlord acknowledges that “**Tenant**” is a franchisee of Paciugo Franchise International, LLC (“**PFI**”), a Texas limited liability company, and that the Paciugo Store located at the Premises (“**Store**”) is operated under the Paciugo franchise system, pursuant to a franchise agreement (“**Franchise Agreement**”) between Tenant and PFI. Landlord consents to Tenant’s use at the Premises of such marks and signs, decor items, color schemes, and related components of the Paciugo system as PFI may prescribe for the Store. During the Term of the Franchise Agreement, the Premises may be used only for the operation of the Store.

(b) Landlord agrees to furnish to PFI copies of any and all letters and notices sent to Tenant pertaining to the Lease and the Premises at the same time that such letters and notices are sent to Tenant. Without limiting the foregoing, in the event of any default by Tenant, Landlord shall give PFI written notice of such default. If Tenant has failed to cure such default at the expiration of the applicable cure period, Landlord shall give PFI further written notice of such failure (“**PFI Notice**”). Following PFI’s receipt of the PFI Notice, PFI shall have the right (but not the obligation) to cure Tenant’s default before Landlord shall exercise any of Landlord’s remedies arising as a consequence of Tenant’s default. Any such cure will be effected within 15 days following PFI’s receipt of the PFI Notice. Such cure by PFI will not be deemed to be an election to assume the terms, covenants, obligations, or conditions of the Lease.

(c) If PFI cures Tenant’s default, or if PFI notifies Landlord that the Franchise Agreement has been terminated (which termination will constitute a non-curable default pursuant to the Lease upon Landlord’s receipt of PFI’s notice thereof), Landlord agrees, upon PFI’s written request, to assign to PFI any and all rights that Landlord may have under the Lease to remove and evict Tenant from the Premises and shall cooperate with PFI in order to pursue such action to a conclusion.

(d) If PFI cures Tenant’s default, or notifies Landlord of the termination of the Franchise Agreement, PFI shall have the right and option, upon written notice to Landlord, to do the following:

1. Undertake to perform the terms, covenants, obligations, and conditions of the Lease on behalf of the Tenant (notwithstanding any removal or eviction of Tenant) for a period not to exceed six months from the first date of any cure by PFI; or

2. At any time within or at the conclusion of such six-month period, assume the terms, covenants, obligations, and conditions of the Lease for the remainder of the term, together with any applicable renewal options. In such event, Landlord and PFI shall enter into an agreement to document such assumption. PFI is not a party to the Lease and will have no liability under the Lease unless and until said Lease is assigned to, and assumed by, PFI as herein provided.

(e) If, during the six-month period set forth in section (d)(1) above, or at any time after the assignment contemplated in section (d)(2), PFI shall notify Landlord that the franchise for the Store is being granted to another Paciugo franchisee, Landlord shall permit the assignment of the Lease to said franchisee without the payment of any fee or other cost requirement, provided that, said franchisee meets Landlord’s reasonable financial qualifications. Landlord shall not unreasonably withhold consent to such assignment. Thereafter, PFI will be released from any and all further liabilities under the Lease. The parties agree to execute any commercially reasonable documents in furtherance of this section.

(f) Tenant will not assign the Lease or renew or extend the term thereof without the prior written consent of PFI, nor shall Landlord and Tenant amend or otherwise modify the Lease in any manner that could materially affect any of the foregoing requirements without the prior written consent of PFI.

(g) PFI shall have the right to enter the Premises to make any modification or alteration necessary to protect the Paciugo System and Marks (including, without limitation, remove all signs, advertising materials, displays, fixtures, proprietary equipment and inventory, and any other items which display the Marks or are indicative of Paciugo trade dress) or to cure any default under the Franchise Agreement or under the Lease, without being guilty of trespass or any other crime or tort. Landlord shall not be responsible for any expenses or damages arising from any such action by PFI. Tenant hereby releases, acquits, and discharges PFI and Landlord, their respective subsidiaries, affiliates, successors, and assigns and the officers, directors, shareholders, partners, employees, agents, and representatives of each of them, from any and all claims, demands, accounts, actions, and causes of action, known or unknown, vested or contingent, which any of them may have, ever had, now has, or

may hereafter have by reason of any event, transaction, or circumstance arising out of or relating to the exercise of PFI's rights pursuant to the Rider.

(h) Landlord shall subordinate any lien in favor of Landlord created by the Lease to PFI. Landlord's rights to collect on any liens that Landlord files or attaches to Tenant's property rights will be subordinate and inferior to PFI's lien rights against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by Tenant and on the premises operated by Tenant under the Lease.

(i) Landlord and Tenant acknowledge that PFI is a third-party beneficiary of this Rider and may enforce it, solely and/or jointly with Tenant.

(j) All notices sent pursuant to this Rider will be sent in the manner set forth in the Lease, and delivery of such notices will be effective as of the times provided for in the Lease. For purposes of a PFI Notice or any other notice to PFI that may arise under the Lease, PFI's mailing address will be 1215 Viceroy Drive, Dallas, Texas 75247, Attention: Legal Department, which address may be changed by written notice to Landlord in the manner provided in the Lease.

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
FRANCHISE AGREEMENT**

**ATTACHMENT E  
LIABILITY WAIVER**

I am an/the owner of \_\_\_\_\_ (“**Franchisee**”). Franchisee has signed a franchise agreement with Paciugo Franchise International, LLC In consideration for the training to be provided to my employees and me by Paciugo Franchise International, LLC and/or its affiliates (collectively, “**PFI**”), I agree, both for myself and on behalf of Franchisee, to hold PFI harmless from, and I hereby waive any and all liability of PFI and its officers, directors, agents, employees, insurers, and franchisees for, any injury, claim, damage, or incident which occurs in the course of training at any Paciugo Store or other designated training facility(s) owned or controlled by PFI, specifically including personal injury, property damage, and employment-related claims, and even if caused in whole or in part by the negligence of PFI or any PFI employee.

I understand that:

- PFI has invited my employees and me onto its premises for training solely by virtue of Franchisee’s franchise relationship with PFI;
- Training may involve a variety of risks, including the risk of physical and/or emotional injury and property damage; and
- PFI assumes no liability to me, Franchisee, or employees of Franchisee for any harm or claims of harm incurred or allegedly incurred while in training and/or on PFI’s premises.

I acknowledge that my employees must look solely to Franchisee and its benefits programs and workers’ compensation insurance to cover the costs of any treatment for injuries or other losses or damages that my employees may sustain in training. Neither I nor Franchisee will attempt to hold PFI liable or financially responsible for any such losses or damages. I acknowledge that the indemnification clause of Franchisee’s franchise agreement with PFI will apply to any claim against PFI by any of Franchisee’s (or its affiliates’) employees.

I certify that Franchisee has and will maintain minimum insurance coverage as required by the franchise agreement, including worker’s compensation and employees’ liability per statutory requirements. At PFI’s request, I agree to provide a certificate of insurance completed by Franchisee’s insurance carrier, certifying that the required minimum insurance coverage is in effect.

I give my consent for PFI to arrange for medical treatment for any illness or injury that I or my employees might suffer while participating in the training program.

**FRANCHISEE:**

**OWNER:**

By: \_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_



**PACIUGO FRANCHISE INTERNATIONAL, LLC  
FRANCHISE AGREEMENT**

**ATTACHMENT F  
FRANCHISEE QUESTIONNAIRE**

**The following questionnaire is not applicable to franchisees subject to the laws of the states of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.**

As you know, Paciugo Franchise International, LLC (“we” or “us”) and you are preparing to enter into a Franchise Agreement for the operation of a Paciugo Store (“Franchise”). The purposes of this Questionnaire are to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate, or misleading, to be certain that you have been properly represented in this transaction, and to be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document, but you must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee. Please review each of the following questions carefully and provide honest responses to each question.

- |       |       |     |   |
|-------|-------|-----|---|
| Yes   | No    | 1.  | Have you received and personally reviewed the Franchise Disclosure Document and Franchise Agreement we provided?  |
| _____ | _____ |     |   |
| Yes   | No    | 2.  | Did you have possession of the Franchise Disclosure Document at least 14 calendar days before you paid us any money related to the purchase of this Franchise?  |
| _____ | _____ |     |   |
| Yes   | No    | 3.  | Did you have possession of the completed Franchise Agreement and related agreements, with all blanks filled in, at least seven calendar days prior to the date on which the such Agreements were executed (which execution occurred on the date set forth on the signature page hereto).  |
| _____ | _____ |     |   |
| Yes   | No    | 4.  | Do you understand that the initial franchise fee and development fee (if applicable) are nonrefundable?   |
| _____ | _____ |     |   |
| Yes   | No    | 5.  | Did we give you the opportunity to conduct an independent investigation of the franchised business offered and to seek independent counsel from a lawyer, accountant, or other professional advisor?  |
| _____ | _____ |     |   |
| Yes   | No    | 6.  | Has any employee or other person speaking on our behalf made any statement or promise regarding the actual, average, or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Paciugo Store will generate, that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document? If Yes, please provide a full explanation on the back of this questionnaire |
| _____ | _____ |     |   |
| Yes   | No    | 7.  | Do you understand the success or failure of your Franchise will depend in large part upon your skills, abilities, and efforts and those of the person you employ, as well as many factors beyond your control such as weather, competition, interest rates, the economy, inflation, labor and supply costs, lease terms, and the marketplace?   |
| _____ | _____ |     |   |
| Yes   | No    | 8.  | Do you understand that you will receive no territorial protection (except as otherwise provided in a mutually agreed upon Addendum to the Development Agreement and/or Franchise Agreement) and that we and our affiliates may engage in businesses that compete with your Paciugo Store(s)?  |
| _____ | _____ |     |   |
| Yes   | No    | 9.  | Do you understand we are not obligated to provide assistance to you in finding and securing a location for your Paciugo Store?  |
| _____ | _____ |     |   |
| Yes   | No    | 10. | Do you understand we do not have to sell you a Franchise or additional Franchises or consent to your purchase of existing Franchises?   |
| _____ | _____ |     |   |
| Yes   | No    | 11. | Do you understand that the Franchise Agreement contains the entire agreement between  |

us and you concerning the Franchise, meaning any prior oral or written statements not set out in the Franchise Agreement will not be binding?

You understand that we are acting in reliance on the truthfulness and completeness of your responses to the questions above in entering into the Franchise Agreement with you. YOU ACKNOWLEDGE AND AGREE THAT IN THE EVENT THAT ANY DISPUTE ARISES, THIS QUESTIONNAIRE WILL BE ADMISSIBLE AS EVIDENCE IN ANY LEGAL ACTION, AND YOU HEREBY WAIVE, TO THE FULLEST EXTENT PERMISSIBLE UNDER THE LAW, ANY OBJECTION TO SUCH ADMISSION OF THIS QUESTIONNAIRE.

NOTE: IF THE FRANCHISEE IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY, OR OTHER ENTITY, EACH OF ITS OWNERS MUST EXECUTE THIS ACKNOWLEDGEMENT.

**FRANCHISEE:**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**OWNERS:**

\_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT C-2**  
**PACIUGO FRANCHISE INTERNATIONAL, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**GENERAL RELEASE**

**PACIUGO FRANCHISE INTERNATIONAL, LLC**  
**GENERAL RELEASE**

1. Release of Franchisor and Related Parties. Franchisee and Owner, for themselves and on behalf of all other persons or entities acting on their behalf or claiming under them, hereby release, acquit, and discharge Franchisor, its subsidiaries, affiliates, successors, and assigns and their respective officers, managers, directors, shareholders, partners, employees, agents, and representatives, whether in their individual or corporate capacities (“**Franchisor Released Parties**”), past and present, from any and all claims, damages, demands, accounts, actions, and causes of action, known or unknown, vested or contingent, which any of them may have, ever had, now has, or may hereafter have by reason of any event, transaction, or circumstance, including but not limited to those arising out of or relating to the performance or non-performance of the Franchise Agreement; or otherwise arising out of the Franchise Agreement or the relationship created thereby, or any other agreement between Franchisor on the one hand and Franchisee and/or any entity in which any Owner has any ownership on other hand; and/or the offer or sale of the Paciugo franchise opportunity. Excepted from this release are any applicable contractual obligations, which remain in full force and effect.

[For California franchisees: Franchisee and Owner expressly waive and relinquish all rights and benefits which either may now have or in the future have under and by virtue of California Civil Code Section 1542. Franchisee and Owner do so understanding the significance and consequence of such specific waiver. Section 1542 provides that “[a] general release does not extend to claims which the creditor does not know or suspect exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.” For the purpose of implementing a general release and discharge as described in Section 1. above, Franchisee and Owner expressly acknowledge that this Agreement is intended to include in its effect, without limitation, all claims described in Section 1. above which Franchisee and Owner do not know or suspect to exist in their favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.]

2. Covenant Not to Sue. Franchisee and Owner covenant and agree for themselves and for their assigns, heirs, representatives, agents, family members, and all other persons acting on their behalf or claiming under them (collectively, “**Covenantors**”) not to participate in, bring, or allow to be brought on behalf of any Covenantor, any action, cause of action, suit, or other proceeding of any kind, which has accrued or which may ever accrue, whether based in the Constitution, common law, or statute, contract, tort, or in equity, for actual or punitive damages or other relief, against any Franchisor Released Party arising out of, resulting from, or in any manner related to the matters released in Section 1.

3. Unknown Claims. Franchisee and Owner have carefully read and fully understand the provisions of this general release, including the release of claims set forth herein, and represent that such release is given knowingly and voluntarily; and further acknowledge there is a risk that, subsequent to the execution of this general release, each or all of them may discover, incur, or suffer claims or damages which are unknown or unanticipated at the time this general release is executed, which, if known, may have materially affected their decision to execute this general release. Each of them agrees that each of them is assuming the risk of such unknown or unanticipated claims and agrees that the releases set forth above apply thereto.

4. Acknowledgments Regarding Releases. By affixing their signatures to this general release, Franchisee and Owner acknowledge that they have carefully read and fully understand the provisions of this general release, including, specifically, the release of claims set forth in Section 1., and that their release of such claims is knowing and voluntary. Franchisee and Owner acknowledge that they have had a reasonable opportunity to consult with an attorney prior to executing this general release and that they have executed this general release voluntarily. Each such party represents that it does not rely, and has not relied upon, any representation or statement made by any of the Franchisor Released Parties, or any of their representatives with regard to the subject matter, basis, or effect of this general release.

5. Governing Law. This general release will be governed in accordance with the laws of the state of Texas.

**IN WITNESS WHEREOF**, Franchisee and Owner have executed this general release on the date set forth below.

**FRANCHISEE:**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**OWNER:**

\_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

[For Development Agreements the word “Franchisee” is replaced with the word “Developer,” and the word “Franchise” is replaced with the word “Development.”]

[This General Release will be modified as necessary for consistency with any state law regulating franchising.]

**EXHIBIT C-3**

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**ADDENDUM AND AMENDMENT TO  
PACIUGO FRANCHISE INTERNATIONAL, LLC  
FRANCHISE AGREEMENT**

**ADDENDUM AND AMENDMENT TO PACIUGO FRANCHISE INTERNATIONAL, LLC  
FRANCHISE AGREEMENT  
(Which Wich® Co-Branding Program)**

This Addendum and Amendment to Paciugo Franchise International, LLC Franchise Agreement (“**Addendum**”) is made and entered into by and between Paciugo Franchise International, LLC, a Texas limited liability company (“**PFI**”), and \_\_\_\_\_, a \_\_\_\_\_ (“**Franchisee**”). This Addendum will be effective upon execution by PFI (“**Addendum Effective Date**”).

**BACKGROUND**

- A. PFI and Franchisee are entering into a “**Franchise Agreement**” contemporaneously herewith, pursuant to which Franchisee is being granted the right and is undertaking the obligation to open and operate a Paciugo® Gelato Store (“**Store**”).
- B. PFI has entered into a license agreement (“**License**”) with its affiliate, Which Wich Franchise, Inc. (“**WWFI**”), whereby PFI has granted WWFI the right to use the Paciugo® trademarks (“**Paciugo Marks**”) and the Paciugo® system of operations and standards in the same integrated space as Which Wich Stores (“**Co-Branded Store**”).
- C. WWFI and Franchisee entered into a Which Wich® franchise agreement with an Effective Date of \_\_\_\_\_ (“**WW Franchise Agreement**”), pursuant to which Franchisee obtained the right and undertook the obligation to open and operate a Which Wich® Store located at \_\_\_\_\_ (“**WW Store #XXXX**”).
- D. Franchisee desires to operate the Store as part of a Co-Branded Store at the location of WW Store #XXXX, and PFI wishes to grant permission to Franchisee to operate the requested Co-Branded Store, subject to the terms and conditions set forth in this Addendum.
- E. The parties desire to amend the Franchise Agreement to reflect terms that are unique to the parties’ agreement to operate the Store as a Co-Branded Store.

NOW, THEREFORE, in consideration for the mutual premises contained in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**AGREEMENT**

1. Definitions. Capitalized terms have the meanings given to them in the Franchise Agreement, unless otherwise defined herein.
2. Co-Branded Store. PFI hereby agrees to allow Franchisee to operate the Store within the same integrated rental space as WW Store #XXXX but with two distinctly branded areas. This Addendum does not grant Franchisee any rights with respect to WW Store #XXXX and is entered into solely for the purpose of modifying the Franchise Agreement to reflect Franchisee’s desire to operate the Store as part of a Co-Branded Store.
3. Separate Franchise Agreements. Franchisee acknowledges and understands that all rights required to operate WW Store #XXXX have been, and will continue to be, secured by Franchisee from WWFI and that it is Franchisee’s sole responsibility to secure such franchise rights, including all rights required to operate as a Co-Branded Store.
4. Term. Section 2.1 of the Franchise Agreement is hereby deleted in its entirety and is replaced with the following:  
  
Unless sooner terminated as provided in this Agreement, the term of this Agreement (“**Term**”) will begin on the Effective Date and will expire or terminate on the same date as that certain franchise agreement entered into by and between you and Which Wich Franchise, Inc. expires or terminates, regardless of the reason for termination.
5. Franchisee Representations. Franchisee represents that it has secured approval from the landlord for WW Store #XXXX to operate the Store as part of the Co-Branded Store, and has provided evidence of such approval prior to entering into this Addendum. Franchisee further represents that, in making the decision to secure the rights to operate the Store, Franchisee has not relied on any representations or assurances by WWFI or PFI that are not expressly set forth in this Addendum or the Franchise Disclosure Documents that WWFI and PFI provided to Franchisee most recently before entering into this Addendum with Franchisee. Franchisee further acknowledges and agrees that PFI has not authorized WWFI or any other third party, to make any representations, promises, or commitments on behalf of PFI in any way related to the Store, WW Store #XXXX, the Co-Branded Store, or this Addendum.
6. Sales Allocation. Notwithstanding anything to the contrary in the Franchise Agreement, so long as the Store is operated



as a Co-Branded Store, Gross Sales attributed to the Store shall exclude the selling price of all products that WWFI and PFI agree shall be allocated to WW Store #XXXX. WWFI and PFI may, at any time, change the sales allocation between Which Wich® products and Paciugo® products, and Franchisee shall comply with any such change in sales allocation.

7. Fees; Royalties. Franchisee will pay the fees and royalties that are required under the Franchise Agreement and the WW Franchise Agreement. Notwithstanding anything to the contrary in the Franchise Agreement, the fees and royalties for both franchises will be collected by WWFI in the same time and manner as WWFI performs for its franchise system, and WWFI will remit the fees and royalties to PFI on Franchisee's behalf.

8. Point of Sale System. Notwithstanding anything to the contrary in the Franchise Agreement, Franchisee shall utilize only the point of sale system that is authorized by WWFI, which shall be one system that integrates both the Which Wich and Paciugo products. Franchisee is responsible for ensuring that the point of sale system is properly programmed to reflect the allocation of products between WW Store #XXXX and the Store, as agreed to by WWFI and PFI.

9. Training and Support. Training and ongoing operations support will be fulfilled by WWFI's or its Affiliates' personnel for the Co-Branded Store in conformity with the Manuals and brand standards articulated by WWFI and PFI from time to time. All inspection rights of PFI under the Franchise Agreement shall apply to the Co-Branded Store, and PFI shall be entitled to review, audit, examine, and copy all books and records relating to the Co-Branded Store.

10. Marketing; Promotions. Marketing, promotions, gift cards, and/or customer loyalty programs ("Promotions") offered by WWFI and PFI will operate independently of each other, unless and until WWFI and PFI develop co-brand Promotions for Franchisee to utilize, in which case, Franchisee will participate in all such Promotions as required by WWFI or PFI.

11. Default. If Franchisee fails to comply with any of the requirements imposed by the WW Franchise Agreement and does not cure such default within the required cure period, if any, specified in the WW Franchise Agreement, then such default shall constitute a default under Section 13.6. of the Franchise Agreement.

12. Franchisor's Obligations and Liability. PFI shall have no responsibility or liability for any obligation of WWFI under the WW Franchise Agreement, other than as set forth in this Addendum. Franchisee shall look solely to WWFI for the satisfaction of such obligations. PFI's permission for Franchisee to operate the Store as a Co-Branded Store does not constitute a recommendation for Franchisee to operate a Co-Branded Store. Franchisee acknowledges that it has conducted an independent investigation of constructing and operating a Co-Branded Store, and recognizes that the success of a Co-Branded Store involves substantial business risks and will largely depend on the Franchisee's abilities. PFI expressly disclaims making, and Franchisee acknowledges that it has not received or relied on, any warranty or guaranty, express or implied, as to the potential volume, profits, or success of a Co-Branded Store.

13. Transfer; Change of Ownership. Franchisor shall have the absolute right to decline consent to any proposed transfer that would result in the ownership or operation of the Store being different than the ownership or operation of WW Store #XXXX. Neither Franchisee nor any of its owners shall sell, assign, or transfer any interest in the Store or WW Store #XXXX separate and apart from a sale, assignment, or transfer of an interest in the Store and WW Store #XXXX or of Franchisee under the terms of the Franchise Agreement. For any transfer that is subject to Section 12.4.1. of the Franchise Agreement that occurs in connection with the Store, the definition of Transfer Fee in Section 12.4.1. of the Franchise Agreement is hereby deleted in its entirety and is replaced with the following: "No transfer fee will be due under this Agreement, but Franchisee will pay a non-refundable transfer fee of \$10,000 under the terms of the WW Franchise Agreement.

14. Restrictions. Franchisee acknowledges and agrees that PFI's permission to operate the Store as a Co-Branded Store is specific to the Store only and that no Which Wich® products, supplies, or materials used or offered for sale at the Co-Branded Store may be used by Franchisee at any other location or in connection with any other business, including, without limitation, any other Paciugo Store owned by Franchisee, its Owners, or their Affiliates.

15. Severability. The invalidity or unenforceability of any provision of this Addendum, or any portion thereof, will not affect the validity or enforceability of any other provision of this Addendum, or any portion thereof.

16. All other terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties have executed this Addendum on the dates set forth below.

**FRANCHISEE**

**PACIUGO FRANCHISE  
INTERNATIONAL, LLC**

By: \_\_\_\_\_

By: \_\_\_\_\_

Jeffrey P. Sinelli, CEO

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT C-4**

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**ADDENDUM AND AMENDMENT TO  
PACIUGO FRANCHISE INTERNATIONAL, LLC  
FRANCHISE AGREEMENT**

**ADDENDUM AND AMENDMENT TO PACIUGO FRANCHISE INTERNATIONAL, LLC  
FRANCHISE AGREEMENT  
(Wich!<sup>TM</sup> Co-Branding Program)**

This Addendum and Amendment to Paciugo Franchise International, LLC Franchise Agreement (“**Addendum**”) is made and entered into by and between Paciugo Franchise International, LLC, a Texas limited liability company (“**PFI**”), and \_\_\_\_\_, a \_\_\_\_\_ (“**Franchisee**”). This Addendum will be effective upon execution by PFI (“**Addendum Effective Date**”).

**BACKGROUND**

F. PFI and Franchisee are entering into a “**Franchise Agreement**” contemporaneously herewith, pursuant to which Franchisee is being granted the right and is undertaking the obligation to open and operate a Paciugo<sup>®</sup> Gelato Store (“**Store**”).

G. PFI has entered into a license agreement (“**License**”) with its affiliate, Which Wich Franchise, Inc. (“**WWFI**”), whereby PFI has granted WWFI the right to use the Paciugo<sup>®</sup> trademarks (“**Paciugo Marks**”) and the Paciugo<sup>®</sup> system of operations and standards in the same integrated space as Wich! Stores (“**Co-Branded Store**”).

H. WWFI and Franchisee entered into a Wich!<sup>TM</sup> franchise agreement with an Effective Date of \_\_\_\_\_ (“**Wich! Franchise Agreement**”), pursuant to which Franchisee obtained the right and undertook the obligation to open and operate a Wich!<sup>TM</sup> Store located at \_\_\_\_\_ (“**Wich! Store #XXXX**”).

I. Franchisee desires to operate the Store as part of a Co-Branded Store at the location of Wich! Store #XXXX, and PFI wishes to grant permission to Franchisee to operate the requested Co-Branded Store, subject to the terms and conditions set forth in this Addendum.

J. The parties desire to amend the Franchise Agreement to reflect terms that are unique to the parties’ agreement to operate the Store as a Co-Branded Store.

NOW, THEREFORE, in consideration for the mutual premises contained in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**AGREEMENT**

17. Definitions. Capitalized terms have the meanings given to them in the Franchise Agreement, unless otherwise defined herein.

18. Co-Branded Store. PFI hereby agrees to allow Franchisee to operate the Store within the same integrated rental space as Wich! Store #XXXX but with two distinctly branded areas. This Addendum does not grant Franchisee any rights with respect to Wich! Store #XXXX and is entered into solely for the purpose of modifying the Franchise Agreement to reflect Franchisee’s desire to operate the Store as part of a Co-Branded Store.

19. Separate Franchise Agreements. Franchisee acknowledges and understands that all rights required to operate Wich! Store #XXXX have been, and will continue to be, secured by Franchisee from WWFI and that it is Franchisee’s sole responsibility to secure such franchise rights, including all rights required to operate as a Co-Branded Store.

20. Term, Section 2.1. of the Franchise Agreement is hereby deleted in its entirety and is replaced with the following:

Unless sooner terminated as provided in this Agreement, the term of this Agreement (“**Term**”) will begin on the Effective Date and will expire or terminate on the same date as that certain franchise agreement entered into by and between you and Which Wich Franchise, Inc. expires or terminates, regardless of the reason for termination.

21. Franchisee Representations. Franchisee represents that it has secured approval from the landlord for Wich! Store #XXXX to operate the Store as part of the Co-Branded Store, and has provided evidence of such approval prior to entering into this Addendum. Franchisee further represents that, in making the decision to secure the rights to operate the Store, Franchisee has not relied on any representations or assurances by WWFI or PFI that are not expressly set forth in this Addendum or the Franchise Disclosure Documents that WWFI and PFI provided to Franchisee most recently before entering into this Addendum with Franchisee. Franchisee further acknowledges and agrees that PFI has not authorized WWFI or any other third party, to make any representations, promises, or commitments on behalf of PFI in any way related to the Store, Wich! Store #XXXX, the Co-Branded Store, or this Addendum.

22. Sales Allocation. Notwithstanding anything to the contrary in the Franchise Agreement, so long as the Store is operated

as a Co-Branded Store, Gross Sales attributed to the Store shall exclude the selling price of all products that WWFI and PFI agree shall be allocated to Wich! Store #XXXX. WWFI and PFI may, at any time, change the sales allocation between Wich!™ products and Paciugo® products, and Franchisee shall comply with any such change in sales allocation.

23. Fees; Royalties. Franchisee will pay the fees and royalties that are required under the Franchise Agreement and the Wich! Franchise Agreement. Notwithstanding anything to the contrary in the Franchise Agreement, the fees and royalties for both franchises will be collected by WWFI in the same time and manner as WWFI performs for its franchise system, and WWFI will remit the fees and royalties to PFI on Franchisee's behalf.

24. Point of Sale System. Notwithstanding anything to the contrary in the Franchise Agreement, Franchisee shall utilize only the point of sale system that is authorized by WWFI, which shall be one system that integrates both the Wich!™ and Paciugo® products. Franchisee is responsible for ensuring that the point of sale system is properly programmed to reflect the allocation of products between Wich! Store #XXXX and the Store, as agreed to by WWFI and PFI.

25. Training and Support. Training and ongoing operations support will be fulfilled by WWFI's or its Affiliates' personnel for the Co-Branded Store in conformity with the Manuals and brand standards articulated by WWFI and PFI from time to time. All inspection rights of PFI under the Franchise Agreement shall apply to the Co-Branded Store, and PFI shall be entitled to review, audit, examine, and copy all books and records relating to the Co-Branded Store.

26. Marketing; Promotions. Marketing, promotions, gift cards, and/or customer loyalty programs (“Promotions”) offered by WWFI and PFI will operate independently of each other, unless and until WWFI and PFI develop co-brand Promotions for Franchisee to utilize, in which case, Franchisee will participate in all such Promotions as required by WWFI or PFI.

27. Default. If Franchisee fails to comply with any of the requirements imposed by the Wich! Franchise Agreement and does not cure such default within the required cure period, if any, specified in the Wich! Franchise Agreement, then such default shall constitute a default under Section 13.6. of the Franchise Agreement.

28. Franchisor's Obligations and Liability. PFI shall have no responsibility or liability for any obligation of WWFI under the Wich! Franchise Agreement, other than as set forth in this Addendum. Franchisee shall look solely to WWFI for the satisfaction of such obligations. PFI's permission for Franchisee to operate the Store as a Co-Branded Store does not constitute a recommendation for Franchisee to operate a Co-Branded Store. Franchisee acknowledges that it has conducted an independent investigation of constructing and operating a Co-Branded Store, and recognizes that the success of a Co-Branded Store involves substantial business risks and will largely depend on the Franchisee's abilities. PFI expressly disclaims making, and Franchisee acknowledges that it has not received or relied on, any warranty or guaranty, express or implied, as to the potential volume, profits, or success of a Co-Branded Store.

29. Transfer; Change of Ownership. Franchisor shall have the absolute right to decline consent to any proposed transfer that would result in the ownership or operation of the Store being different than the ownership or operation of Wich! Store #XXXX. Neither Franchisee nor any of its owners shall sell, assign, or transfer any interest in the Store or Wich! Store #XXXX separate and apart from a sale, assignment, or transfer of an interest in the Store and Wich! Store #XXXX or of Franchisee under the terms of the Franchise Agreement. For any transfer that is subject to Section 12.4.1. of the Franchise Agreement that occurs in connection with the Store, the definition of Transfer Fee in Section 12.4.1. of the Franchise Agreement is hereby deleted in its entirety and is replaced with the following: “No transfer fee will be due under this Agreement, but Franchisee will pay a non-refundable transfer fee of \$10,000 under the terms of the Wich! Franchise Agreement.”

30. Restrictions. Franchisee acknowledges and agrees that PFI's permission to operate the Store as a Co-Branded Store is specific to the Store only and that no Wich!™ products, supplies, or materials used or offered for sale at the Co-Branded Store may be used by Franchisee at any other location or in connection with any other business, including, without limitation, any other Paciugo Store owned by Franchisee, its Owners, or their Affiliates.

31. Severability. The invalidity or unenforceability of any provision of this Addendum, or any portion thereof, will not affect the validity or enforceability of any other provision of this Addendum, or any portion thereof.

32. All other terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties have executed this Addendum on the dates set forth below.

**FRANCHISEE**

**PACIUGO FRANCHISE  
INTERNATIONAL, LLC**

By: \_\_\_\_\_

By: \_\_\_\_\_

Jeffrey P. Sinelli, CEO

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT D**  
**PACIUGO FRANCHISE INTERNATIONAL, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**LIST OF FRANCHISEES**

**PACIUGO FRANCHISE INTERNATIONAL, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
FRANCHISEES AS OF DECEMBER 31, 2022**

Franchisee	Address	City	ST	Zip	Store Phone No.
<b>COLORADO</b>					
JTK Enterprises, LLC	5961 Sky Pond Drive	Loveland	CO	80538	(970) 685-4530
<b>FLORIDA</b>					
Mango Man St. Pete, LLC	300 Beach Drive NE, Suite 120	St. Petersburg	FL	33701	(727) 434-0999
<b>Illinois</b>					
Kelly Williamson Company	15N341 IL-47	Pingree Grove	IL	60140	(815) 397-9410
<b>OKLAHOMA</b>					
WW Investment Group	802 W Main Street	Jenks	OK	74037	(310) 525-4311
<b>TEXAS</b>					
Thakker, LLC	936 Garden Park Drive	Allen	TX	75013	(972) 359-8586
The Gharbia Group, Inc.	190 East Stacy Road, Suite 1416	Allen	TX	75002	(972) 678-2774
ILUVGELANTI LLC	3811 South Copper Street	Arlington	TX	76015	(817) 472-8000
Naryan Foods, Inc.	711 University Drive	College Station	TX	77840	(979) 704-5535
Mini's Gelato & Café, Inc.	4108 Emerson Avenue, Suite 2	Dallas	TX	75205	(972) 974-2210
Mini's Gelato & Café, Inc.	13350 Dallas Parkway	Dallas	TX	75240	(972) 974-2210
HMSHost, Inc	3398 Tom Braniff Ln	Dallas	TX	75235	(214) 351-1063
Aramark Food and Support Services Group, Inc	3500 Gaston Avenue	Dallas	TX	75246	(469) 441-4188
Aramark Food and Support Services Group, Inc	301 N. Washington Avenue	Dallas	TX	75246	(469) 441-4188
Thakker, LLC	8008 State Route 121	Frisco	TX	75034	(972) 712-1121
Asidia, LLC	2601 Preston Road	Frisco	TX	75034	(817) 793-8292
Brandywich, Inc	23730 Westheimer Pkwy., Ste. C	Katy	TX	77494	(713) 538-3875
Texas Tech University	Box 42184 Wiggins Complex	Lubbock	TX	79409	(806) 742-1360
Smart RG Marble Falls, LLC	311 US Highway 281	Marble Falls	TX	78654	(830) 693-4853
Solis Gelato & More, LLC	2200 South 10 <sup>th</sup> Street	McAllen	TX	78503	(956) 509-0241
WXW Investments, LLC	2603 Town East Mall	Mesquite	TX	75150	(469) 450-7037
Mini's Gelato & Café Inc	2301 Preston Road	Plano	TX	75093	(972) 612-1333
Sphinx LLC	340 E. Basse Road, Suite 111	San Antonio	TX	78209	(210) 832-8820
WC Restaurant Enterprises, LLC	5868 Old Jacksonville Hwy	Tyler	TX	75703	(903) 504-5737
<b>VIRGINIA</b>					
Sanvi Corp.	300 College Street Northeast	Danville	VA	29540	(276) 340-9910



**FRANCHISEES WITH SIGNED AGREEMENTS BUT STORES NOT OPEN  
AS OF DECEMBER 31, 2022**

<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>ST</b>	<b>Zip</b>	<b>Phone No.</b>
<b>NORTH CAROLINA</b>					
India Group Investments, LLC	1916 Skibo Rd, Unit A6	Fayetteville	NC	28314	(317) 902-1393
<b>TEXAS</b>					
Portofino, LLC	2601 Penhurst Court	Celina	TX	75009	(972) 292-0547
Thakker, LLC	14798 Harmony Lane	Frisco	TX	75035	(214) 718-7481
Tasty Wich, LLC	13636 Brownfield Lane	Frisco	TX	75035	(214) 870-5317
<b>VIRGINIA</b>					
Sanvi Corp.	202 Red Hill Drive	Martinsville	VA	24112	(276) 340-9910

**LIST OF FORMER FRANCHISEES**

Franchisees whose franchise agreement was terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under their franchise agreement as of December 31, 2022, or who have not communicated with us within the last 10 weeks.

<b>Franchisee</b>	<b>City</b>	<b>ST</b>	<b>Phone No.</b>
BKB, Inc.	Hermosa Beach	CA	310-379-2525
OM Parts, Inc	Oklahoma City	OK	405-589-2802
Asra Ventures, LLC	Grapevine	TX	214-642-3617
TriVision WW Holdings, LLC	Wylie	TX	214-403-8781

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

**EXHIBIT E**  
**PACIUGO FRANCHISE INTERNATIONAL, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**OPERATIONS MANUAL TABLE OF CONTENTS**

# PACIUGO®

GELATO CAFFÈ

## PACIUGO FRANCHISE INTERNATIONAL, LLC OPERATIONS MANUAL TABLE OF CONTENTS

### Section 1 (5 pages)

- 1.1 Manual Organization
- 1.2 Ownership of the Manual
- 1.3 Purpose of the Manual
- 1.4 Definition of Terms
- 1.5 Confidentiality
- 1.6 Keeping the Manual Current
- 1.7 Memos and Advisories
- 1.8 Contacting Paciugo
- 1.9 Disclaimer

### Section 2 (5 pages)

- 2.1 Historical Perspective
- 2.2 Italian Gelato
- 2.3 The Ginattas
- 2.4 Learning Gelato
- 2.5 “Paciugo” – a messy concoction
- 2.6 The First Paciugo Gelateria
- 2.7 Authentic Italian
- 2.8 Award Winning
- 2.9 Growing and Franchising
- 2.10 Gelateria in Italy
- 2.11 Paciugo Gran Miscela
- 2.12 Authentic Growth
- 2.13 Telling the Story

### Section 3 (29 pages)

- 3.1 Understanding the Menu & Merchandise
- 3.2 Gelato Defined
- 3.3 Wholesomeness / Healthiness
- 3.4 Types of Gelato
- 3.5 Nutrition
- 3.6 Other Differences versus Conventional Ice Creams
- 3.7 Paciugo Flavors
- 3.8 Food Allergies, Medical Conditions and Preferences
- 3.9 The Paciugo Menu
- 3.10 Gelato
- 3.11 Cold Blended Beverages
- 3.12 Hot Beverages
- 3.13 Tartufi
- 3.14 Retail Items
- 3.15 Ingredients
- 3.16 Frequently Asked Questions about Paciugo Gelato
- 3.17 Glossary of Terms and Pronunciation Guide

- Appendix A Approved Flavor List
- Appendix B Required Flavor List
- Appendix C Required Menu Items

**Section 4** (32 pages)

- 4.1 Customer Service Philosophy
- 4.2 Paciugo Basics
- 4.3 Standard Scoop
- 4.4 How to Scoop a Standard Scoop
- 4.5 Sampling Procedures
- 4.6 Spatula Placement
- 4.7 Store Atmosphere
- 4.8 Answering the Telephone
- 4.9 Customer Service Opportunities and Challenges
- 4.10 Uniform and Appearance Standards
- 4.11 Personal Appearance and Grooming Standards
- 4.12 Sanitation and Health Regulations
- 4.13 Standard Hours of Operation
- 4.14 Recipes and Production Processes
- 4.15 In-store Advertising
- 4.16 Donations Guidelines
- 4.17 Coupon Issuance & Redemption
- 4.18 Store Manager
- 4.19 Operations Diary
- 4.20 Communications Binder

**Section 5** (69 pages)

- 5.1 Overview
- 5.2 Employment Law Basics
- 5.3 Federal Employment Laws
- 5.4 State Employment Laws
- 5.5 Occupational Safety and Health Administration (OSHA)
- 5.6 Fire Safety Requirements
- 5.7 Required Workplace Safety Rules
- 5.8 Reporting Accidents
- 5.9 Worker's Compensation
- 5.10 Crisis Management Policy
- 5.11 Legal Assistance with Employment Laws
- 5.12 Payroll
- 5.13 General Employment Policies
- 5.14 Wages
- 5.15 Benefits
- 5.16 Communicating Work Rules
- 5.17 Sexual Harassment
- 5.18 Smoking Policy
- 5.19 Uniform Policy
- 5.20 Good Management Practices
- 5.21 Employee Scheduling
- 5.22 Job Responsibilities and Employee Profiles
- 5.23 Job Descriptions
- 5.24 Recruiting and Hiring

- 5.25 Interviewing Applicants
- 5.26 New Employee Orientation
- 5.27 New Employee Documentation
- 5.28 New Employee Training
- 5.29 Employee Morale and Development
- 5.30 Good Human Resources Practices Summary
- 5.31 Performance Evaluations
- 5.32 Employee Discipline
- 5.33 Resignation and Termination of Employees  
HR Management Forms and Resources

**Section 6 (35 pages)**

- 6.1 Introduction
- 6.2 Accounting and Financial Reports
- 6.3 Accounting Software
- 6.4 Royalties & Marketing Fees
- 6.5 Checklists
- 6.6 Inventory Ordering Procedures
- 6.7 Product Receiving Procedures
- 6.8 Labeling and Rotating Procedures
- 6.9 Storage Procedures
- 6.10 Spoilage
- 6.11 Cost of Goods Sold (COGS)
- 6.12 Power Outage
- 6.13 Preventing Inventory Shrinkage and Loss
- 6.14 Sales Transactions and Cash Handling
- 6.15 Safety and Emergency Procedures

Appendix A Items required to be purchased from Paciugo Headquarters

Appendix B Financial Statements Formats

TOTAL 180 PAGES

**EXHIBIT F**  
**PACIUGO FRANCHISE INTERNATIONAL, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**LIST OF STATE ADMINISTRATORS**

## LIST OF STATE ADMINISTRATORS

### California

Department of Financial Protection & Innovation  
320 West 4th Street, Suite 750  
Los Angeles, California 90013  
(866) 275-2677

### Hawaii

Business Registration Division  
Department of Commerce and Consumer Affairs  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813  
(808) 586-2722

### Illinois

Office of Attorney General  
500 S. Second Street  
Springfield, Illinois 62706  
(217) 782-4465

### Indiana

Franchise Section  
Securities Division  
302 W. Washington St., Room E-111  
Indianapolis, Indiana 46204  
(317) 232-6681

### Maryland

Office of Attorney General  
Securities Division  
200 St. Paul Place, 20<sup>th</sup> Floor  
Baltimore, Maryland 21202  
(410) 576-6360

### Michigan

Michigan Attorney General's Office  
Consumer Protection Division  
Attention: Franchise Section  
G. Mennen Williams Bldg., 1st Floor  
525 W. Ottawa St.  
Lansing, Michigan 48933  
(517) 373-7117

### Minnesota

Department of Commerce  
85 7th Place East, Suite 280  
Saint Paul, Minnesota 55101-2198  
(651) 296-4026

### New York

Assistant Attorney General  
New York Department of Law  
Investment Protection Bureau  
120 Broadway, 23<sup>rd</sup> Floor  
New York, New York 10271  
(212) 416-8211

### North Dakota

Franchise Examiner  
North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol – 5th Floor, Dept. 414  
Bismarck, North Dakota 58505-0510

### Rhode Island

State of Rhode Island  
Department of Business Regulation  
1511 Pontiac Avenue, Building 68-2  
Cranston, Rhode Island 02920

### South Dakota

Franchise Administrator  
Department of Labor and Regulation  
Division of Insurance  
Securities Regulation  
124 S. Euclid, Suite 104  
Pierre, South Dakota 57501  
(605) 773-4823

### Virginia

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

### Washington

Administrator  
Department of Financial Institutions  
Securities Division  
150 Israel Road S.W.  
Tumwater, Washington 98501

### Wisconsin

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

**EXHIBIT G**  
**PACIUGO FRANCHISE INTERNATIONAL, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**AGENTS FOR SERVICE OF PROCESS**



## AGENTS FOR SERVICE OF PROCESS

### **California**

Commissioner of Financial Protection & Innovation  
320 West Fourth Street, Suite 750  
Los Angeles, California 90013-2344

### **Hawaii**

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

### **Illinois**

Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706

### **Indiana**

Indiana Secretary of State  
201 State House  
Indianapolis, Indiana 46204

### **Maryland**

Maryland Securities Commissioner  
200 St. Paul Place  
Baltimore, Maryland 21202-2020

### **Michigan**

Michigan Department of Commerce  
Corporations and securities Bureau  
Attention: Franchise Section  
G. Mennen Williams Building, 6th Floor  
525 W. Ottawa Street  
Lansing, Michigan 48933

### **Minnesota**

Commissioner of Commerce  
85 7th Place East, Suite 280  
Saint Paul, Minnesota 55101

### **New York**

Secretary of State of the State of New York  
99 Washington Avenue  
Albany, New York 12231

### **North Dakota**

The Securities Commissioner  
North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol – 5th Floor, Dept. 414  
Bismarck, North Dakota 58505-0510

### **Rhode Island**

State of Rhode Island  
Department of Business Regulation  
1511 Pontiac Avenue, Bldg. 68-2  
Cranston, Rhode Island 02920

### **South Dakota**

Department of Labor and Regulation  
Division of Insurance  
Securities Regulation  
124 S. Euclid, Suite 104  
Pierre, South Dakota 57501

### **Texas**

Jeffrey Sinelli – Registered Agent  
1215 Viceroy Drive  
Dallas, Texas 75247

### **Virginia**

Clerk of the State Corporation Commission  
1300 East Main Street, 1st Floor  
Richmond, Virginia 23219

### **Washington**

Director of Department of Financial Institutions  
Securities Division - 3rd Floor  
150 Israel Road, S.W.  
Tumwater, Washington 98501

### **Wisconsin**

Commissioner of Securities  
Wisconsin Securities Commission  
201 West Washington Avenue, Suite 300  
Madison, Wisconsin 53703

**EXHIBIT H**  
**PACIUGO FRANCHISE INTERNATIONAL, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**STATE EFFECTIVE DATES AND RECEIPTS**

## **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	Pending
Illinois	Pending
Maryland	Pending
Virginia	Pending
Wisconsin	Pending

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

## RECEIPT

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

If Paciugo Franchise International, 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, or sooner if required by applicable state law. Applicable state laws in **(a)** Connecticut and Michigan require us to provide you the disclosure document at least 10 business 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; **(b)** New York requires us to provide you the disclosure document at the earlier of the first personal meeting or 10 business 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; and **(c)** Iowa and Maine require us to provide you the disclosure document at the earlier of the first personal meeting or 14 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.

If Paciugo Franchise International, LLC does not deliver this Franchise Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state administrator listed in Exhibit E. Paciugo Franchise International LLC's agents for service of process are listed in Exhibit G.

Issuance Date: April 2, 2023

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

Name	Principal Business Address	Telephone Number
Jeff Vickers	1215 Viceroy Drive, Dallas, Texas 75247	(214) 747-9424

I received a Franchise Disclosure Document dated April 27, 2023. This Franchise Disclosure Document included the following Exhibits and Attachments:

State-Specific Addenda

- Exhibit A Financial Statements
- Exhibit B Development Agreement (with state-specific amendments and all attachments)
- Exhibit C-1 Franchise Agreement (with state-specific amendments and all attachments)
- Exhibit C-2 General Release (sample form)
- Exhibit C-3 Co-brand Addendum (Which Wich®)
- Exhibit C-4 Co-brand Addendum (Wich!™)
- Exhibit D List of Franchisees
- Exhibit E Manual Table of Contents
- Exhibit F List of State Administrators
- Exhibit G Agents for Service of Process
- Exhibit H State Effective Dates and Receipts

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name, Individually

\_\_\_\_\_  
Printed Name, Officer, Title  
of \_\_\_\_\_

(a \_\_\_\_\_ Corporation)

(a \_\_\_\_\_ Limited Liability Company)

(a \_\_\_\_\_ Partnership)

(Keep this page for your records.)

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- Exhibit G Agents for Service of Process
- Exhibit H State Effective Dates and Receipts

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name, Individually

\_\_\_\_\_  
Printed Name, Officer, Title  
of \_\_\_\_\_

(a \_\_\_\_\_ Corporation)

(a \_\_\_\_\_ Limited Liability Company)

(a \_\_\_\_\_ Partnership)

(Return this page to Paciugo Franchise International, LLC)