

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Idaho. Out-of-state mediation, arbitration, or litigation may force you to accept a less favourable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Idaho than in your own state.
2. The franchise agreement state that Idaho law governs it, and its laws may not provide the same protections and benefits as local law. You may want to compare these laws.
3. We, in our sole discretion, may require your spouse, parents, and/or other third parties to guarantee all of your obligations under the franchise agreement, even if they are not involved in franchise operations. If required, their personal assets would be at risk.
4. If we terminate the franchise agreement, you will be liable to pay us liquidated damages in an amount equal to your projected continuing fees for the remaining term of the agreement or three years, whichever is less.
5. You must purchase all or nearly all of the equipment, inventory, and supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
6. ~~There may be other risks concerning this Franchise.~~

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

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Hawaii	0	1	0
Ohio	0	2	0
Pennsylvania	0	1	0
Texas	0	1	0
West Virginia	0	1	0
<b>Total</b>	<b>2</b>	<b>10</b>	<b>0</b>

Attached to this disclosure document as Exhibit L is a list of our franchisees as of May 31, 2020.

Exhibit L also lists the name, city, state and telephone number of every franchisee who has had an outlet terminated, cancelled, not renewed, transferred or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the fiscal year 2019 and through May 31, 2020, or who have not communicated with the franchisor within 10 weeks of the issuance date of this disclosure document.

If you purchase this franchise, your contact information may be disclosed to other prospective franchisees, including after you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Pita Pit. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. Typically, current and former franchisees will only be restricted from speaking about the terms of any settlement they reached with us.

As discussed in Item 11, we have created a National Franchise Advisory Council. The Council can be contacted through our corporate liaison to the Council, Joni Hay-Smith, Marketing Brand Manager. Ms. Hay-Smith can be reached through correspondence sent by U.S. mail to our head office's address at: 105 N. 4<sup>th</sup> Street, Suite 201, Coeur d'Alene, Idaho 83814, by phone at: (208) 765-3326, or by email at: joni.hay-smith@pitapitusa.com. The Council does not have a web page.

## ITEM 21 FINANCIAL STATEMENTS

Attached to this disclosure document and designated Exhibit M are:

(1) Audited annual financial statements for the periods ending December 31, 2017, December 31, 2018 and December 31, 2019;

(2) Unaudited financials for January through May of 2020. THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES

OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

**ITEM 22  
CONTRACTS**

The following contracts are attached to this disclosure document:

Franchise Agreement .....	Exhibit C
Premises, Marks, Territory .....	Schedule "A"
Release .....	Schedule "B"
Sublease .....	Schedule "C"
Head Lease .....	Schedule "D"
Confidentiality Agreement .....	Schedule "E"
General Security Agreement (used by Lender and Us) .....	Schedule "F"
Small Business Administration Franchise Agreement Amendment .....	Schedule "G"
State Amendments to the Franchise Agreement .....	Exhibit D
Multi-Unit Development Zone Agreement .....	Exhibit E
Deposit Agreement – Franchise Agreement .....	Exhibit F-1
Deposit Agreement – Multi Unit Development Zone Agreement .....	Exhibit F-1A
Franchise Agreement Amendment For Qualifying Restaurants .....	Exhibit G
Promissory Note .....	Exhibit H
Security Agreement .....	Exhibit I
Unconditional Guaranty .....	Exhibit J

You are required to sign the Franchise Disclosure Confirmation, attached to this disclosure document as Exhibit N, immediately before signing the Franchise Agreement.