

FRANCHISE DISCLOSURE DOCUMENT

PITA PIT INC. a Delaware Corporation

105 North 4th Street, Suite 208
Coeur d'Alene, Idaho 83814
U.S.A.
(208) 765-3326
www.pitapitusa.com



The Franchisee will operate a single retail establishment devoted to the preparation and sale of pita sandwiches and other food items under the trade name PITA PIT®.

The total investment necessary to begin operation of a Pita Pit franchise is from \$166,097 to \$322,667. This includes \$25,000 that must be paid to us.

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 government agency has verified the information contained in this document.**

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

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

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

Issuance Date: March 25, 2015

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THE DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit B for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this Franchise:

1. THE FRANCHISE AGREEMENT REQUIRES THAT YOU SETTLE ALL DISPUTES WITH US BY ARBITRATION ONLY IN IDAHO. BY SIGNING THE FRANCHISE AGREEMENT YOU AGREE THAT ANY STATE LAWS ATTEMPTING TO PROHIBIT ARBITRATION OR VOID OUT-OF-STATE FORUMS FOR ARBITRATION ARE PREEMPTED BY THE FEDERAL ARBITRATION ACT AND THAT ARBITRATION WILL BE HELD AS PROVIDED IN THIS SECTION. AS SUCH, OUT OF STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE WITH US IN IDAHO THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT IDAHO LAWS 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 AND/OR PARENTS 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. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: See the next page for state effective dates.

EFFECTIVE DATES

The following states require that the 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 disclosure document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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EXHIBITS

- A** STATE ADDENDA TO THE DISCLOSURE DOCUMENT:
California, Hawaii, Illinois, Maryland, Michigan, Minnesota, New York,
Rhode Island, Virginia
- B** AGENTS FOR SERVICE OF PROCESS AND STATE ADMINISTRATORS
- C** FRANCHISE AGREEMENT
 - SCHEDULE “A” - PREMISES, MARKS, TERRITORY
 - SCHEDULE “B” - RELEASE
 - SCHEDULE “C” - SUBLEASE
 - SCHEDULE “D” - HEAD LEASE (Cover Sheet)
 - SCHEDULE “E” - CONFIDENTIALITY AGREEMENT
 - SCHEDULE “F” - GENERAL SECURITY AGREEMENT
 - SCHEDULE “G” – SMALL BUSINESS ADMINISTRATION FRANCHISE
AGREEMENT AMENDMENT
- D** STATE AMENDMENTS TO THE FRANCHISE AGREEMENT:
California, Illinois, Indiana, Maryland, Minnesota, New York,
North Dakota, Rhode Island, Washington, Wisconsin
- E** MULTI-UNIT DEVELOPMENT ZONE PROGRAM ADDENDUM
- F** MULTI-UNIT DEVELOPMENT ZONE AGREEMENT
- G-1** DEPOSIT AGREEMENT – FRANCHISE AGREEMENT
- G-1A** DEPOSIT AGREEMENT – MULTI-UNIT DEVELOPMENT ZONE AGREEMENT
- G-2** MARYLAND AMENDMENT TO THE DEPOSIT AGREEMENT FOR FRANCHISE
AGREEMENT AND MULTI-UNIT DEVELOPMENT ZONE AGREEMENT
- H** FRANCHISE AGREEMENT AMENDMENT FOR QUALIFYING RESTAURANTS
- I** PROMISSORY NOTE
- J** SECURITY AGREEMENT
- K** UNCONDITIONAL GUARANTY
- L** TABLE OF CONTENTS OF PITA PIT SYSTEM MANUAL
- M** LIST OF FRANCHISEES
- N** FINANCIAL STATEMENTS
- O** FRANCHISE DISCLOSURE CONFIRMATION
- P-1** FOOD TRUCK PROGRAM ADDENDUM (OPTIONAL)
- P-2** FOOD TRUCK FRANCHISE AGREEMENT (OPTIONAL)

ITEM 23 Receipts Last 2 pages

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

To simplify language in this disclosure document, “we”, “us” or “PPI” means, Pita Pit Inc., the franchisor. “You” means the person, partnership, limited liability company or corporation who buys the franchise and where applicable includes each Equity Owner. “Equity Owner” means any natural person who owns an equity interest in the partnership, limited liability company or corporation who buys the franchise.

The Franchisor

We are a Delaware corporation incorporated on December 20, 2001. We currently do business under the names “Pita Pit Inc.”, “THE PITA PIT”, and “PITA PIT”. We do not do business under any other name. Our principal business address is 105 North 4th Street, Suite 208, Coeur d’Alene, Idaho 83814 U.S.A. The telephone number is (208) 765-3326 and the fax number is (208) 667-7694. Our agents for service of process are disclosed in Exhibit B to this disclosure document.

The Franchisor’s Business

We offer and sell franchises in the United States for PITA PIT business concept which involves a marketing plan and system for the development, opening and operating of retail outlets specializing in the sale of pita sandwiches (the “System”). We have been offering PITA PIT franchises since January 2002. Our predecessor, Pita Pit International (Barbados) Inc. began offering PITA PIT franchises in the United States in 1999 (see Predecessors and Affiliates below). We do not currently own or operate any PITA PIT retail outlets but some of our affiliates listed below do so. We have never offered franchises in any other line of business.

PITA PIT Franchise

Under a franchise agreement which is Exhibit C to this disclosure document, (the “Franchise Agreement”), we offer qualified purchasers the right to establish and operate, from a single location, a retail outlet specializing in the sale of pita sandwiches. You may, at your option, also offer our line of smoothie products (See Item 7 for an estimate of the additional investment required). In this disclosure document, the franchised business will be referred to as the “Restaurant”. The Franchise Agreement gives you the right to operate the Restaurant under the name and mark PITA PIT and all other current or future trade names, service marks, trademarks and related logos that we designate as part of the System. In this disclosure document, we will refer to these names, marks and logos as “Names and Marks”. You must operate the Restaurant in accordance with the standards and procedures that we establish, including those in our Pita Pit System Manual (the “System Manual”), which we may change during the term of the Franchise Agreement.

We also offer qualified purchasers in certain areas the right to develop multiple restaurants within a designated geographic zone within a specified period of time (the “Multi-Unit Development Zone Program”). If you are interested in our Multi-Unit Development Zone Program, please review the Multi-Unit Development Zone Program Addendum which is attached as Exhibit E to this disclosure document and the Multi-Unit Development Zone Agreement

which is attached as Exhibit F to this disclosure document. We are under no obligation to grant you a Multi-Unit Development Zone, even if you are an existing franchisee. We may determine, for example, that you do not have the management or financial capability to acquire or operate multiple units.

On occasion and under special circumstances, we have offered qualified purchasers the right to operate a food truck. As of December 31, 2014, we have sold 2 food truck franchises. Food trucks are not included in Item 20.

You should check with State, County, Municipal and Federal government agencies to determine what licensing requirements may apply to the operation of the Restaurant. In addition to laws and regulations that apply to businesses generally, the Restaurant is subject to federal, state, and local regulations governing the food service industry. The Food and Drug Administration, the United States Department of Agriculture and food industry organizations, including the National Restaurant Association, have established rules affecting the restaurant business. You must be knowledgeable on federal, state, and local health and consumer protection laws and regulations concerning food preparation, handling and storage, "Truth in Menu" concerning menu item names and product labeling, nutritional claims, and access to the Restaurant by persons with disabilities (under the federal Americans With Disabilities Act). You should also be aware of federal, state, and local labor regulations, including minimum-age and minimum-wage laws. You should investigate local zoning rules because they may limit where you can locate a restaurant and may affect design features, including the building façade and signs. You should also be aware of federal, state and local environmental laws that may affect the disposal of waste materials and the packaging you may use. If you operate the Restaurant from a university or college location, you may be subject to university or college regulations which dictate how and when you can operate the Restaurant. If you operate the Restaurant in a school, you should be aware of laws and regulations which may set nutritional requirements and affect governmental subsidies. The details of state, county and local laws and regulations vary from place to place. You must research these matters.

It is primarily people between the ages of 16 and 45 who purchase the menu items PITA PIT restaurants sell. Your competitors include local specialty restaurants, national franchise organizations and other types of businesses that are similar to ours. You may find that the Restaurant has wide variations in sales due to seasonal changes in population or taste. This is especially true if the Restaurant is in a university, college or school location.

Parents, Predecessors, and Affiliates

The following company is our parent (that is, it controls us directly).

Name and Address	Business
Pita Pit USA, Inc. 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	It purchased all of our shares of capital stock from Pita Pit Limited in 2005. It acts as a holding company.

Pita Pit USA, Inc. has never offered franchises in any lines of business.

The following companies are our affiliates (that is, they control, are controlled by, or are under common control with, us and either offer franchises or provide products or services to our franchisees):

Name and Address	Business
Pita 101, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	It has operated a PITA PIT restaurant in Coeur d'Alene, Idaho since 2005 and we provide franchisee training at this restaurant.
Bread Movers, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	It buys and resells pita bread.
Pita Snacks, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	It sells Pita Pit branded snack food.
Pita Roadshow, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	It conducts franchise marketing and promotional activities related to our sale of PITA PIT franchises.
Pita Gear, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	It sells PITA PIT branded clothing and items.
Pita Pit GAF, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Enters vendor agreements that are paid for by the General Advertising Fund.
Pita Group, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owns the following affiliates.
Pita Pit Alabama, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit Alabama, LLC owns corporate store(s) in Alabama.

Name and Address	Business
Pita Pit California, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit California, LLC owns corporate store(s) in California.
Pita Pit Colorado, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit Colorado, LLC owns corporate store(s) in Colorado.
Pita Pit DC, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit DC, LLC owns corporate store(s) in Washington DC.
Pita Pit Delaware, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit Delaware, LLC owns corporate store(s) in Delaware.
Pita Pit Florida, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit Florida, LLC owns corporate store(s) in Florida.
Pita Pit Idaho, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit Idaho, LLC owns corporate store(s) in Idaho.
Pita Pit Illinois, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit Illinois, LLC owns corporate store(s) in Illinois.
Pita Pit Kansas, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit Kansas, LLC owns corporate store(s) in Kansas.
Pita Pit Massachusetts, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit Massachusetts, LLC owns corporate store(s) in Massachusetts.

Name and Address	Business
Pita Pit Michigan, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit Michigan, LLC owns corporate store(s) in Michigan.
Pita Pit Minnesota, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit Minnesota, LLC owns corporate store(s) in Minnesota.
Pita Pit North Carolina, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit North Carolina, LLC owns corporate store(s) in North Carolina.
Pita Pit North Dakota, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit North Dakota, LLC owns corporate store(s) in North Dakota.
Pita Pit Ohio, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit Ohio, LLC owns corporate store(s) in Ohio.
Pita Pit Oregon, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit Oregon, LLC owns corporate store(s) in Oregon.
Pita Pit Pennsylvania, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit Pennsylvania, LLC owns corporate store(s) in Pennsylvania.
Pita Pit South Carolina, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit South Carolina, LLC owns corporate store(s) in South Carolina.
Pita Pit Tennessee, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit Tennessee, LLC owns corporate store(s) in Tennessee.

Name and Address	Business
Pita Pit Texas, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit Texas, LLC owns corporate store(s) in Texas.
Pita Pit Utah, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit Utah, LLC owns corporate store(s) in Utah.
Pita Pit Virginia, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit Virginia, LLC owns corporate store(s) in Virginia.
Pita Pit Washington, LLC 105 North 4 th Street, Suite 208 Coeur d'Alene, Idaho 83814 U.S.A.	Owned by Pita Group, LLC. Pita Pit Washington, LLC owns corporate store(s) in Washington.

Our affiliates have never offered franchises in any line of business, except that Pita Roadshow, LLC performs marketing and promotional activities related to our sale of PITA PIT franchises.

ITEM 2
BUSINESS EXPERIENCE

CORPORATE DIRECTOR and FOUNDER: NELSON LANG, CFE

Mr. Lang is an original co-founder of the Pita Pit concept. He served as Director and Secretary/Treasurer of Pita Pit Limited (Canada) in Kingston, Ontario, from its incorporation in November 1995 to July 2005 and was reappointed as Director in September 2009. Mr. Lang has acted as Director and Chief Executive Officer of Pita Pit International Inc. in Kendal, Ontario since March 2006. In April 2005, Mr. Lang entered into a Consulting Agreement with Pita Pit Inc. and served as a Management Consultant, Interim President/Chief Operating Officer and Corporate Director until October 2010. Since October 2010, Mr. Lang has solely focused his efforts on his duties as a Corporate Director. As co-founder of the Pita Pit concept, he continues to offer his guidance and considerable expertise to the company in this role.

CORPORATE DIRECTOR and EXECUTIVE CHAIRMAN: JACK T. RIGGS, M.D., CFE

Dr. Riggs has served as a Corporate Director for Pita Pit Inc. since April 2005. He also served as CEO from April 2005 to March 2014, and as Executive Chairman since April 2014. From January 2001 to January 2003, Dr. Riggs served as the Lt. Governor for the State of Idaho. From January 1996 to January 2001, Dr. Riggs served as a member of the Idaho State Senate in Boise,

Idaho. Dr. Riggs is a licensed and board certified emergency medicine physician. He created a small chain of emergency medical and family care clinics in Idaho beginning in April 1986 and sold them to a hospital in September 2008. Dr. Riggs is a Certified Franchise Executive (CFE) through the educational programs of the International Franchise Association (IFA).

CORPORATE DIRECTOR and PRESIDENT of PITA PIT USA, INC.: PETER J. RIGGS, CFE

Mr. Riggs has served as a Corporate Director for Pita Pit Inc. since April 2013 and President of Pita Pit USA, Inc., since April 2014. He also served as Vice President for Pita Pit Inc. from April 2005 to March 2014, initially as Vice President of Regional Development and ending as Vice President of Brand Promotion. From April 2004 to April 2005, Mr. Riggs co-owned and operated a THE PITA PIT franchise in Goleta, California as a member of 971 Embarcadero, LLC. Mr. Riggs is a Certified Franchise Executive (CFE) through the educational programs of the International Franchise Association (IFA).

CORPORATE DIRECTOR: ROBERT J. FASNACHT

Mr. Fasnacht has served as a Corporate Director since April 2005. He previously served as Corporate Secretary and General Counsel for Pita Pit Inc. from April 2005 to March 2014.

CORPORATE DIRECTOR: SANDRA E. PATANO

Ms. Patano has served as a Corporate Director for Pita Pit Inc. since April 2013. She is the founder and owner of Sandy Patano Consulting, LLC since April 2010 in Coeur d'Alene, Idaho. From January 2009 to present, Ms. Patano served on multiple boards including the Idaho Capitol Commission, where she Co-Chaired the re-opening of Idaho's State Capitol, and served as Chairman of the Inland Northwest Community Foundation Board of Directors from Coeur d'Alene, Idaho. Prior to that, Ms. Patano was employed by the United States Senate from January 1991 until December 2008 in Washington, D.C.

CORPORATE DIRECTOR and PRESIDENT: D. COREY BOWMAN, CFE

Mr. Bowman has served as President since March 2014 and Corporate Director since April 2014. He began his career with Pita Pit Inc. in June 2005, first serving as Vice President of Franchise Development, and then as Vice President of Business Unit Operations and Franchise Growth. From December 2000 to June 2005, Mr. Bowman owned and operated three PITA PIT franchises opening in Eugene, Oregon (December 2000), Bellingham, Washington (February 2002), and Seattle, Washington (August 2004). Mr. Bowman is a Certified Franchise Executive (CFE) through the educational programs of the International Franchise Association (IFA).

VICE PRESIDENT – FRANCHISE DEVELOPMENT: BILL WILFONG, CFE

Mr. Wilfong has served as Vice President of Franchise Development since March 2014. Previously, Mr. Wilfong served as Director of Special Support for Pita Pit Inc. from January 2009 to March 2012. He then served as Director of New Franchise Growth from April 2012 to March 2014. Mr. Wilfong has been with Pita Pit Inc. since September 2007. Mr. Wilfong is a

Certified Franchise Executive (CFE) through the educational programs of the International Franchise Association (IFA).

VICE PRESIDENT – ADMINISTRATION & HUMAN RESOURCES: PAUL ERWIN, CFE

Mr. Erwin has served as Vice President for Pita Pit Inc. since April 2005, initially as Vice President of Administrative Services, then Vice President of Franchise Enrichment, and now as Vice President of Administration and Human Resources. From April 2004 to April 2005, Mr. Erwin co-owned and operated a PITA PIT franchise in Goleta, California as a member of 971 Embarcadero, LLC. Mr. Erwin is a Certified Franchise Executive (CFE) through the educational programs of the International Franchise Association (IFA).

VICE-PRESIDENT – PRODUCTS & RESEARCH AND DEVELOPMENT: BENJAMIN DRAKE, CFE

Mr. Drake has served as the Vice President of Products and Research and Development since March 2014. He previously served as Acting Vice President of Operational Systems for Pita Pit, Inc. between January 2013 and March 2014. From January 2011 to January 2013, he was the Director of the Pitas and Bakeries Division for Pita Pit, Inc.'s affiliate, Bread Movers, LLC. From March 2007 through December 2010, Mr. Drake worked in various positions with Pita Pit, Inc.

VICE PRESIDENT OF FIELD OPERATIONS: STEPHANIE POWERS, CFE

Ms. Powers has served as Vice President of Field Operations since March 2014. She previously served as Daily Discipline Marketing Division Director between July 2011 and March 2014. From February 2008 to June 2011 she served as Director of Regional Support Services and Franchise Systems Support for Pita Pit Inc. From February 1996 to January 2008, Ms. Powers worked as an Organizational Development Consultant in Hayden, Idaho. From 1998 to December 2007, Ms. Powers also worked as the Coordinator of the Program Evaluation Team, K-12 Professional Development for the University of Idaho in Coeur d'Alene, Idaho. From January 2001 to June 2005, Ms. Powers also worked as Creating High Performance School's Consultant/Coach for Albertson Foundation in Boise, Idaho. Ms. Powers is a Certified Franchise Executive (CFE) through the educational programs of the International Franchise Association (IFA).

VICE PRESIDENT OF BRAND MARKETING: KEVIN SANDERS

Mr. Sanders has served as Vice President of Brand Marketing since March 2014. He previously served as Pita Pit Inc.'s Executive Director of Brand Strategy, starting in July 2013. He is also an adjunct professor of marketing at Gonzaga University, in Spokane, Washington. From April 2006 to June 2013, Mr. Sanders was the Vice President of Strategic Planning for Hanna & Associates, a marketing communications firm located in Coeur d'Alene, Idaho. His previous experience includes senior lever marketing and brand management positions at Kellogg's, The Coleman Company, and Timberland. He began his career in market research at a small research

firm in Chicago, Illinois. Mr. Sanders has a Bachelor of Science in marketing from Southern Illinois University and an MBA from Gonzaga University.

TRAINING COORDINATOR: KATELYN CAPAUL

Ms. Capaul has served as Training Coordinator since August 2014. She started as the Training and Education Assistant in September 2007, where she supervised the in-store training portion of Franchisee training and assisted with in the classroom portion of Franchisee training. Ms. Capaul received her Bachelor's degree in Elementary Education with an emphasis in Health and Human Performance from the University of Montana.

ITEM 3
LITIGATION

Sparks Pita Store #1, LLC, et al v. Pita Pit Inc., No. 3:08-cv-00512-LRH-RAM (D. Nev. filed October 14, 2008).

Three franchisees in the state of Nevada, Sparks Pita Store #1, LLC, The Dunham Group and Pita Management Group, LLC, and the individuals who own them, Jerry Jones, Paul K. Dunham, III, Paul K Dunham, II and Donna R. Dunham, filed suit against us. They alleged poor quality pita bread, accounting and other irregularities with the general advertising fund and illegal tying arrangements. They claimed: breach of contract; breach of implied covenant of good faith and fair dealing; intentional misrepresentation; negligent misrepresentation; intentional interference with present and prospective economic advantage; negligent interference with present and prospective economic advantage; breach of fiduciary duties; breach of implied warranty of fitness for a particular purpose; and tying and antitrust claims under 15 U.S.C. ss 1, 14, and 15. These individuals sought monetary damages in an amount to be proven at trial, rescission, and injunctive relief.

We filed a motion on November 24, 2008 asking the court to sever improperly joined plaintiffs, transfer venue, and dismiss certain causes of action. Alternatively, we asked for a more definite statement. On August 25, 2009, the court granted our motion in part. The court dismissed the plaintiffs' claim without prejudice to allow the plaintiffs to assert their claims in the appropriate venue and forum.

On or about November 12, 2009, Sparks Pita Store #1, LLC and Pita Management Group, LLC filed a demand for arbitration with the American Arbitration Association, Case Number 72 114 Y 00504 09 LGB, reasserting the same causes of action set forth above. We counterclaimed for breach of contract based upon the claimants previously filing in an inappropriate venue and improperly joining parties. Mediation was held on February 24, 2011, without reaching a settlement. Arbitration was held on March 14, 2011 through March 17, 2011. The arbitrator issued a final award May 20, 2011. The claimants failed in all causes of action except for a limited recovery on a breach of contract theory, based upon our authorizing a vendor that failed to adequately perform. We prevailed on our counterclaim. The net result being that claimants owed us money damages in the amount of \$7,000. On July 12, 2011, a settlement Agreement was entered whereby all parties agreed not to execute the arbitrator's award in exchange for mutual releases.

No other litigation is required to be disclosed in this disclosure document.

ITEM 4
BANKRUPTCY

Vice President of Franchise Growth, William Wilfong, filed a bankruptcy petition under Chapter 13 of the U.S. Bankruptcy Code in the United States Bankruptcy Court, District of Idaho on April 29, 2008 titled In Re: William C. Wilfong fcd A La Carte Flora and Kerri R. Wilfong, Case No. 08-020220-TLM, Chapter 13. This matter involved a business Mr. Wilfong had been involved in prior to his employment with Pita Pit Inc. Mr. Wilfong and his spouse entered into a three year debtor repayment plan, which was fully repaid in early 2011.

No other bankruptcies are required to be disclosed in this disclosure document.

ITEM 5
INITIAL FEES

Franchisees must pay us a \$25,000 lump sum Initial Franchise Fee. This is sometimes referred to as our standard Initial Franchise Fee.

We are a member of the International Franchise Association and participate in the VetFran Program which encourages franchisors to offer discounts to qualified veterans. We offer qualified veterans a 20% discount off the Initial Franchise Fee for their first restaurant upon proof of service and honorable discharge.

For a limited time, for existing franchisees approved to enter additional Franchise Agreements with us, the Initial Franchise Fee will be as follows: the second Franchise Agreement will have an Initial Franchise Fee of \$20,000; each Franchise Agreement thereafter will have an Initial Franchise Fee of \$15,000. These reduced Initial Franchise Fees are also conditioned upon (i) your existing Restaurant(s) being in compliance with the System Manual and your not being in default under any agreement with us, any of our affiliates, or any of our approved or designated suppliers, at the time you sign the Franchise Agreement for the new Restaurant, (ii) your existing Restaurant(s) having achieved an evaluation score of 90% or higher on the two most recent evaluations, (iii) your proving to our satisfaction that you have the management and financial capability to acquire and operate an additional Restaurant, and (iv) you, either directly or through a business entity, own at least a 50% interest in the additional Franchise Agreement.

Prior to signing your Franchise Agreement, you must pay us the full amount of the Initial Franchise Fee as a deposit (the "Deposit"). Upon receipt of the Deposit, we will enter into a Deposit Agreement with you. The Deposit Agreement is Exhibit G-1 to this disclosure document.

If we do not approve you as a franchisee or if you notify us in writing that you withdraw your request to enter into a Franchise Agreement, the Deposit will be refunded less a \$5,000 fee for reviewing and processing your request. If our expenses exceed \$5,000, we may also deduct those additional expenses from the Deposit. Our expenses may include those reasonably incurred by us, for meeting with you, for a review of your prospective market and potential sites, for plans and specifications, for reviewing a lease, and, if applicable, for negotiating a lease,

including reasonable legal fees and expenses related to travel, meals, lodging and demographic and search profiles. The Deposit is not refundable under any other circumstances.

If we approve you as a franchisee and a Franchise Agreement and all other relevant documents are signed by you and us, the entire Deposit will be applied as payment towards the Initial Franchise Fee.

The Initial Franchise Fee is fully earned by us at the time we execute the Franchise Agreement and will only be refunded to you, if we terminate the Franchise Agreement because a suitable lease is not signed by you or us, within one year after signing the Franchise Agreement. We will deduct from any refund the review and processing fee and other business expenses described above.

You must pay any sales tax, use tax, gross receipts tax, or other excise tax imposed on your payments to us by the states where we, you or your franchise are located.

The purpose of the Initial Franchise Fee is to cover our administrative, legal, training, and travel costs.

If we obtain the Head Lease for the Restaurant premises, we may also receive the following payments from you before you open your business: the security deposit and the rent required under the Sublease and we will pay each to the Landlord under the terms of the Head Lease (See Items 6, 7 and 8).

We are under no obligation to sell you additional franchises. We may determine, for example, that you do not have the management or financial capability to acquire or operate an additional location.

**ITEM 6
OTHER FEES**

Type Of Fee	Amount	Due Date	Remarks
CONTINUING FEE	<p>Our standard Continuing Fee is 6% of Net Sales.</p> <p>We are offering the following Continuing Fee structure, for a limited time only, to stimulate development as the United States economy makes it way out of recession. We will end this limited offer if our development targets are met or the United States economy recovers sufficiently, to be determined at our sole discretion. At the conclusion of the limited time offer, only franchise agreements executed at that time will be eligible for these special terms.</p> <p>5% of Net Sales</p> <p>or</p>	5 th of each month	See Note 1

Type Of Fee	Amount	Due Date	Remarks
	<p>If you are qualified and enter additional new Franchise Agreements (either for a new location or an existing corporate location, but not as part of a transfer with another franchisee), then:</p> <p>Your 2nd and 3rd Franchise Agreements are 5% of Net Sales</p> <p>Provided you are still a party to and not in default of your 1st, 2nd, and 3rd Franchise Agreements, your 4th, 5th, and 6th Franchise Agreements are 4.5% of Net Sales. Your 1st, 2nd and 3rd Franchise Agreements will also be reduced from 5% to 4.5% upon the opening of your 4th restaurant</p> <p>Provided you are still a party to and not in default of your 1st through 6th Franchise Agreement, your 7th and any additional Franchise Agreements are 4% of Net Sales. Your 1st through 6th Franchise Agreements will also be reduced from 4.5% to 4% upon the opening of your 7th restaurant</p> <p style="text-align: center;">and</p> <p>Renewal term - the Continuing Fee for the final year of the Initial Term of the then current form of Franchise Agreement for new franchisees</p>	5 th of each month	See Note 1
GENERAL ADVERTISING FUND	Up to 2% of total Net Sales as dictated by PPI	5 th of each month	See Note 2
TRANSFER FEE	\$7,000 plus PPI's costs	On application for transfer	See Note 3
ADDITIONAL OPERATING ASSISTANCE	If PPI determines that you require additional assistance in the form of corporate training, you will have to pay training expenses for you and/or your managers and you may have to pay PPI a fee of up to \$2,500. In the event additional assistance is required to ensure that our franchised system is being properly implemented you may have to pay the cost of that additional assistance, including but not limited to travel, food, lodging, and time of our people.	Upon receipt of additional assistance	See Note 4
AUDIT	Cost of Audit including all costs of auditor and of PPI's employees	After Audit if Net Sales underreported by more than 3%	See Note 5 and Subsection 12 (3) of the Franchise Agreement
INDEMNIFICATION	All liability, damages and costs, including	When incurred by PPI or other	See Note 6

Type Of Fee	Amount	Due Date	Remarks
	lawyers' fees, incurred	indemnified party	and Subsections 21 (3) and (4) of the Franchise Agreement
RENEWAL FEE	\$25,000	On Renewal	See Note 7
TAXES ON FEES	Varies by State	Payable when fee is due	See Note 8
LATE PAYMENTS	Interest at 5% above highest domestic prime rate	If you fail to pay us any amounts	See Note 9
LOYALTY/GIFT CARD FEE	Initial Fee: \$240.00 Ongoing Fee: \$72	One time fee payable when due Monthly	See Note 10
NSF FEE	\$100	If the bank does not honor your check	See Note 11
LOST SYSTEM MANUAL	\$1,000	If you lose your System Manual	See Note 12
LIQUIDATED DAMAGES	An amount equal to your projected Continuing Fee for the lesser of the remaining term or 3 years	If we terminate the Franchise Agreement under Section 17(1)	See Note 13

Please note that the table above and the following notes provide a general summary only. You can only obtain a full understanding of our franchise system and the costs involved by reading all franchise documentation completely, and obtaining independent legal, accounting, and business advice in relation to your proposed investment. Also, certain state or federal legislation may affect the respective rights and liabilities under the various agreements to which you and we are both party.

Except as noted above or below, all fees are uniformly imposed by and are payable to us. All fees are nonrefundable. You must fully cooperate with any system implemented by us for the transfer of funds from your bank account to ours including executing pre-authorized payment forms. To secure your obligations to us, we may require you to sign a General Security Agreement granting us a security interest in all of your property. (See Section 19 of the Franchise Agreement) You should review our form of General Security Agreement. It is Schedule "F" to the Franchise Agreement. We may revise our form of General Security Agreement to comply with the laws of the state where your property is located.

Note 1 - Continuing Fee

Our standard Continuing Fee is 6% of Net Sales. For a limited time only, the Continuing Fee for the entire Initial Term will be a percentage of Net Sales as set forth in the Item 6 chart. To be eligible for a reduced Continuing Fee percentage, based upon the aggregate number of Franchise Agreements you own, as set forth in the Item 6 chart, the following conditions must be satisfied: (i) you cannot be in default of any of your Franchise Agreements or any agreement with us, any of our affiliates, or any of our approved or designated suppliers; (ii) you cannot have had a Franchise Agreement terminated; (iii) your existing restaurants must have achieved an evaluation score of 90% or higher on their two most recent evaluations; (iv) you, either directly or through a business entity, must own at least a 50% interest in each Franchise Agreement; (v) the Restaurant was not acquired through a transfer from another franchisee after December 31, 2011; and (vi) we have not terminated our offer of reduced Continuing Fees for qualified Restaurants. Any such reduction in the Continuing Fee will become effective on the first of the month following the date the restaurant associated with the triggering Franchise Agreement opens to the public for business, provided you have signed all required documents, including the Franchise Agreement Amendment attached hereto as Exhibit H and our standard form release attached to the Franchise Agreement as Schedule "B". If the aggregate number of Franchise Agreements you have is reduced for any reason, the Continuing Fee for the remaining Franchise Agreements will be adjusted, as set forth in the Item 6 chart, based upon the remaining aggregate number of Franchise Agreements. For example, if you sell your fourth location, the Continuing Fee for your remaining three locations will increase from 4.5% to 5%. Any such increase in the Continuing Fee will become effective on the first of the month following the date the aggregate number of Franchise Agreements you have is reduced. The acquisition of a corporately owned Pita Pit restaurant, or its subsequent sale or termination, will count in determining the aggregate number of Franchise Agreements you have. To remain eligible for a reduced Continuing Fee percentage, based upon the purchase of a corporately owned Pita Pit restaurant, you must: (i) upgrade the Restaurant to our then current standards for design and construction on the fifth anniversary of your ownership; (ii) immediately install a Point of Sale System, as set forth in this disclosure document; and (iii) immediately enter a lease directly with the landlord for the premises where the restaurant is located. Franchise Agreements acquired through a transfer from another franchisee do not count in determining the aggregate number of Franchise Agreements you own, for purposes of qualifying for a reduced Continuing Fee percentage, as set forth in the Item 6 chart.

If you qualify for a reduced Continuing Fee percentage based upon the aggregate number of Franchise Agreements you own, and one of those Franchise Agreements has a flat rate Continuing Fee, at your option, you can either maintain your flat rate Continuing Fee or you can change to a reduced Continuing Fee percentage, as set forth in the Item 6 chart.

We may terminate our offer of reduced Continuing Fees for qualified Restaurants, at any time, in our sole discretion. If we terminate our offer of reduced Continuing Fees for qualified Restaurants, the reduced Continuing Fees for existing qualified Restaurants will remain at their then current level for the balance of the Initial Term but any new Restaurants opened by you, with Franchise Agreements executed after termination of the limited offer, will not receive a reduced Continuing Fee.

Net Sales is defined as follows:

The entire amount of the actual sales price of all sales of Products, (as defined hereinafter) including delivery fees, and all other receipts or receivables whatsoever from any and all business conducted upon or originating from the Premises, including Internet or telephone order sales, whether such sales or other receipts be by check, for cash, credit, charge accounts, barter or otherwise and whether such sales be made by means of mechanical or other vending devices in the Premises. There shall be no deductions allowed for uncollected or uncollectible credit accounts and no allowances shall be made for bad debts. Net Sales shall include the amount of all sales assumed to have been lost by the interruption of business at the Premises, to be determined on the basis upon which proceeds of any business interruption insurance are paid or are payable to the Franchisee or other occupiers of the Premises. Each charge or sale upon installment or credit shall be treated as a sale for the full price in the week during which the charge or sale is made, irrespective of the time when the Franchisee receives payment (whether full or partial). Net Sales does not include (i) the amount of any tax imposed by any federal, state, municipal or other governmental authority directly on sales and collected from customers if such tax is added to or included in the selling price and actually paid by the Franchisee to such governmental authority, (ii) the amount of the refund or credit given in respect of any products returned or exchanged by a customer for which a refund of the whole or a part of the purchase price is made or for which a credit is given, provided that the selling price was included in Net Sales, and (iii) the amount of any credit granted by the Franchisor to the Franchisee under any coupon redemption or similar promotion program. The percentage based Continuing Fee is due and payable to us on the 5th day of the month following the opening of the Restaurant. For example, if the Restaurant opens on the 15th of April, your first Continuing Fee payment is due on May 5th.

The Continuing Fee during the Renewal Term will be the Continuing Fee for the final year of the Initial Term of the then current form of Franchise Agreement for single unit new franchises. It may continue as a percentage based Continuing Fee for the Renewal Term or it may change to a flat monthly continuing fee for the Renewal Term.

To facilitate payment of the Continuing Fee, you will allow us to make monthly ACH withdrawals or you will set up a direct deposit system, at our option.

You will be required to install an Electronic Point of Sale System (See Item 11). This system will allow us to collect a wide variety of data about your Restaurant.

We may negotiate a lower Continuing Fee with institutional franchisees. We may defer collection of the Continuing Fee for franchisees who need assistance, provided they meet our criteria for deferral.

If any federal, state, or local law prohibits us from retaining any rebate (See Item 11), regardless of whether or not you receive the rebate, we may increase your Continuing Fee by up to 1.5%. This increase will be effective on the first date that we are no longer able to retain the rebate.

We may facilitate the transfer of existing Franchise Agreements with a flat monthly Continuing Fee to existing franchisees who have convincingly demonstrated an ability to successfully

operate a Pita Pit franchise. Such franchisees will receive a copy of our Flat Monthly Continuing Fee Addendum and Flat Monthly Fee Amendment to Franchise Agreement as part of the disclosure document they receive.

Note 2 - General Advertising Fund

The General Advertising Fund (the "GAF") was established on January 1, 2007. Net Sales is as defined in Note 1 immediately above. We may negotiate a lower GAF with institutional franchisees. There is more information on the GAF in Item 11 of this disclosure document.

Note 3 - Transfer Fee

The Transfer Fee is non-refundable, even if we reject the proposed transfer. We may waive the collection of the Transfer Fee, or reduce the amount to be collected, in certain circumstances.

Note 4 - Additional Assistance

We may conduct additional seminars or other training programs for the benefit of franchisees, and you and/or your managers may be required to attend. You will have to pay all expenses for each individual from the Restaurant who attends and we may charge you a reasonable fee. The maximum fee that we may charge you for additional training is \$2,500 per individual. This is the cost to us of providing our complete training program. If the additional training is less than our complete training program, the fee that we charge you will be less. If we are required to provide additional assistance to ensure that our franchised system is being properly implemented, you may be required by us to pay our costs associated with providing that additional assistance, including but not limited to our travel, food, and lodging costs incurred, as well as our time.

Note 5 - Audit Fee

If we audit your business and find you have under-reported Net Sales by 3% or more, you must pay the costs of the audit, including the travel expenses, room, board, and compensation of the auditor, and any of our employees involved. You must also make-up any shortfall in your Continuing Fee, if based on percentage of Net Sales, and contribution to the GAF. We also may terminate the Franchise Agreement, if you under-report the Restaurant's Net Sales by more than 3%.

Note 6 - Indemnification

You must reimburse us, if we or any other indemnified party are held liable for claims arising from the operation of the Restaurant.

Note 7 - Renewal Fee

This fee is paid to us upon renewal of the Franchise Agreement for an additional term of either ten years or until the expiry of the lease or sublease of the premises. Provided you have complied with all requirements set forth in the Franchise Agreement for its renewal, you may apply all but two thousand five hundred dollars (\$2,500) of the twenty-five thousand dollar (\$25,000) renewal fee toward the cost of upgrading the Restaurant to our then current image,

standards, and specifications. If the cost of these upgrades is less than \$22,500, you will not be obligated to pay the balance to us. If the cost of these upgrades exceeds \$22,500, you will be obligated to complete and pay for such upgrades.

Note 8 - Taxes on Fees

You must pay any sales tax, use tax, gross receipts tax, or any other tax on your fee payments. Taxes may be payable at the federal, state, county or municipal levels. If we are required to collect any taxes on your fee payments, you will pay them to us and we will forward payment to the appropriate taxing authority.

Note 9 - Late Payments

Interest begins from the date of the underpayment. We may charge interest at an annual rate equal to 5% above the highest domestic prime rate published in The Wall Street Journal, adjusted daily, but not greater than the maximum rate allowed by law in the state where the Restaurant is located. We may waive collection of late payment charges in certain circumstances.

Note 10 - Loyalty/Gift Card Fee

Heartland Payment Systems, Inc. administers our loyalty /gift card program. Participation in this program is mandatory. The loyalty/gift card fee is paid to Heartland on your behalf out of the General Advertising Fund. You must reimburse the General Advertising Fund for this fee in addition to your regular General Advertising Fund payment. Additionally, there is a one time \$190.00 fee, payable to Digital Lizard, for the Loyalty/Gift Card start-up kit. The start-up kit consists of two 8.5" x 11" acrylic stands, 1,000 PIT cards, and 50 color redemption schedules. There is also a one time \$50 terminal set up fee (per terminal), payable to Heartland Payment Systems, Inc., to initiate service and includes (i) a user manual, (ii) a questionnaire to be completed by you in advance of the program set-up, and (iii) downloading of the Heartland software.

Note 11 - NSF Fee

We may waive collection of the NSF Fee in certain circumstances.

Note 12 - Lost System Manual

We may waive collection of the Lost System Manual Fee in certain circumstances.

Note 13 - Liquidated Damages

The projected Continuing Fee will be calculated using the average monthly Net Sales during the last six (6) months that business was conducted at the Restaurant, or if business has been conducted at the Restaurant for less than six (6) months, then the average over the actual operating period.

Even though we may waive, reduce or defer fees for other franchisees in certain circumstances, we are under no obligation to do so for you.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT					
Type of Expenditure	Amount		Method Of Payment	When Due	To Whom Payment Is To Be Made
	From	To			
INITIAL FRANCHISE FEE (See Item 5)	\$20,000	\$25,000	Lump sum	When you want to be considered for a franchise and upon signing a Deposit Agreement	Us
INITIAL RENT & SECURITY DEPOSIT (Note 1)	\$2,400	\$10,000	Lump sum	Upon signing Lease or Sublease	Lessor, Sub-Lessor as they designate
OPENING CASH	\$500	\$1,000	As incurred	As incurred	Vendors
LEASEHOLD IMPROVEMENTS (Note 2)	\$33,162	\$148,379	As incurred	Upon signing Lease or Sublease, or as arranged	Contractor, Lessor
BUSINESS LICENSE (Note 3)	\$200	\$2,500	As incurred	When required	State, Municipal agencies
INSURANCE (Note 4)	\$1,500	\$4,500	Varies	As arranged and required	Us, Broker, Insurance co.
STORE LAUNCH AND DAILY DISCIPLINE MARKETING PROGRAM PACKAGE (Note 5)	\$6,000	\$6,500	Lump sum	As arranged	Approved suppliers
LEGAL & ACCTG FEES (Note 6)	\$500	\$2,500	As incurred	As arranged	Lawyers Accountants
INITIAL FURN., FIX., EQUIP. PKG (Note 7)	\$68,835	\$76,788	As incurred	As arranged	Vendor, Lender, Leasing firm
STAFF AND MANAGEMENT TRAINING EXPENSE (Note 8)	\$1,000	\$3,200	Upon attendance	As arranged	Accommodation providers, Restaurants, Airlines, etc.
UNIFORMS	600	1,000	As incurred	As arranged	Vendor
INITIAL INVENTORY PACKAGE (Note 9)	\$5,000	\$8,000	As incurred	As arranged	Vendor, Lender, Leasing firm
COCA-COLA FREESTYLE PROGRAM FEE (Note 10)	\$300	\$300	Ongoing monthly fee	Each month	The Coca-Cola Company

YOUR ESTIMATED INITIAL INVESTMENT					
Type of Expenditure	Amount		Method Of Payment	When Due	To Whom Payment Is To Be Made
	From	To			
ADDITIONAL FUNDS (for 3 months) (Note 11)	\$25,650	\$31,500	As required	1st day of the month following the opening of the restaurant or as needed	Suppliers, Lessor, Employees, etc.
LOCAL ADVERTISING (Note 12)	1% of Net Sales of the Restaurant		As incurred	As arranged	Vendors
LAPTOP COMPUTER (Note 13)	\$450	\$1,500	As incurred	As arranged	Vendor
TOTALS (Note 14)	\$166,097	\$322,667			

Note 1 - Initial Rent & Security Deposit

The initial start-up expenses include first month's rent and a security deposit equal to another month's rent, both paid in advance. The space needed for the Restaurant is estimated to be approximately 1,000-1,400 square feet. Rent will vary by location. We will provide guidance to you for converting a potential location into the Restaurant. Typically, the owner of the leased premises will pay the commission of any local real estate broker that you hire. If the owner refuses to pay the commission and you choose to go forward with that location, you will have to pay the commission.

Note 2 - Leasehold Improvements

These leasehold improvements typically include items such as floor coverings, interior cosmetics, plumbing, electrical work, millwork, pita counters, mechanical work, general construction, architectural services, city plan fees, etc. The cost of the improvements will vary from location to location depending on landlord design criteria, contractor pricing, and the condition of the premises. There is no guaranty that your costs will fall within this range. If the lessor makes all necessary leasehold improvements, it is possible that such costs will be included in or added to the monthly lease payment, and no front-end out-of-pocket expenses need be paid by you. In certain circumstances, you may be able to negotiate a tenant inducement from the landlord to offset part of these costs. For example, in 2014, 32 franchisees opened new Pita Pit restaurants. During lease negotiations, 16 of these 32 franchisees were able to negotiate the landlord's payment of tenant improvement ("TI") money, intended to off set the cost of leasehold improvements. The average size of these 16 restaurants was 1,574 square feet. The average TI money paid per location receiving these funds was \$25,703. There is no guarantee you will receive TI money.

Note 3 - Business License

The cost of business licenses will vary by location.

Note 4 - Insurance

You must purchase insurance coverage as required under your lease or sublease, as required by law, and as required by us. We require you to participate in our insurance program as detailed more fully in Item 8.

Note 5 - Daily Discipline Marketing Program Package

You are required to participate in the Store Launch and Daily Discipline Marketing Program which includes a grand opening marketing package. This will require that you purchase certain printed materials. Printing supply costs will vary depending upon location specifics, such as whether local ordinances allow you to display an exterior A-Frame sign, banners, flags, etc., and the amount of initial stock of promotional material that you have printed. The Store Launch and Daily Discipline Marketing Package will vary with the expected volume of sales and will include a banner, A-Frame sign, sign holder, loyalty cards, direct mailers, car topper and wrap, various menus, sales tracker, free pita cards, various window clings, business cards, letterhead, envelopes, packaging, various coupons and invoices. The Store Launch and Daily Discipline Marketing Package will also include a grand opening marketing campaign to include several advertising and promotional tactics designed to create awareness and drive traffic during the store opening timeframe. For the sake of economy, consistency of Names and Marks and quality control, the printed materials may only be purchased from an approved supplier.

Note 6 - Legal and Accounting Fees

Legal and accounting fees include monies needed to create your business entity (e.g., incorporation) and set up its books and records. Section 12 of the Franchise Agreement has considerable detail relating to the record keeping requirements. You must keep accurate records of customer inquiries, sales, marketing activities, closeout sheets, payroll, and accounts payable in accordance with the standard accounting system prescribed by us in the System Manual.

Note 7 - Initial Furniture, Fixtures, Equipment Package

The Restaurant fixturing package includes kitchen equipment, walk in cooler/freezer, slicer, chairs, exhaust hood (with fire suppression), griddle, sinks, shelving, electronic cash register or electronic point of sale (POS) system, interior and exterior signage, etc. needed by you to open the Restaurant.

Note 8 - Staff and Management Training Expense

Expenses in connection with training will vary with the number of people trained and the distance from the training center.

Note 9 - Initial Inventory Package

The initial inventory package will depend somewhat upon the size of the initial order and size of the store. Such considerations as shipping time, season, store room size and other factors dictate the size of the initial inventory.

Note 10 - Coca-Cola Freestyle Program Fee

You are required to serve Coca-Cola fountain beverages, utilizing Coca-Cola's Freestyle fountain soda dispenser. The Coca-Cola Company charges a \$300 monthly program fee which is paid by you directly to The Coca-Cola Company. The program fee covers rental of the Freestyle equipment, mechanical reactive and reasonable preventative service, standard wireless connectivity, and accumulation of standard consumption data.

Note 11 - Additional Funds

This is an estimate of your initial start-up expenses for the first 3 months of operation. It includes payroll, supplies, online ordering service, utilities and ordinary maintenance. We cannot guaranty that you will not have additional start-up expenses. This estimate does not include the Continuing Fee, General Advertising Fund Fee, food and beverage costs, or your rent for months 2 and 3 (which may be \$1,200 to \$5,000 per month depending on your location and local vacancy rates). It does not include a franchisee's salary. This estimate does not reflect any sales revenue you may earn from operations which may help you offset these expenses. Your actual expenses may vary depending on the size and location of your restaurant, your own management skill, economic conditions, the time of year, competition in your area, the sales level reached during the initial period and other factors. You should develop your own business plan with a cash flow chart in order to better anticipate the amount necessary to cover any cash short fall in the initial months of operation.

Note 12 - Local Advertising

Under the Franchise Agreement, you must spend 1% of your Net Sales on local advertising each year.

Note 13 - Laptop Computer –

You are required to purchase a laptop which should be brought to training at our National Training Center. The laptop must meet the following minimum hardware and software specifications.

Hardware and Peripherals: 2 GHz or faster processor; 4GB or more RAM; 50GB or larger hard drive; Ethernet or Wi-Fi internet capability; 1024x768 or greater resolution monitor and supporting video card; Sound card with built-in speakers; Microphone; Web camera capable of video web conferencing or Skyping; DVD/CD-ROM; USB 2.0 or higher; HDMI or display port.

Software Applications:

- Operating system:

- Microsoft® Windows® 7 or later OR
- Mac OS® 10.4 or later
- Microsoft Office® 2010 or later for a personal computer (PC), Microsoft Office 2011 for a Mac® computer.
- One of the following Internet browsers:
 - Microsoft Internet Explorer® 8.0 or later
 - Mozilla® Firefox® 3.5 or later
 - Google Chrome™ 7.0 or later
 - Apple® Safari® 5.0 or later
- Adobe® Reader® 9.0 or later
- Adobe Flash® plug-in 10.0 or later
- Local administrative privileges (for required operating system software installation)
- Antivirus application recommended (updated regularly)
- Personal Email account (Outlook, Gmail, Yahoo, etc.)

Note 14 - Totals

The total does not include your personal living expenses, applicable taxes (including state sales and use tax which may be applicable to the Furniture, Fixtures and Equipment and other items required to open your Restaurant), and local advertising. We have relied on our experience granting franchises in the United States to provide these estimates. There may be regional differences that we have not considered.

If you exercise your option to sell our smoothie line of products, you will have additional initial investment costs. We estimate these costs as follows:

	AMOUNT	
	From	To
LEASEHOLD IMPROVEMENTS	\$300	\$600
INITIAL TERM, FIX, EQUIPMENT PACKAGE	\$6,500	\$8,000
OPENING ADVERTISEMENT	\$1,000	\$2,000
INITIAL INVENTORY PACKAGE	\$1,000	\$1,000
ADDITIONAL FUNDS (includes extra staff expenses)	\$150	\$300
<u>TOTALS</u>	\$8,950	\$11,900

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

All products or services that you purchase or lease must comply with the standards and specifications in the System Manual. Included are standards and specifications for delivery, performance, design, appearance, grade and composition. We may amend these standards and specifications at any time without notice to you. If we change our Names and Marks, we will reimburse you for expenses that you reasonably incur to replace signs and other printed material.

We will not reimburse you for any other expenses incurred by you because of a change in our standards and specifications.

In establishing the Restaurant, you must purchase or lease all fixtures, equipment (including the point of sale system) and signs from our approved suppliers. In operating the Restaurant, you must purchase all food and beverage products, paper materials and other supplies, uniforms, printing, insurance and other services from our approved suppliers. We will provide you with a list of approved suppliers. For some of these fixtures, equipment, signs, products, supplies and services, we may designate one supplier from whom you must purchase. You may be required to enter into a written agreement with certain designated suppliers. For example, each franchisee must enter into certain participation agreements and leases with the Coca-Cola Company with respect to fountain beverages and Coca-Cola equipment placement, a Franchisee Participation Joinder Agreement with U.S. Foodservice, Inc. for the purchase of food, beverage and supplies, and an Oven Loan Agreement with Otis Spunkmeyer with respect to the lease of a cookie oven. You must purchase POS software from ParTech, Inc., Restaurant Magic back of house software from AccSys, Inc., and POS hardware from our designated supplier. We are currently vetting the following four vendors: (i) Hewlett-Packard, (ii) ParTech, (iii) NCR, or (iv) Panasonic and will choose one as our designated supplier (See Item 11). In addition, you must purchase counters from 1499856 Ontario Inc., operating as Johnny Counters Bars and Booths, signage from Abracadabra Signs and Designs (for interior artwork and menu boards on new construction), Idaho Electric Signs (for exterior signage), and Howard Industries (for drive-through signage and menu boards and interior artwork for mid-term upgrades, transfers, and franchise agreement renewal), loyalty/gift card services through Heartland Payment Systems, Inc. (See Item 11), on line ordering services through spluck-it, Inc., restaurant equipment and supplies from Hendrix Hotel & Restaurant Equipment, a division of Vander Baaren Holdings Ltd., uniforms from Carpe Diem Sales & Marketing, Inc., and use any other supplier we designate before or after you enter into the Franchise Agreement.

To become approved, a supplier must: (a) demonstrate an ability to meet our standards and specifications; and (b) possess adequate quality control and capacity to meet your needs properly and reliably. To become a designated supplier, in addition to the preceding requirements, the supplier must also be capable of supplying the System on a regional, national or international basis at prices that are more competitive than those of our current designated supplier, including any rebates that are payable to us.

If you want to purchase or lease from an unapproved supplier, you or the supplier must send us a written request for approval. Our representatives must be allowed to inspect the supplier's facility and we may require that samples from the supplier be delivered to us or to an independent consultant designated by us for testing. You or the supplier must pay our reasonable inspection costs and the actual testing costs. Our inspection costs may include round trip air fare from our headquarters to the supplier location in addition to all related travel expenses such as food, lodging and auto rental. The testing costs may include the expenses and fees of outside companies to evaluate nutritional components and quality of the food or other products. If a supplier meets our criteria for approval, we will not unreasonably withhold approval. After all required testing and inspection is completed, we will approve or disapprove your proposed supplier within 30 days. We may re-inspect the facilities and re-test the products of approved

suppliers. If, at any time, an approved supplier fails to meet our criteria for approval, we may revoke our approval.

We are entitled to all volume discounts, rebates or discount bonuses which we receive from a supplier whether or not they are on account of our own purchases or those of our franchisees. We receive rebates from certain of the approved and designated suppliers, ranging from \$0.001 to \$0.075 per Unit, Ounce, or Slice, as well as from 0.50% to 0.875% on products purchased from those suppliers. We also receive a rebate of 20% of the value of the initial purchase price on the equipment and wares installed and utilized in the restaurant operation. We also receive flat payments from a designated supplier in the amount of \$1,333 per month. This flat payment does not impact the price you pay for goods and is intended to defray a portion of the cost associated with our annual franchisee conference. We do not receive a rebate on signage, counters, or the point of sale system.

We may use any of the above payments we receive for any purpose we deem appropriate. The amount of these rebates, as well as the suppliers from whom we receive rebates, is subject to change. In 2014, we earned a total of \$1,720,094 in rebates from suppliers which accounted for 24.66% of our total revenue of \$6,974,479. These figures are taken from our internal books and records.

As stated in Item 6, if any law prohibits us from retaining any rebate, we may increase your Continuing Fee.

In the past we typically entered into leases with landlords for restaurant locations. However, it is our current intent that you enter the lease with the landlord although occasionally, in our sole discretion, we may enter into the lease with the landlord or may guaranty your lease. If we enter into the lease, you will enter into a Sublease for the restaurant location with us. The Sublease provides for the pass-through of the costs and obligations of the main lease to you. You must pay all rents and other amounts payable under the Sublease to us directly or to the person from whom we lease the property or as otherwise directed by us. If you are directed to pay these amounts to us, we will subsequently pay them to the person from whom we lease the property or as otherwise directed under the lease. We may require you to pay \$500 for obtaining the Head Lease and to cover administrative costs. This fee is retained by us. This fee was not assessed by us during the last fiscal year but it may be charged in the future. We may require you to pay us the first and last month's rent (or other security deposit) before we enter into the Head Lease and before we enter into the Sublease with you. This amount will in turn be paid to the landlord. Attached to this disclosure document as Schedule "B" to Exhibit C is the form of Sublease.

Our affiliate, Bread Movers, LLC, supplies pita bread to U.S. Foodservice, Inc. In 2014, our affiliate's gross revenue from pita bread sales to U.S. Foodservice, Inc. was \$3,201,118. This figure is taken from our affiliate's internal books and records and does not include any of its costs or expenses associated with acquiring and transporting the pita bread to the various U.S. Foodservice warehouses throughout the United States.

We have developed an insurance program to assist you in meeting your insurance needs as a franchisee. Our insurance program is available in most, but not all regions. You are required to purchase insurance through our insurance program in the regions where it is available. We have

designated Lawley Andolina Verdi, LLC as our Managing General Agent (“Agent”) for our insurance program, with an insurance package with “A” rated national carriers. This will include, but not necessarily be limited to, Property, Comprehensive General Liability, Business Income, Spoilage, Food Contamination and other coverage enhancements, Non-Owned Vehicle Liability (in regions where available), Workers Compensation and Excess Liability-Following Form Coverage. In regions where our insurance program is available, you must purchase your insurance as specified by our Agent to meet the requirements of the Franchise Agreement, the lease and/or sublease and state and federal laws.

Currently, the insurance coverage includes Comprehensive General Liability Insurance, including Products Liability and Completed Operations coverage in the minimum amount of \$2,000,000 per occurrence (\$4,000,000 aggregate), with an additional \$1,000,000 Umbrella coverage, and \$1,000,000 Non-Owned Vehicle Liability (where available). Statutory Workers Compensation coverage is available to you as an option in our insurance program if you prefer not to obtain this coverage through other available sources.

You must have Non-Owned Vehicle Liability coverage of \$1,000,000 Combined Single Limit regardless of whether or not you intend to use non-owned vehicles in the operation of your Restaurant. This coverage may not be available through our insurance program, as the program is not available in all regions. You should make sure you thoroughly research the availability of coverage and factor in all associated costs.

If you own and use a motorized vehicle of any sort in the franchise operation (such as in providing catering or delivery services) you must have Owned Vehicle liability insurance with a minimum coverage of \$1,000,000 Combined Single Limit. This coverage is not standard in our insurance program and costs will vary significantly from region to region. You should make sure you thoroughly research the availability of coverage and factor in all associated costs.

You must purchase Property insurance to cover the value of your improvements to your franchise location as well as the value of your business contents. Your General Liability insurance must fully protect you and us against all loss or damage occurring in connection with the operation of the Restaurant. All insurance policies required by the Agreement that are not available through the Agent must be written by an insurance company satisfactory to us. The amount of required coverage will be set out in the System Manual or otherwise specified by us in writing. Upon obtaining the required insurance and on each policy renewal date thereafter, you must promptly submit evidence of satisfactory insurance and proof of payment to us, along with copies of all policies and policy amendments and endorsements. The evidence of insurance shall include a statement by the insurer that the policy or policies will not be canceled or materially altered without giving at least thirty (30) days’ prior written notice to us and we must be named as an additional insured. If you should fail to maintain the required insurance, we may obtain it and you must pay us the earned premiums and all of our related expenses. If you are financing your Property through Pita Pit, Inc., or one of its principal shareholders, we or they must be included as a Loss Payee under the Property section of your insurance policy.

In the event our insurance program is changed, terminated, or your franchised location is not eligible to be a member (as may be the case in some regions or situations), you will be required to obtain your own insurance as set out above. **It is your responsibility to perform your due**

diligence on the cost and availability of insurance coverage sufficient to meet our requirements (including the use of owned and non-owned vehicles), as well as any additional requirements you may deem necessary.

Except as discussed above, none of the designated and approved suppliers is related to or affiliated with us. We do not provide you any material benefits for using our designated and approved suppliers, except as set out in your agreements with certain suppliers which may contain incentives or discounts. You do not receive any material benefits from our designated and approved suppliers, but the System benefits as a whole from consistent quality and reliable service.

The cost of products and services purchased in accordance with our standards and specifications and from approved suppliers represents 95% of your total purchases in connection with establishing the Restaurant and 95% of your total purchases in connection with operating the Restaurant.

There are no purchasing or distribution cooperatives.

**ITEM 9
FRANCHISEE'S OBLIGATIONS**

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

Obligation	Sections In Franchise Agreement	Disclosure Document Items
a. Site selection and acquisition/lease	6(2) and (3) also see Sublease	6 and 7
b. Pre-opening Purchases/ Leases	7 and 8(1)(c)	7 and 8
c. Site Development and other pre-opening requirements	6, 7 and 8(1)(h) also see Sublease	6, 7 and 11
d. Initial and On-going Training	5 and 8(1)(g)	11
e. Opening	5 and 8(1)(a)	11
f. Fees	3(1), (2) and (3), 4(2), 5(2), 7(4), 9(3), 10(4), 12(3), 15(2)(h) and 21(1), (3) and (4) also see Sublease	5 and 6
g. Compliance with standards and	7, 8 and 9	11 also see <u>Exhibit L</u>

Obligation	Sections In Franchise Agreement	Disclosure Document Items
policies/Operating Manual		
h. Trademarks and Proprietary Information	8(1)(j), (k) and (l), 9(2) and 11 also see Schedule “C” to <u>Exhibit C</u>	13 and 14
i. Restrictions on Products and services offered	8(1)(c) and (j), (2), (3), (4) and (7)	16
j. Warranty and Customer Service	8(1)(a) – (c), System Manual (Proprietary)	11
k. Territorial Development and sales quotas	Not applicable	Not applicable
l. Ongoing product/ service purchases	8(2) – (5)	Not applicable
m. Maintenance, appearance and remodeling requirements	8(1)(d) and (e)	11
n. Insurance	13	5, 6 (Note 7), 7 and 8
o. Advertising	8(1)(f) and 10	6, 7 and 11
p. Indemnification	21(3) and (4)	6
q. Owners participation/ management/ staffing	8(1)(a), (b) and (i)	15
r. Records and Reports	12	6
s. Inspections and Audits	12 and 15(4)	6
t. Transfer	15 and 16	17
u. Renewal	4(2)	17
v. Post Termination obligations	6(4), 9(2) and (3), 14(2) and 17(2) – (7)	17
w. Non-competition Covenants	14	17

Obligation	Sections In Franchise Agreement	Disclosure Document Items
x. Dispute Resolution	21(12), (13) and (26)	17
y. Taxes	3	5 and 6
z. Guarantee	18	15

ITEM 10 FINANCING

Franchisees of our System are eligible for expedited and streamlined SBA loan processing through the SBA’s Franchise Registry Program, www.franchiseregistry.com. If you are successful in obtaining SBA funding, by prior agreement with the SBA, we are required to enter into a Franchise Agreement Amendment with you in the form attached to the Franchise Agreement as Schedule G. The Amendment restricts our right of first refusal to the purchase and sale of the whole of your interest in the Franchised Business and obligates us to give the lender providing the SBA assisted loan priority over any lien we may have filed against you.

Third party financing or leasing of POS Systems, fixtures, office equipment and other equipment may be available to you in your local market.

We may refer you to unaffiliated financing companies. We or our affiliates do not receive any direct or indirect payments for placing financing. Our franchise system has been pre-approved by the United States Small Business Administration who may at their discretion provide you with a loan guaranty. We do not guaranty your obligations to third parties.

We offer only the following indirect financing:

Item Financed (Source)	Amount Financed	Down Payment	Term (Years)	APR	Monthly Payment / Prepayment Penalty	Security Required	Liability Upon Default	Loss Of Legal Rights On Default
Leased Space (Us) See Note 1	Varies	Approx. \$2,400 - \$10,000 See Item 7	Varies	Not Applicable	Approx. \$1,200 - \$5,000 See Item 7 / Varies according to Head Lease	(See Down Payment) Varies according to Head Lease	All rent & interest on unpaid amounts; All property may be removed and stored at your cost; Indemnify us for our costs under the Head Lease	Waive trial by jury; No notice or legal proceeding is required before we repossess the premises and remove your property.
Existing Corporately Owned Restaurants (Our affiliate owning the particular	Varies	20% of purchase price	5 years	6%	Varies depending on amount financed / No prepayment penalty	Personal Guarantee and secured interest in restaurant’s furniture, fixtures,	Accelerated obligation to pay the entire amount due; obligation to pay attorneys’ fees and cost if non-prevailing	Governing law with be that of the state of Idaho and jurisdiction and venue shall be in the courts

Item Financed (Source)	Amount Financed	Down Payment	Term (Years)	APR	Monthly Payment / Prepayment Penalty	Security Required	Liability Upon Default	Loss Of Legal Rights On Default
corporate restaurant) See Item 2 See Note 2						equipment, and personal property	party; termination of franchise agreement; assignment of franchise agreement; termination of an affiliated franchise agreement through its cross default provision, repossession of collateral; payment of an additional 10% interest on all outstanding amounts.	located in Kootenai County, Idaho. Waiver of any defense relating thereto, including lack of personal jurisdiction, lack of venue, or forum non conveniens
Remodeling and equipment repair/replacement (Balboa Capital Corporation – 2010 Main St., 11 th Floor, Irvine, CA 92614) Balboa is an unaffiliated third party vendor See Note 3	Varies	No down payment required.	24 to 60 months.	APR depends on final credit review but generally ranges between 5.9% to 9.9%.	Varies depending on amount financed / prepayment is not allowed. Debtor must repay in accordance with the financed terms.	No personal guarantee. Security interest in the purchased furniture, fixtures, equipment, and other personal property is required.	Accelerated obligation to pay the entire amount due; creditor may repossess and sell secured collateral; pay creditor's costs and expenses (including attorneys' fees); payment of an additional 18% on all outstanding amounts.	Governing law will be that of the State of California and jurisdiction and venue shall be in the courts located in Orange County, California. Upon default, Balboa Capital may repossess the collateral without demand, notice, or process of law. In such event, Balboa Capital will additionally not be liable for damage to the collateral.

Note 1 - Sublease

In the past we typically entered into Head Leases with landlords for restaurant locations. However, it is our current intent that you enter the Head Lease with the landlord although occasionally, in our sole discretion, we may enter into the Head Lease for the Restaurant premises with the landlord. The landlord is usually unrelated to us. If we do enter into the Head Lease, you will enter into a Sublease for the restaurant location with us. You must pay rent to us or any one we direct. We may require you to allow monthly ACH withdrawals or set up a

monthly deposit to facilitate payment during the Sublease term. You must pay all taxes and other government assessments levied against the premises, improvements and the business carried on at the premises. You may be required to pay us a \$500 administrative fee. (Section 4 of the Sublease (“S.L.”))

The Sublease incorporates the landlord’s form of head lease (the “Head Lease”) which will vary. You must comply with the Head Lease and are responsible for all charges arising under it. (Sections 5 and 15 S.L.) Under most Head Leases, the Landlord has a right to approve any sublease. If approval is not obtained, the Sublease is null and void. (Section 14 S.L.) We may have to vary the terms of the Sublease to obtain approval. The Landlord may require a security deposit which we will obtain from you. (See Item 7 and Item 8) The Landlord may require you to personally guaranty the Head Lease. You must obtain business interruption and rental insurance. You also must obtain any other insurance required under the Head Lease. (Section 10 S.L.) If you default under the provisions of the Head Lease, we may terminate the Sublease on 10 days written notice and/or re-enter and repossess the premises without notice. You must indemnify us for all taxes and other government assessments and all costs arising under the Head Lease. (Section 4 S.L.) We recommend that you read the Head Lease carefully.

If you wish us to renew the Head Lease and the Sublease, you must give us notice not more than 1 year and not less than 180 days before the end of the initial term or any renewal period. We may or may not renew in our sole discretion.

You require our consent to assign the Sublease, except if you are assigning it with the Franchise Agreement and have complied with the Franchise Agreement’s assignment provisions. (Section 6 S.L.)

A default under the Sublease is a default under the Franchise Agreement and we may terminate your Franchise Agreement if the default continues for 20 days after you receive a written notice of the default. (Section 17 F.A.) If your Franchise Agreement is terminated or you are in material default under it, we may terminate the Sublease. (Section 14 S.L.) If you do not pay the rent, leave the premises vacant for 3 business days, fail to continually operate the Restaurant, or otherwise default under the Sublease, we may terminate the Sublease on 10 days written notice and/or re-enter and repossess the premises without notice. Upon termination, you must vacate the premises and we may remove and store your property at your expense. (Section 18 S.L.) If we terminate the Sublease, you will remain liable for the balance of the payments under the Head Lease. (Section 4 S.L.)

We may charge you interest on unpaid amounts at a specified prime commercial lending rate plus 5%. (Section 17 S.L.) The Sublease is subordinate to any mortgage on the premises. (Section 13 S.L.) All amount due under the Franchise Agreement are deemed rent under the Sublease and may be collected by us with all remedies under the Sublease available to us. (Section 11 S.L.) We both waive all rights to trial by jury. (Section 18 S.L.) We recommend that you review the Sublease carefully.

Note 2 - Promissory Note; Security Agreement; Unconditional Guarantee

If you meet the requisite credit standards, our affiliate owning the particular corporate restaurant you wish to purchase, may finance up to 80% of the purchase price over a five year term at an interest rate of six percent (6%) per annum. A personal guarantee and security interest in the restaurant's furniture, fixtures, equipment, and personal property (including the franchise agreement), are required. The note can be prepaid without penalty at any time during the five year term. If you do not pay on time, our affiliate can demand immediate payment of the full outstanding balance and obtain attorneys' fees and costs associated with enforcing its rights under the note, security agreement, and guarantee. Our affiliate can also demand an assignment of the franchise agreement, repossess the collateral, and require payment of an additional ten percent (10%) per annum interest on all outstanding amounts. We can also terminate the franchise agreement, or if applicable, another of your franchise agreements under its applicable cross default provision. You waive any defense relating to the requirement that the governing law is that of the state of Idaho and jurisdiction and venue being in the courts located in Kootenai County, Idaho. The forms of note, security agreement and guarantee are attached as Exhibits I, J, and K.

Note 3 – Balboa Capital Corporation – Financing

Balboa Capital Corporation ("Balboa") has agreed to provide 100% financing to qualifying franchisees wishing to remodel and refurbish their Pita Pit restaurants. The term is 24 to 60 months with an interest rate determined upon final credit review, but generally 5.9% to 9.9% per annum. You are not obligated to provide a personal guarantee, but a security interest in the purchased furniture, fixtures, equipment, and personal property is required. If you do not pay on time, Balboa Capital can demand immediate payment of the full outstanding balance and obtain attorneys' fees and costs associated with enforcing its rights under the financing agreement and security agreement. Balboa may also repossess the collateral without demand, notice, or process of law. You agree that the governing law is that of the state of California, and venue being in the courts located in Orange County, California.

Balboa retains the right to assign the financing agreement to a third party, and its obligations thereunder, upon written notice. In such an event, the rights of any assignee shall be free of any claim or defense you may have against Balboa. Under an assignment, you further agree that the applicable law will be the home state of the assignee, and venue will be the home county and state of such assignee.

We do not receive payment or other consideration from Balboa if you use its financing services.

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

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

Pre-Opening Obligations

Before you open your business, we will:

1. Territory (Section 2 and Schedule “A” of the Franchise Agreement (“F.A.”))
Designate your territory.
2. Site Location and Lease Negotiation (Section 6 F.A.)
Assist you in locating a site for the Restaurant and negotiating a lease. At our option, negotiate a lease of the premises in our name. If we negotiate a lease in our name, we will then sublease the premises to you. We do not warrant the success of your location.
3. Site Development (Section 7 F.A.)
Ensure that the premises are developed by you in accordance with our standards.
4. Equipping Premises (Section 7 F.A.)
Provide you with the name of approved suppliers for the necessary equipment, signs, fixtures, opening inventory, supplies, etc. We will sell you the floor and wall tiles necessary to construct the Restaurant. (See Item 8).
5. Training (Section 8 F.A.)
Unless we decide, in our sole discretion, that you do not require training, provide a training program concerning the operation of the Restaurant consisting of approximately 9 business days of training. Training will be provided either in Coeur d’Alene, Idaho or at another location which we may specify. We may decide that you do not require training, if you have prior experience that is relevant to operating the Restaurant (e.g. you have franchised or managed another PITA PIT or similar restaurant). The training sessions will take place prior to opening the Restaurant. These training costs are included in your Initial Franchise Fee, except that you are responsible for all food, lodging and travel expenses for each individual attendee from the Restaurant. (See Item 6). At our option, you and your manager must attend the training sessions. Satisfactory completion of all mandatory training sessions is required. Failure to do so may result in a revocation of the franchise and is a breach of the Franchise Agreement. For details on this training program, please see the Table at the end of this Item 11. We will sell you the uniforms that your staff must wear.
6. Pre-Training Assignments (Section 8 F.A.)
Before you come to training, we will provide you with pre-training assignments (“pre-work”), that must be completed by you prior to attending training. These assignments will relate to operations, marketing, product and pricing, and a demographic study of the area around the Restaurant. Failure to fully complete these assignments may result in your scheduled training class and restaurant opening date being rescheduled to a later date.
7. System Manual (Section 9 F.A.)
Loan you 1 copy of the System Manual which covers such topics as Pre-Opening Procedures, Daily Operations, Marketing, and related matters. The System Manual is our property and must be kept confidential. It may not be loaned out, duplicated or copied in whole or in part in any manner. We may add to and otherwise modify the System Manual periodically, as we think necessary, but no such addition or modification will alter your fundamental status and rights under the Franchise Agreement. You must

follow the directives of the System Manual throughout the term of the Franchise Agreement. A copy of the Table of Contents of the System Manual as of our last fiscal year end is attached to this disclosure document and marked Exhibit L. It shows the number of pages devoted to each subject and the total number of pages in the System Manual is 649. The System Manual is not issued to prospective franchisees but, upon request, we permit prospective franchisees to inspect it at a location determined by us.

Post-Opening Obligations

After you open your business, we will furnish such continuing advice on the following matters as we, in our sole judgment deem reasonably required by you:

1. Products or Services to be Offered by You to Customers (Section 5(1) F.A.)
Selection, purchasing, stocking and display of products and services.
2. Additional Training (Section 5(1) and 5(2)F.A.)
We may consider conducting additional seminars or other training programs for your benefit and you and/or your managers may be required to attend.
3. Advertising and Promotional Programs (Section 5(1) F.A.)
For details see Advertising and Promotion below.
4. Improvements and Developments in the System (Section 5(1) F.A.)
Including new product development.
5. Pricing (Section 8 (4) F.A.)
We will try to determine prices which optimize profits for all Franchisees, and we will advise you periodically, concerning such suggested prices. Any list or schedule of prices furnished to you by us is a recommendation only. We do not represent that the use of our suggested prices will in fact optimize profits.
6. Administrative, Bookkeeping, Accounting and Inventory Control Procedures (Section 5(1) F.A.)
Establish and maintain appropriate procedures.
7. Financial Advice and Consultation (Section 5(1) F.A.)
General financial advice and consultation.

Advertising and Promotion (Sections 5(1)(c) and 10 F.A.)

You must spend a minimum of 1% of Net Sales on local advertising and promotion. You must participate in the Daily Discipline Marketing Program, as such program is delineated by us from time to time. You may apply your expenditure of 1% of Net Sales (for local advertising and promotion), toward the cost of materials necessary for participation in the Daily Discipline Marketing Program. You must submit all advertising and promotional materials and ideas to us for our prior approval. We may develop and provide creative materials for local, regional and national advertising and make such advertising materials available to you and other franchisees for publication or distribution in your market area at your expense. Our advertising and

promotional programs may cover third-party joint venture promotional marketing programs, establishing a telemarketing system for the Restaurant and development of marketing brochures, forms, letterhead, envelopes, business cards, etc., for the Restaurant. There are no limitations on the media through which advertising may be disseminated. Currently, we and our franchisees rely on word of mouth, distribution of coupons, newspaper and radio advertising. The advertising may be developed in-house, or through a national or regional advertising agency. In addition, we may provide specific guidelines for advertising and promotional programs you initiate and reserve the right to disapprove any advertising which, in our opinion, is not in accordance with these guidelines. You must discontinue any advertising and/or promotions that would, in our opinion, be detrimental.

We have a National Franchise Advisory Council. Franchisee members are elected for specified geographic regions by franchisees in that region. The council serves in an advisory capacity only. We have the authority to form, change or dissolve the council.

For the benefit of all franchisees, we administer "the General Advertising Fund" (the "GAF"). (See Sections 10(3) – (7) of F.A.). We established the GAF on January 1, 2007. In the Franchise Agreement, you agree to make contributions to the GAF of up to 2% of Net Sales. (See Item 6). The current amount of contributions to the GAF is 1% of Net Sales but it may be increased by us at any time. The GAF will be maintained and administered by us as follows:

For each PPI-owned business operating under the System, we will make contributions to the GAF on the same basis as comparable franchisee-owned businesses.

We will oversee all advertising and promotional programs and will have the sole discretion to approve or disapprove the creative concept, materials, methods, and media used in such programs, and the placement and allocation thereof. You must agree and acknowledge that the GAF is intended to maximize general public recognition and acceptance of the Names and Marks for the benefit of the System and our franchisees. We are not obligated to make expenditures for any particular franchisee which are equivalent or proportionate to its contribution, or to ensure that any particular franchisee benefits directly or pro-rata from advertising or promotion conducted under the GAF.

All funds paid by the franchisee to the GAF and any earnings thereon will be used firstly to meet any and all costs of maintaining, administering, directing and preparing advertising and promotion activities (including the costs of preparing and conducting advertising campaigns in various media; sponsorship, marketing surveys and other public relations activities; employing advertising agencies to assist; and providing promotional brochures and other marketing materials to the franchisees operating under the System). If we elect to establish a national "800" or toll-free number, the costs incurred may be paid from the GAF. Costs incurred with respect to listing on the World Wide Web may also be paid from the GAF. The GAF will not be used to defray any of our general operating expenses, except for such reasonable administrative costs and overhead, if any, as we may incur in activities reasonably related to the administration or direction of the GAF and its advertising and promotional programs (including conducting market research).

You are required to participate in the Pita Pit loyalty/gift card program. The program is administered through Heartland Payment Systems, Inc. (“Heartland”). There is a monthly fee of \$72 to participate in the program. The monthly fee is paid to Heartland each month out of the GAF. You are then required to reimburse the GAF. Additionally, there is a one time \$190.00 fee, payable to Digital Lizard, for the Loyalty/Gift Card start-up kit. This is payable to the approved supplier Digital Lizard. The start-up kit consists of, two 8.5” x 11” acrylic stands and inserts, 1,000 PIT cards, and 50 color redemption schedules. There is also a one time \$50 terminal set up fee (per terminal) payable to Heartland, to initiate service and includes (i) a user manual, (ii) a questionnaire to be completed by you in advance of the program set-up, and (iii) downloading of the Heartland software.

The GAF will not be our asset. We shall maintain separate bookkeeping accounts for the GAF. A statement of the operations of the GAF, as shown on the books of the GAF, shall be prepared annually and shall be made available to all franchisees upon request. If all advertising fees are not spent in the fiscal year in which they accrue, they will carry over to the next year.

The funds contributed to the GAF in 2014 were spent in 2014 as follows: 15% on production; 11% on media placement; 8% on administrative costs; 10% on hardware; 10% on loyalty card reward program; 11% on digital marketing; and 35% was carried forward to 2015. We expect the amount carried forward to be used for similar expenses in 2015 and for any new advertising and promotional programs that may be developed. We typically carry forward approximately 15% of the GAF contributions from year to year. The 35% carried forward to 2015 relates to several marketing initiatives that were developed in 2014, but were not implemented until 2015.

Establishment of the GAF does not constitute an infringement of your territorial rights. We may use any part of the GAF for advertising the sale of franchises or licenses.

The GAF is intended to be of perpetual duration, but we may terminate it at any time. The GAF will not be terminated, however, until all monies in it have been expended for the purposes described in the Franchise Agreement.

You are not required to participate in any local or regional advertising cooperative.

You may not sell over the Internet or any other communications network without our prior written approval. We recommend the use of a specific online ordering service and may require you to pay the online ordering service fee to us or directly to the service provider.

Computers and Electronic Cash Registers

You must participate in the Daily Discipline Marketing Program. (Section 10(1) F.A.). In addition to purchasing certain printed materials, you must either have or purchase a laptop computer, that must be maintained with the hardware, peripheral, and software specifications set forth in Note 13 of Item 7, as may be amended in the System Manual from time to time. (Section 10(1) F.A.).

You must keep bookkeeping, accounting and recording keeping systems as prescribed by us. (Section 12(1) F.A.).

All sales made at the Restaurant must be recorded on an electronic Point of Sale System (the "POS System"). Before opening the Restaurant, you must purchase the required computer hardware, software, Internet connections and service, required dedicated telephone and power lines and other computer-related accessories, peripherals and equipment that make up the POS System. (Section 12(2) F.A.) You must obtain high-speed communications access for your POS System, such as broadband, DSL or other high-speed capacity. You must also maintain a functioning e-mail address for your business – the words "Pita" and "Pit" cannot be used together in your e-mail address.

We are in the process of moving to a new required POS System. You will be obligated to purchase the POS System specified by us at the completion of this vetting process. We anticipate the vetting process to be completed sometime in 2015. In the interim, you will open your Restaurant using a cash register, which will be supplied by us at no charge. The required POS System will consist of the following:

POS Hardware: The POS hardware will include two touch screen terminals, a cash drawer, and a receipt printer. You will be required to enter a sales agreement and purchase POS hardware from one of the following four vendors, which we will designate at the completion of the vetting process: (i) Hewlett-Packard, (ii) ParTech, (iii) NCR, or (iv) Panasonic. The cost of the POS hardware will be between \$4,000 and \$6,500. You will have the option to purchase an Advance Depot Exchange POS hardware warranty with an annual cost ranging between \$300 and \$400.

POS Software: You will be required to enter a sales and software support agreement to purchase Par/Brink POS software from ParTech, Inc. The initial cost of this software will be \$250. You will be required enter a software support agreement and pay an ongoing monthly support fee of \$90 for your two terminal system and an additional \$45 per month for each additional terminal, should you choose to operate with additional terminals. You will have the option to also add a Kitchen Display System for a monthly fee of \$20.

Back of House (BOH) Software: You will be required to enter a sales and software support agreement to purchase Restaurant Magic BOH software from AccSys, Inc. The initial cost of this software will depend on which features you elect to receive and will range from \$50 to \$238. You will be required to pay an ongoing monthly fee of \$25 for Data Pipe. You will have the option to purchase Data Central Management Suite for a monthly fee of \$119. Data Central Management Suite will consist of: (i) Enterprise Reporting plus Labor Management, (ii) Enterprise Reporting plus Food Costing, (iii) Enterprise Reporting, (iii) EZ Reporting, and (iv) Data Pipe.

You also have the option to purchase the modules contained in Data Central Management Suite individually. If you purchase these modules individually, the monthly cost will be: (i) \$95 for Enterprise Reporting plus Labor Management, (ii) \$95 for Enterprise Reporting plus Food Costing, (iii) \$69 for Enterprise Reporting, and (iv) \$49 for EZ Reporting.

The cost of purchasing and installing the POS System is included in the cost estimate provided for the Initial Furniture, Fixtures and Equipment Package in Item 7.

The POS System will store information concerning your sales, inventory, accounting and other operations. You must provide all assistance we require to bring your POS System on-line with our web based server at the earliest possible time and to maintain this connection as we require. We may retrieve from your POS System all information that we consider necessary, desirable or appropriate. There are no contractual limitations on our right to access information. (Section 12(5) F.A.) We may also inspect, audit and photocopy, during normal business hours, without prior written notice, the receipts and other information generated by your POS System. (Section 12(6) F.A.) If your records and procedures are insufficient to determine Net Sales for any period, we may impose an estimate of Net Sales on you. (Section 12(6) F.A.)

You must maintain your POS System and keep it in good repair. There is no contractual limit on our ability to require you to upgrade the system, add components to the system and replace components of the system. (Section 12(3) F.A.) We cannot estimate the cost of maintaining, updating or upgrading your POS System or its components because it will depend on your repair history, local costs of computer maintenance services in your area and technological advances which we cannot predict at this time.

Upon the expiration or earlier termination of this Agreement, all software, disks, tapes and other magnetic storage media that we provided to you must be returned to us in good condition (reasonable wear and tear excepted) and you must delete all software and applications from all memory and storage.

We may change any of these requirements or items at any time in our sole discretion. Costs of additional hardware and software vary significantly, and computer products are frequently upgraded, superseded, or replaced or become obsolete, all of which can affect your costs.

Location Selection

You must coordinate your efforts to find an approved location through us. You will need to obtain a local real estate broker, acceptable to us, to locate and submit potential locations for consideration in your geographic area. If you do not have a local real estate broker, we will assist you in finding one. Upon your broker's submission of potential locations for consideration, we will determine the suitability of such locations based upon key performance indicators such as proximity to universities or colleges, employment districts, retail centers, co-tenants, and demographics, visibility, foot traffic, accessibility, delivery (if applicable), suitability of the premises to be leased and other factors more fully described in the System Manual. If a suitable location is approved by us, and you wish to proceed with a lease, we will work with you and your broker to prepare a lease proposal for submission to the landlord on your behalf. We will provide a cursory review of a proposed lease, for purposes of comparing with the terms of the lease proposal. You will be responsible, though, for having your own attorney review any such lease to ensure you fully understand and agree to all of its terms and conditions. Your broker's commission will typically be paid by the property owner of your location. In the rare case the property owner will not pay the fee, you can either choose to proceed with the location and pay the brokerage fee on your own or you may choose to continue working with your broker to find another location. The broker's commission is not covered by, and is in addition to, your Initial Franchise Fee. There is no set time limit for us to approve or disapprove the location. If no lease has been entered into by you or by us, at our option, within one year

after signing the Franchise Agreement, then we may terminate the Franchise Agreement by giving 10 days notice of termination to you. At the end of the 10 day period, if no lease has been entered into, then the Franchise Agreement is terminated and we refund to you all amounts received by us under the Franchise Agreement less \$5,000 and any costs and expenses reasonably incurred by us in connection with your franchise and attempts to obtain a location. (See Item 5).

Time for Opening

Franchisees typically open the restaurant within 60 to 120 days after obtaining possession of the leased Premises. The factors that affect the overall timing are the ability to obtain a lease, permitting, local inspection requirements, time for leasehold improvements, delayed delivery of fixtures, local ordinances and weather conditions.

Training

You must attend training. For each Restaurant that you own, there must be at least one designated individual exclusive to that Restaurant, that has successfully completed our training program. Individuals attending training will be required to complete pre-work assignments prior to attending our training program. Failure to do so may result in the scheduled training class and restaurant opening date being rescheduled to a later date.

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
<p><u>PRE-TRAINING WORK</u></p> <ol style="list-style-type: none"> 1. Federal and State Laws Worksheet 2. Employment At Will Document 3. Menu Items and Food Content Worksheet 4. Menu Items Quiz- pass with 100% 5. Safe Food Handling 6. Health and Safety 7. Read "Reviving Work Ethic" book by Eric Chester (Provided to you) 	<p>0</p> <p>The time needed for self-study will vary</p>	<p>0</p>	<p>Location of Your Choice</p>
<p><u>DAY 1</u></p> <ol style="list-style-type: none"> 1. Corporate Meet and Greet 2. History of Pita Pit 3. Pita Pit culture, structure, brand DNA and fundamentals 4. Official Suppliers 5. Cost Management Introduction 6. Food Cost Management 7. Just In Time Food Ordering 8. Labor Cost Management 9. Cost Management Toolkit (CMTK) Introduction 	<p>5.5</p>	<p>5</p>	<p>Coeur d'Alene, Idaho</p>

<ul style="list-style-type: none"> 10. Cost Management Lesson #1 11. Daily Discipline Marketing Program (DDMP) Calendar Lesson and Overview 12. "How Pita Bread is Made" video and presentation 13. Customer Service Unit 14. Homework 			
<p>DAY 2</p> <ul style="list-style-type: none"> 1. Book Study 2. "Making a World Class Pita" video 3. US Foods and Products Presentation 4. Cash Register/POS Training 5. CMTK Lesson #1 Group Analyzing 6. Product Breakdown Analysis Lesson 7. Build-A-Pita Lesson 8. Training Website 	3.5	6-7	Coeur d'Alene, Idaho
<p>DAY 3</p> <ul style="list-style-type: none"> 1. Book Study 2. Cash Register/POS Training 3. Business to Business Canvassing Training 4. Catering & Express Lunches Training 5. CMTK Lesson #2 6. CMTK Lesson #2 Group Analyzing 	2.5	7-8	Coeur d'Alene, Idaho
<p>DAY 4</p> <ul style="list-style-type: none"> 1. Book Study 2. Recruiting, Interviewing, Hiring and Onboarding the Right Staff 3. Employee Files 4. CMTK Scheduling Project Introduction 	3	8-9	Coeur d'Alene, Idaho
<p>DAY 5</p> <ul style="list-style-type: none"> 1. Book Study 2. Preventive Maintenance Presentation 3. Financial Case Studies 4. Contribution Margin 5. Break-Even Point 6. Cost Management Worksheet 7. Insurance 8. Workman's Comp 9. Delivery Drivers 10. Cash Register/POS Training 11. CMTK Scheduling Project Work Time and Q&A 	5	6.5-9	Coeur d'Alene, Idaho
<p>DAY 6</p> <ul style="list-style-type: none"> 1. FranConnect Training 2. Customer Complaints 3. CMTK Scheduling Project Work Time and Q&A 	2.5	5	Coeur d'Alene, Idaho

DAY 7 All In-Store Training this Day	0	4	Coeur d'Alene, Idaho
DAY 8 1. Book Study 2. CMTK Scheduling Project Understanding, Analyzing and Reacting Session 3. Operations Presentation 4. National Marketing Presentation	5	4.5- 5.5	Coeur d'Alene, Idaho
DAY 9 1. Weekly Manager's Meeting (Sample Staff Meeting) 2. "How NOT to Roll 'Em" Video 3. Training Evaluation	2	6.5- 7.5	Coeur d'Alene, Idaho
	TOTAL CLASSROOM HOURS: 29	TOTAL ON-THE-JOB HOURS: 52.5-60	

The required hours of training will vary depending on group size, needs, and dynamics. Typically, total training time will be approximately 115 hours.

Large Groups: In-store time frames vary for larger groups depending on which corporate store in the Ceour d'Alene, Idaho area that you are assigned for training.

Materials are provided for all participants of this training.

We conduct our operations and management training program as required. Our Training Workbook, Power Point Presentations, training DVD's, our reporting forms, various websites, and the POS System manuals will serve as written training materials.

Instructors

Katelyn Capaul, Training Coordinator, oversees and directs all franchisee training at the National Training Center in Coeur d'Alene, Idaho. Ms. Capaul has been involved with training franchisees at the National Training Center since 2007. She holds a bachelor degree in elementary education, with an emphasis in health and human performance.

Members of our corporate staff assist Ms. Capaul with parts of the training program. They are skilled and have working knowledge of the System.

All of these instructors may change if we decide to move training to a different location.

There is no additional fee for the initial training program. You will be required to pay us an additional fee of up to \$2,500 per individual for any additional training programs that we require you or your employees to take. The cost to us of providing our complete training program is \$2,500. If the additional training is less than our complete training program, the fee that we

charge will be less. You must pay all travel, food and lodging expenses incurred by you or your employees for all training.

All franchisees or Equity Owners must attend training. If there are multiple franchisees or Equity Owners for a location, we may exempt a franchisee or Equity Owner who will not be involved in operating the franchise. Managers may but are not required to attend training provided a franchisee or Equity Owner will be involved in the day to day operation of each Restaurant you own. Please also see Item 15. All training must be completed to our satisfaction. We prefer to see training completed no sooner than 4-6 week before opening, but exceptions may be made if there are extenuating circumstances.

ITEM 12 **TERRITORY**

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

You will be granted a territory delineated by a specific geographic boundary. You will not be granted this territory until you have entered into a Franchise Agreement with us and entered a lease, approved by us, for the location of the Restaurant. The territory may be a ½ mile radius around the Restaurant but also may vary depending on population density or market considerations, as determined by us in our sole discretion before you enter the Franchise Agreement. Upon your entering a lease, approved by us, for the location of the Restaurant, a written description of the territory will be provided to you and will be attached to the Franchise Agreement as Schedule "A" (the "Territory"). Upon a transfer of the franchise, we may reduce the territory to our then current standard territory size and may adjust the territory to reflect population changes.

We will refrain from operating or granting franchises to operate a restaurant utilizing the System at a location within the Territory, provided that you are in full compliance with the Agreement, except that we may establish a corporate owned or franchised restaurant at any Institution. We may also license the Institution, or its agents, to use the System and/or our Names and Marks. "Institution" means any facility where the owner or operator wants designated food services for those people who reside, work, attend and/or visit at the facility, including, without limitation shopping centers, office complexes, universities, colleges, hospitals and other health care facilities, airports, military installations, sports complexes, museums, factories and corporate campuses and includes any land or building that is owned or leased by the owner or operator.

There is no minimum sales quota. You maintain rights to the Territory even though the population increases.

We may, without limitation, operate or grant franchises to operate a restaurant utilizing the System at a location anywhere outside the Territory. We also may sell clothing and other merchandise bearing the Names and Marks to non-food related businesses in the Territory. There are no restrictions preventing you from soliciting or accepting orders from outside the Territory. Likewise, there are no restrictions preventing us or other franchisees from soliciting or accepting

orders from inside the Territory. You may not sell over the Internet or any other communications network without our prior written approval.

You may not relocate your Franchised Business without our written permission. You do not have the right to acquire any additional franchises and may not open additional restaurants within the Territory.

We do not have, nor do we have any plans to have, other franchised or company-owned outlets or another channel of distribution selling similar products or services under a different trademark. But there are no restrictions on our ability to do so. If we acquire a competing restaurant system or are acquired by a competing restaurant system, that system may compete with you from within the Territory.

ITEM 13 **TRADEMARKS**

We grant you the non-exclusive right to establish and operate a restaurant under the name “PITA PIT”. You may also use the other Names and Marks that we designate as part of the System. The System Manual contains specifics on how our Names and Marks must be used. The following principal Names and Marks are registered on the Principal Register of the United States Patent and Trademark Office:

	<u>Registration Number</u>	<u>Registration Date</u>
THE PITA PIT	2,502,588	October 30, 2001
FRESH THINKING • HEALTHY EATING	3,428,496	May 13, 2008
THE SMOOTHIE PIT	3,428,843	May 13, 2008
THE PITA PIT and design	3,702,114	October 27, 2009
PITA PIT	4,249,198	November 27, 2012

You must follow our rules when you use our Names and Marks. You cannot use our Names or Marks, which include the use of the words “Pita” and “Pit” together, as part of a corporate or other business entity name. You cannot use the words “Pita” and “Pit” together in any domain name or email address, without our prior written consent. You cannot use our Name and Marks with modifying words, designs or symbols except for any which we license to you. You cannot use our Names or Marks in connection with the sale of an unauthorized product or service or in a manner not authorized by us. You must not directly or indirectly contest our right to our Names and Marks and the trade secrets and business techniques that are part of our business.

No agreements limit our right to use or license the use of our Names and Marks in the United States.

You must notify us immediately when you learn about an infringement of, or challenge to your use of, our Names and Marks. You must not take any other action without our prior written permission. We will take the action we think appropriate and have the right to control litigation. You must cooperate fully with us in any proceeding or challenge. While we are not required to defend you against claims arising from your use of our Names and Marks, we will reimburse you for all damages which you are held liable and all reasonable costs in connection with defending our Names and Marks to a maximum aggregate amount equal to the Initial Franchise Fee.

If we change or must change our Names and Marks, we will reimburse you for expenses that you reasonably incur to replace signs and other printed material.

We do not know of any infringing uses that could materially affect your use of our Names and Marks.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Franchisor's Patent Rights and Copyrights

We do not own rights in or to any patents that are material to the franchise. However, we claim copyright protection for the System Manual and certain marketing, sales, and operations literature. There are no presently effective determinations of the Copyright Office, any pending interference, opposition or cancellation proceedings or any pending material litigation involving such copyrights which is relevant to their use. There are no agreements currently in effect which significantly limit our rights to use or license the use of such copyrights in any manner material to the franchise. We are not obligated by the Franchise Agreement or otherwise to protect any or all such rights or to protect you against claims of infringement of such rights. You must notify us immediately when you learn about any infringement. While we are not required by the Franchise Agreement to defend you against any infringement, it is our policy to take any and all appropriate action necessary to defend such rights against any claims and to seek legal recourse in the event of any infringement. We have the right to control litigation. You must cooperate fully with us in any proceeding. If we change or discontinue any copyrighted materials, you must comply and you will not be reimbursed. There are no infringing uses known to us which could materially affect your use of such rights.

You may use our copyrighted materials in the performance of permitted activities. Ownership of all right, title and interest in and to these copyrighted materials remains with us or our former affiliate, Pita Pit Limited. You must keep these materials confidential and they must be returned to us on the expiration, termination or transfer of your rights under the Franchise Agreement.

Trade Secrets and Other Confidential Information

You will obtain knowledge of proprietary techniques, business procedures and other matters that are necessary and essential to the operation of the Restaurant, without which information, you could not effectively operate such business, including, knowledge regarding the System, the layout of the Restaurant and the System Manual. You must acknowledge that this proprietary information was not known to you prior to signing the Franchise Agreement and that it is unique to the System.

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

The Franchise Agreement provides that you will devote your full time, attention, energy and best efforts to the management and operation of the Restaurant, subject to the employment of competent professional management in our opinion. We highly recommend that you participate in the day to day management and operation of the Restaurant. Only in limited circumstances will we permit you to be an absentee owner. We may require your staff including any manager you hire to satisfactorily complete training. For each Restaurant that you own, there must be at least one designated individual exclusive to that Restaurant, that has successfully completed our training. See Item 11 for more details on training. A manager does not have to be an Equity Owner. All managers must sign a Confidentiality Agreement. Attached to this disclosure document as Schedule "E" to Exhibit C is the form of Confidentiality Agreement.

You may form a partnership, limited liability company or corporation to buy the Restaurant. We will require that you, or you and your co-applicant(s), personally guarantee all obligations of the partnership, limited liability company or corporation under the various franchise agreements. If we determine that your credit and that of your co-applicant(s) is not sufficient, we may also require personal guarantees from any other Equity Owner or from your spouse or parents or those of your co-applicant(s). You, or you and your co-applicant, must be the controlling Equity Owner(s). Any transfer or issue of voting rights in the partnership, limited liability company or corporation will require our consent. Sections 9 and 14 of the Franchise Agreement impose confidentiality and non-competition obligations on the Equity Owner(s).

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only sell products and services that we have approved. (See Item 8) We may amend the System to add new products and services that you must offer. There are no limits on our right to do this. You are not limited as to the customers to whom you may sell the approved products and services. Failure to operate the Restaurant according to the System is a default under the Franchise Agreement and grounds for termination of your franchise. (See Item 17) Subject to local laws, you must keep the Restaurant open on the days and during the hours specified in the System Manual. You may not be associated either directly or indirectly with a business that is competitive with the Restaurant.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Sections In Franchise OR Other Agreement	Summary
a. Length of the franchise term	4(1)	Term is equal to the earlier of 10 years or the expiration of your lease or sublease.
b. Renewal or extension of the term	4(2)	One renewal term equal to the earlier of 10 years or the expiration of your lease or sublease.
c. Requirements for you to renew or extend	4(2)	<p>“Renew” means to renew the license and other rights granted to you by us under the Franchise Agreement.</p> <p>Notify us 6 months prior to expiration of the initial term; not be in default of the Franchise Agreement, lease or sublease; have right to remain in possession of the premises for the renewal term; bring Restaurant up to then current image and standards and upon inspection by us, you must achieve an evaluation score of 90% or higher; have paid all amounts owing to PPI; have effective business license; sign then current franchise agreement which may contain terms and conditions materially different from those in the Franchise Agreement that is being renewed (including, without limitation, the then current continuing fee structure or royalty rates in the final year of the Initial Term for new franchisees and a reduced Territory); deliver release of PPI and its affiliates and officers and directors.</p>
d. Termination by you	None	None
e. Termination by PPI without cause	None	None
f. Termination by PPI with cause	17(1) and 6(4)	PPI can terminate if you default as defined or if you have not made appropriate lease arrangements for the Restaurant within 1 year of signing the Franchise Agreement.
g. “Cause” defined - curable defaults	17(1)(a)(b) (c) and (d)	You have 10 days to cure: non-payment of fees; failure to comply with the System Manual; any other breach by you or your guarantor of the Franchise Agreement or any other agreement with us or our affiliates.
h. “Cause” defined - non-curable defaults	17(1)(e) – (r)	Non-curable defaults: breach of lease or sublease; loss of possession of the premises; abandonment; bankruptcy or other proceedings effecting creditors; unauthorized transfer etc.; sale of assets;

Provision	Sections In Franchise OR Other Agreement	Summary
		breach of any security instrument, dissolution, winding up or liquidation if a corporation or other business entity; judgment against you over \$2,500 not discharged in 20 days; you commit a felony; you misrepresent material facts; loss of a license to operate; understatement of Net Sales by more than 3%; keeping of improper records; non-submission of reports; any default repeated more than 3 times in 12 months even if timely cured.
i. Your obligations on termination/non-renewal	6(4), 9(2), 14(2) , 14(3) , 17(2) and 17(3)	Obligations include: cease operations and use of Names and Marks; de-identification and other modifications to the premises; allowing PPI access to the Restaurant to cure defaults or operate it for you; payment of amounts due; return System Manual and other Confidential Information, etc.; not disclose Confidential Information (Also see “r” below). If we terminate you, you must pay us liquidated damages equal to the lesser of the projected Continuing Fee for three years and the projected Continuing Fee for the balance of the term. If you received a reduced Continuing Fee based upon the aggregate number of qualified franchise agreements you own, the Continuing Fee for your remaining franchise agreements will be adjusted as set forth in the Franchise Agreement and Item 6 of this disclosure document.
j. Assignment of contract by PPI	3(4), 15(5)	No restrictions
k. “Transfer” by you - defined	15 (1)(2) and (4)	Includes: the sale or other transfer, sharing or encumbrance of assets; the sale or other transfer, pledge, mortgage or hypothecation of equity interests, including a change of control.
l. PPI’s approval of transfer by you	15(1)	PPI has the right to approve all transfers but will not unreasonably withhold approval. We may reduce the Territory at this time.
m. Conditions for PPI’s approval of transfer	15(2)	No default by you; have consent of lessor or sublessor; transferee must qualify; transfer fee plus costs must be paid; completion of training by transferee; transferee providing proper guarantees; transferee must prepare acceptable business plan; release from you; current form of franchise agreement to be signed by transferee for balance of your term or renewal and at your continuing fee

Provision	Sections In Franchise OR Other Agreement	Summary
		structure or royalty rates, unless (i) we determine that the franchise was purchased with an intent to flip it, in which case we may deny the transfer or impose our then current standard percentage based Continuing Fee, other fees and terms, (ii) the franchise's Continuing Fee was reduced as part of a Multi-Unit Development Agreement or was based upon the total number of restaurants you own, in which case the Continuing Fee will revert to the higher of 5% or our then current Continuing Fee; performance and payment of outstanding obligations by you; you must bring Restaurant up to then current image and standards and upon inspection by us, you must achieve an evaluation score of 90% or higher; terms of transfer must be reasonable (Also see "r" below).
n. PPI's right of first refusal to acquire your business	15(3)	PPI has the right to match any offer for your business.
o. PPI's option to purchase your business	16(1), 16(2), 16(3), 17(4) and 17(5)	In certain circumstances, PPI has the right to purchase your inventory, fixtures, equipment or other assets at a certain price, the calculation of which is set out in the Franchise Agreement.
p. Your death or disability	16, 17(1)(q)	Franchise may be transferred to your spouse or adult children if they meet our qualifications and pay the transfer fee, or to a third party transferee if the transfer occurs within 90 days of your death or disability and the transferee meets our qualifications and pays the transfer fee. Otherwise, we may choose to purchase your assets and/or terminate your franchise.
q. Non-competition covenants during the term of the franchise	14(1)	No involvement in a competing or similar business anywhere.
r. Non-competition covenants after the franchise terminates or expires	14(2)	No competing for 2 years within Territory or 5 mile radius of the Restaurant or in Territory or 5 mile radius of any other PITA PIT restaurant.
s. Modification of the agreement	None	None, except System Manual may be subject to change, may change Marks and Names and may add or delete products and services.
t. Integration/merger clause	20(2)	Only the terms of the Franchise Agreement and associated documents are binding (subject to state laws). Any

Provision	Sections In Franchise OR Other Agreement	Summary
		representations or promises outside the disclosure document and the franchise agreement and associated documents may not be enforceable.
u. Dispute resolution by arbitration or mediation	21(27)	Disputes are to be arbitrated by recognized arbitrators in the State of Idaho.
v. Choice of forum	20(13) and 21(26)(e)(j)(k) and (l)	State of Idaho (See State Addendum to disclosure document, Exhibit A)
w. Choice of law	20(11)	State of Idaho law applies (See State Addendum to disclosure document, Exhibit A)

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

A. Franchised Restaurants Net Sales, Food and Labor Cost, and Rent Cost

The following actual financial performance representations are derived from 66 of our PITA PIT franchised restaurants (“Franchised Restaurants”) that voluntarily provided specific information to us in response to a survey. The financial performance representations for these 66 Franchised Restaurants set out (i) the historical average annual Net Sales, (ii) the historical average annual food and labor cost percentages, and (iii) the historical average monthly rent.

(1) Summary of Net Sales Data

2014 Average Net Sales For Entire Sample Population	Number of Restaurants in Sample Population	Highest Net Sales in Sample Population	Lowest Net Sales in Sample Population	Average Time of Operation	Number/Percentage of Restaurants with Net Sales Higher than the Average
\$517,035	66	\$1,150,000	\$194,094	73 months	26/39%

2014 Average Net Sales – Top Quartile of Sample Population	Number of Restaurants in Top Quartile	Highest Net Sales in Sample Population	Lowest Net Sales in Sample Population	Average Time of Operation of Restaurants in Top Quartile	Number/Percentage of Restaurants with Net Sales Higher than the Average
\$765,548	17	\$1,150,000	\$584,409	89 months	9/53%

(2) Summary of Food and Labor Cost Data

2014 Percentage Average Food Cost	Number of Restaurants in Sample Population	Average Time of Operation	Lowest Food Cost in Sample Population	Highest Food Cost in Sample Population	Number/Percentage of Restaurants with Food Costs Less than the Average
33.9%	66	73 months	12.6%	55.0%	29/43.9%

2014 Percentage Average Labor Cost	Number of Restaurants in Sample Population	Average Time of Operation	Lowest Labor Cost in Sample Population	Highest Labor Cost in Sample Population	Number/Percentage of Restaurants with Labor Costs Less than the Average
26.1%	66	73 months	10.0%	38.3%	35/53.0%

(3) Summary of Rent Cost Data

2014 Average Rent For Entire Sample Population	Number of Restaurants in Sample Population	Highest Rent in Sample Population	Lowest Rent in Sample Population	Average Time of Operation	Number/Percentage of Restaurants with Rent Higher than the Average
\$3,693	66	\$10,000	\$1,380	73 months	32/48.5%

B. Corporate Restaurants Net Sales, Food and Labor Cost, and Rent Cost

The following actual financial performance representations are derived from the original 3 corporately developed, owned, and operated PITA PIT restaurants (“Corporate Restaurants”), one of which is our National Training Center. The financial performance representations for these 3 Corporate Restaurants set out (i) the historical average annual Net Sales, (ii) the historical average annual food and labor cost percentages, and (iii) the historical average monthly rent.

(1) Summary of Net Sales Data

The individual Net Sales results for our 3 Corporate Restaurants are as follows:

Corporate Location	2014 Net Sales	Time of Operation
Coeur d' Alene, Idaho (Pita Pit National Training Center)	\$480,148	99 Months
Bloomington, Minnesota (Mall of America)	\$507,048	48 Months
Spokane Valley, Washington (Shopping Mall)	\$504,661	86 Months

The average Net Sales results for our 3 Corporate Restaurants are as follows:

2014 Average Net Sales For Sample Population	Number of Restaurants in Sample Population	Highest Net Sales in Sample Population	Lowest Net Sales in Sample Population	Average Time of Operation	Number/Percentage of Restaurants with Net Sales Higher than the Average
\$497,286	3	\$507,048	\$480,148	77.7 months	2/66.6%

(2) Summary of Food and Labor Cost Data

The individual food cost results for our 3 Corporate Restaurants are as follows:

Corporate Location	2014 Percentage Food Cost	Time of Operation
Coeur d' Alene, Idaho (Pita Pit National Training Center)	37.0% <i>* Please see the note under "How Average Annual Food and Labor Cost Percentages for the Franchised and Corporate Restaurants were Calculated"</i>	99 Months
Bloomington, Minnesota (Mall of America)	28.0%	48 Months
Spokane Valley, Washington (Spokane Valley Shopping Mall)	32.0%	86 Months

The average food cost results for our 3 Corporate Restaurants are as follows:

2014 Percentage Average Food Cost	Number of Restaurants in Sample Population	Average Time of Operation	Lowest Food Cost in Sample Population	Highest Food Cost in Sample Population	Number/Percentage of Restaurants with Food Costs Less than the Average
32.3%	3	77.7 months	28.0%	37.0% *	2/66.7%

The individual labor cost results for our 3 Corporate Restaurants are as follows:

Corporate Location	2014 Labor Cost	Time of Operation
Coeur d'Alene, Idaho (Pita Pit National Training Center)	29.0% Includes Manager's Salary * Please see the note under "How Average Annual Food and Labor Cost Percentages for the Franchised and Corporate Restaurants were Calculated"	99 Months
Bloomington, Minnesota (Mall of America)	22.0% Includes Manager's Salary	48 Months
Spokane Valley, Washington (Spokane Valley Shopping Mall)	27.0% Includes Manager's Salary	86 Months

The average labor cost results for our 3 Corporate Restaurants are as follows:

2014 Percentage Average Labor Cost	Number of Restaurants in Sample Population	Average Time of Operation	Lowest Labor Cost in Sample Population	Highest Labor Cost in Sample Population	Number/Percentage of Restaurants with Labor Costs Less than the Average
26.0%	3	77.7 months	22.0%	29.0% *	1/33.3%
* Please see the note under "How Average Annual Food and Labor Cost Percentages for the Franchised and Corporate Restaurants were Calculated"					

(3) Summary of Rent Cost Data

The individual rent cost results for our 3 Corporate Restaurants are as follows:

Corporate Location	2014 Rent Cost	Time of Operation
Coeur d'Alene, Idaho (Pita Pit National Training Center)	\$3,670	99 Months
Bloomington, Minnesota (Mall of America)	\$16,396	48 Months
Spokane Valley, Washington (Spokane Valley Shopping Mall)	\$7,302	86 Months

The average rent cost results for our 3 Corporate Restaurants are as follows:

2013 Rent Cost	Number of Restaurants in Sample Population	Average Time of Operation	Lowest Rent Cost in Sample Population	Highest Rent Cost in Sample Population	Number/Percentage of Restaurants with Rent Cost Higher than the Average
\$9,123	3	77.7 months	\$3,670	\$16,396	1 / 33.3%

C. Methodology

How the Franchised and Corporate Restaurants for the Performance Representations in Sections A and B were Selected

On December 31, 2014, there were 211 Franchised and Corporate Restaurants in the United States. 179 of the Franchised Restaurants were owned by Franchisees that had operated the Franchised Restaurant for the entire 2014 calendar year.

The purpose of Sections A and B is to correlate Net Sales data directly with its associated food and labor cost data and rent cost data. Accordingly, our Franchise Development Specialists requested either in person, by phone, or email that the Franchisees for the 179 Franchised Restaurants that had operated for the entire 2014 calendar year voluntarily complete an online survey providing the following financial information relating to the 2014 calendar year: (i) total Net Sales, defined as gross sales minus sales tax, comps, and customer promotions, (ii) cost of goods sold, including food, beverage, and paper costs, expressed as a percentage of total Net Sales, (iii) labor cost, including payroll taxes but excluding the Franchisee's draw or salary, expressed as a percentage of total Net Sales, (iv) current monthly rent, including Common Area Maintenance if applicable, (v) whether a store manager was employed and if so, whether the manager's compensation was included in the Franchisee's labor cost. 66 of these 156 Franchised Restaurants completed the survey within the required time period, and were accordingly included in this portion of our financial performance representation.

The 3 Corporate Restaurants selected are the only restaurants originally developed, owned, and corporately operated from inception.

These 66 Franchised and 3 Corporate Restaurants are located in the following states:

Alaska	2	Missouri	1
Alabama	2	Mississippi	3
Arizona	1	Montana	5
California	3	North Carolina	1
Colorado	1	New York	1
Florida	13	Ohio	2
Georgia	1	Oregon	3
Iowa	3	Pennsylvania	3
Idaho	1	South Carolina	2
Indiana	2	South Dakota	2
Kansas	1	Washington	8
Louisiana	3	West Virginia	2

113 of the 179 Franchised Restaurants that had operated for the entire 2014 calendar year did not complete the survey within the required time period. Accordingly, we only had their 2014 Net Sales, as reported to us through the POS system and Franchisee sales reports, but not their food and labor costs or rent costs. We have not included any financial performance representing for these 113 Franchised Restaurants because we were not able to calculate their average annual food and labor cost or rent cost, and cannot provide you with complete data for these Franchised Restaurants.

How Average Annual Net Sales for Franchised and the Corporate Restaurants in Sections A(1) and B(1) were Calculated

We define Net Sales as gross sales, minus sales tax, comps and customer promotions.

The historical average Net Sales for Franchised Restaurants, provided in this Item 19, was calculated using the 2014 financial information provided by the 66 Franchisees that voluntarily completed the survey, and our 3 corporately developed, owned, and operated Corporate Restaurants.

The historical average Net Sales for the 66 Franchised Restaurants for the 2014 calendar year was \$517,035. Of these restaurants, 26 or 39% had Net Sales in excess of the average. The average time in operation for these 66 restaurants was 73 months.

The historical average Net Sales for the 3 Corporate Restaurants for the 2014 calendar year was \$497,286. Of these restaurants, 2 or 66.6% had Net Sales in excess of the average. The average time in operation for these 3 restaurants was 77.7 months.

It may take time for your restaurant to reach its full sales potential.

How Average Annual Food and Labor Cost Percentages for the Franchised and Corporate Restaurants in Sections A(2) and B(2) were Calculated

*** NOTE – The Coeur d’Alene, Idaho Corporate Restaurant disclosed in this financial performance representation, is the Pita Pit National Training Center. Because this corporate location is used for the training of all new Franchisees, the research and development of new and different food products, as well as various corporate promotions (including discounted pricing for corporate employees), it has a higher than average food cost of 37.0% and labor cost of 29.0%.**

We calculated average annual food and labor cost percentages using the same 66 Franchised and 3 Corporate Restaurants’ financial information that was used to calculate average annual Net Sales for Franchised and Corporate Restaurants.

The average annual food cost percentage was determined by each Franchisee or Corporate Restaurant responding to the survey. The calculation was made by taking the sum of the food, beverage, and paper costs as a percentage of the Net Sales for the same period.

The average annual labor cost percentage for franchised Restaurants was calculated in each survey response by each Franchisee responding to the survey. The calculation was made by subtracting any amounts paid to the Franchisee owner(s) as a salary or a draw (including any related payroll taxes) from the labor costs provided in the survey. No such subtractions were necessary for the corporate locations. The average annual labor cost percentage was then calculated by taking the average annual labor costs as a percentage of the Net Sales for the same period. The 66 Franchised Restaurants whose survey results were used to calculate this annual labor cost percentage are managed in a variety of ways, including solely by the franchise owner, solely by third party managers, or some combination of franchise owner and third party managers. The 3 Corporate Restaurants each employ a store manager.

46 of the 66 Franchised Restaurants indicated they employed a third party manager. For those 46 locations, the cost of the third party manager was included. The cost of the third party managers for the 3 Corporate Restaurants was included in the labor cost. How you decide to manage the restaurant will have significant impact on labor costs and may cause your average annual labor cost percentage to vary from the percentages provided here. The percentages provided here are a mix of owner managed and third party managed Franchised Restaurants.

For the 2014 calendar year, the annual average food cost percentage for the 66 Franchised Restaurants was 33.9% and the annual labor cost percentage was 26.1%. 29 of the 66 restaurants (43.9%) had food costs that were lower than this average. The range of food cost percentages was 12.6% to 55.0%. 35 of the 66 restaurants (53.0%) had labor costs below the average. The range of labor cost percentages was 10.0% to 38.3%. The average time in operation for these 66 restaurants was 73 months.

For the 2014 calendar year, the annual average food cost percentage for the 3 Corporate Restaurants was 32.3% and the annual labor cost percentage was 26.0%. 2 of the 3 restaurants (66.7%) had food costs that were lower than this average. The range of food cost percentages was 28.0% to 37.0% (see the note above). 1 of the 3 restaurants (33.3%) had labor costs below the average. The range of labor cost percentages was 22.0% to 29.0% (see the note above). The average time in operation for these 3 restaurants was 77.7 months.

It may take time for your restaurant to become cost efficient.

How the Average Annual Rent Cost Percentages for the Franchised and Corporate Restaurants in Sections A(3) and B(3) were Calculated

We defined rent to include base rent and Common Area Maintenance fees, where applicable.

The historical average Rent for Franchised Restaurants, provided in this Item 19, was calculated using the 2014 rent information provided by the 66 Franchisees that voluntarily completed the survey, and our 3 corporately developed, owned, and operated Corporate Restaurants.

The historical average rent for the 66 Franchised Restaurants for the 2014 calendar year was \$3,693. Of these restaurants, 32 or 48.5% had rent in excess of the average. The average time in operation for these 66 restaurants was 73 months.

The historical average rent for the 3 Corporate Restaurants for the 2014 calendar year was \$9,123. Of these restaurants, 1 or 33.3% had rent in excess of the average. The average time in operation for these 3 restaurants was 77.7 months.

D. Admonitions and Other Notices

We do not intend these figures to be used as a forecast of results that may be achieved from a franchised restaurant. This analysis is provided purely as reference material for your use with other information. We urge you to consult financial, business and legal advisers to assist you in preparing *pro forma* financial statements and to assess the potential performance of the franchise being offered to you.

Your actual net sales, food and labor costs, and rent costs are likely to differ from the information presented. The location of your restaurant (including the visibility of your signage, traffic patterns, ingress and egress, and parking) the demographics of your geographic area, competition, the quality of your service, whether you manage the restaurant yourself and your management capability will have a material impact on net sales. The location of your restaurant, the way the restaurant is managed and inflation rates will have a material impact on food costs. The prevailing wage rate and your management capability will have a material impact on labor costs. Whether you hire a third party to manage the restaurant on behalf of the Franchisee owner(s) will have a material impact on your labor costs. The geographic region and specific location of your restaurant will have a material impact on rent costs.

None of the information provided above was reviewed or audited by outside accountants. We have not undertaken an independent investigation to verify the amounts reported to us by Franchisees. Written substantiation for the financial performance representation will be made available to you upon reasonable request.

Most of our franchised restaurants offer the same products as you will but there are some that, with our consent, offer additional products.

The information provided does not include all of the cost of sales and operating expenses that must be deducted from Net Sales in order to calculate net income. Our Franchisees and former Franchisees may be a good source of additional cost and expense information (see Exhibit M for a list of these Franchisees).

Other than the preceding financial performance representations, Pita Pit Inc. does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the our management by contacting Lee Strait at (208) 765-3326, 105 N. 4th Street, Suite 208, Coeur d'Alene, Idaho, 83814, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table Number 1 - Systemwide Outlet Summary for Years 2012 - 2014

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2012	160	183	+23
	2013	183	197	+14
	2014	197	210	+13
Company-Owned	2012	21	15	-6
	2013	15	13	-2
	2014	13	14	+1

Total Outlets	2012	181	198	+17
	2013	198	210	+12
	2014	210	224	+14

**Table Number 2 - Transfers of Franchised Outlets from Franchisees to New Owners
(Other Than the Franchisor) for Years 2012 - 2014**

State	Year	Number of Transfers
Alabama	2012	0
	2013	1
	2014	0
California	2012	1
	2013	1
	2014	1
District of Columbia	2012	0
	2013	0
	2014	1
Florida	2012	6
	2013	6
	2014	3
Georgia	2012	1
	2013	0
	2014	1
Idaho	2012	0
	2013	1
	2014	0
Indiana	2012	0
	2013	0
	2014	2
Iowa	2012	0
	2013	1
	2014	0
Kansas	2012	1
	2013	0
	2014	1
Louisiana	2012	0

State	Year	Number of Transfers
	2013	1
	2014	0
Maryland	2012	0
	2013	0
	2014	1
New York	2012	0
	2013	0
	2014	1
North Carolina	2012	1
	2013	1
	2014	0
North Dakota	2012	0
	2013	0
	2014	1
Oregon	2012	1
	2013	2
	2014	0
South Carolina	2012	0
	2013	0
	2014	1
Texas	2012	0
	2013	1
	2014	1
Utah	2012	1
	2013	0
	2014	0
Washington	2012	1
	2013	0
	2014	0
West Virginia	2012	0
	2013	0
	2014	1
Wisconsin	2012	0
	2013	0

State	Year	Number of Transfers
	2014	1
Total	2012	13
	2013	15
	2014	16

Table Number 3 - Status of Franchised Outlets for Years 2012- 2014*

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Alabama	2012	2	1	0	0	0	0	3
	2013	3	0	0	0	1	0	2
	2014	2	1	0	0	0	0	3
Alaska	2012	0	1	0	0	0	0	1
	2013	1	1	0	0	0	0	2
	2014	2	0	0	0	0	0	2
Arizona	2012	2	2	1	0	0	0	3
	2013	3	1	0	0	0	0	4
	2014	4	1	1	0	0	0	4
Arkansas	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	1	0	0	0	0	1
California	2012	13	2	2	0	0	0	13
	2013	13	1	0	0	1	0	13
	2014	13	0	0	0	0	2	11
Colorado	2012	4	1	0	0	0	0	5
	2013	5	1	0	0	1	0	5
	2014	5	0	0	0	0	1	4
Connecticut	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
	2014	0	1	0	0	0	0	1
Delaware	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	1	0
	2014	0	0	0	0	0	0	0
District of Columbia	2012	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	1	0	0
Florida	2012	24	4	0	0	1	0	27
	2013	27	3	1	0	0	0	29
	2014	29	6	0	0	1	2	32
Georgia	2012	5	0	2	0	0	0	3
	2013	3	3	1	0	0	2	3
	2014	3	0	0	0	0	0	3
Idaho	2012	6	1	0	0	0	0	7
	2013	7	0	0	0	0	0	7
	2014	7	2	0	0	1	1	7
Illinois	2012	2	1	0	0	0	0	3
	2013	3	1	2	0	0	0	2
	2014	2	1	0	0	0	0	3
Indiana	2012	4	1	1	0	0	0	4
	2013	4	0	0	0	0	0	4
	2014	4	0	0	0	0	0	4
Iowa	2012	7	1	0	0	0	0	8
	2013	8	0	0	0	0	1	7
	2014	7	1	0	0	0	0	8
Kansas	2012	2	1	0	0	0	0	3
	2013	3	0	0	0	0	0	3
	2014	3	0	0	0	0	0	3
Kentucky	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	1	0	0	0	0	2
Louisiana	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
	2014	3	0	0	0	0	0	3
Maryland	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
	2014	1	1	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Massachusetts	2012	0	3	0	0	0	0	3
	2013	3	0	0	0	0	0	3
	2014	3	0	0	0	0	0	3
Michigan	2012	4	1	0	0	0	0	5
	2013	5	1	0	0	0	1	5
	2014	5	1	0	0	1	0	5
Minnesota	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	1	0	0	0	0	2
Mississippi	2012	0	1	0	0	0	0	1
	2013	1	2	0	0	0	0	3
	2014	3	0	0	0	0	0	3
Missouri	2012	1	1	0	0	0	0	2
	2013	2	2	0	0	0	0	4
	2014	4	1	0	0	0	0	5
Montana	2012	5	0	0	0	0	0	5
	2013	5	0	0	0	0	0	5
	2014	5	2	0	0	0	0	7
Nebraska	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
	2014	1	0	0	0	0	0	1
Nevada	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	1	1	0	0	0	1
New Hampshire	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
New Mexico	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
New York	2012	4	0	0	0	0	0	4

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
	2013	4	0	1	0	0	0	3
	2014	3	0	0	0	0	0	3
North Carolina	2012	4	0	0	0	0	0	4
	2013	4	0	0	0	0	0	4
	2014	4	0	1	0	0	2	1
North Dakota	2012	4	1	0	0	0	0	5
	2013	5	0	0	0	0	0	5
	2014	5	0	1	0	0	0	4
Ohio	2012	5	2	0	0	0	0	7
	2013	7	2	0	0	0	1	8
	2014	8	2	0	0	0	0	10
Oklahoma	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
	2014	2	0	0	0	0	0	2
Oregon	2012	10	1	0	0	0	0	10
	2013	11	0	1	0	0	0	10
	2014	10	3	0	0	0	0	13
Pennsylvania	2012	7	1	0	0	0	0	8
	2013	8	2	0	0	0	0	10
	2014	10	0	0	0	0	1	9
South Carolina	2012	3	1	0	0	0	0	4
	2013	4	1	0	0	0	0	5
	2014	5	1	1	0	0	0	5
South Dakota	2012	1	0	0	0	0	0	1
	2013	1	1	0	0	0	0	2
	2014	2	2	0	0	0	0	4
Tennessee	2012	1	1	0	0	0	0	2
	2013	2	1	0	0	0	0	3
	2014	3	0	0	0	0	0	3
Texas	2012	4	3	1	0	1	0	5
	2013	5	1	0	0	0	0	6
	2014	6	1	0	0	0	0	7

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Utah	2012	3	0	0	0	0	0	3
	2013	3	1	0	0	0	1	3
	2014	3	0	0	0	0	1	2
Virginia	2012	2	1	1	0	0	0	2
	2013	2	0	0	0	0	0	2
	2014	2	1	0	0	0	0	3
Washington	2012	15	1	2	0	0	0	14
	2013	14	3	1	0	0	0	16
	2014	16	1	1	0	0	0	16
West Virginia	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
	2014	3	0	0	0	0	0	3
Wisconsin	2012	1	0	0	0	0	0	1
	2013	1	1	0	0	0	0	2
	2014	2	0	0	0	0	0	2
Wyoming	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
Total	2012	160	36	11	0	2	0	183
	2013	183	31	7	0	3	7	197
	2014	197	33	6	0	4	10	210

* If multiple events occurred affecting an outlet, this table shows the event that occurred the last time.

Table Number 4 - Status of Company-Owned Outlets for Years 2012– 2014

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
Alabama	2012	0	0	0	0	0	0
	2013	0	0	1	0	0	1
	2014	1	0	0	0	1	0
California	2012	2	0	0	0	2	0

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
	2013	0	0	1	0	1	0
	2014	0	0	0	0	0	0
Colorado	2012	2	0	0	0	0	2
	2013	2	0	1	1	1	1
	2014	1	0	0	0	0	1
Florida	2012	0	0	1	0	1	0
	2013	0	0	0	0	0	0
	2014	0	0	1	0	0	1
Idaho	2012	4	0	0	0	1	3
	2013	3	0	0	0	0	3
	2014	3	0	1	0	0	4
Massachusetts	2012	1	0	0	0	0	1
	2013	1	0	0	0	0	1
	2014	1	0	0	1	0	0
Michigan	2012	1	0	0	0	0	1
	2013	1	0	0	0	0	1
	2014	1	0	1	0	0	2
Minnesota	2012	1	0	0	0	0	1
	2013	1	0	0	0	0	1
	2014	1	0	0	0	0	1
North Dakota	2012	2	0	0	0	0	2
	2013	2	0	0	1	0	1
	2014	1	0	0	0	0	1
Ohio	2012	1	0	0	0	1	0
	2013	0	0	0	0	0	0
	2014	0	0	0	0	0	0
Pennsylvania	2012	2	0	0	0	0	2
	2013	2	0	0	0	0	2
	2014	2	0	0	1	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
Texas	2012	2	0	1	0	3	0
	2013	0	0	0	0	0	0
	2014	0	0	0	0	0	0
Utah	2012	1	0	0	0	0	1
	2013	1	0	0	0	1	0
	2014	0	0	0	0	0	0
Washington	2012	2	0	0	0	0	2
	2013	2	0	0	0	0	2
	2014	2	0	0	0	0	2
Total	2012	21	0	2	0	8	15
	2013	15	0	3	2	3	13
	2014	13	0	3	2	1	13

Table Number 5 - Projected Openings as of December 31, 2014

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
Alaska	0	1	0
Arizona	3	1	0
California	1	0	0
Colorado	1	1	0
Connecticut	0	2	0
Florida	1	0	0
Georgia	2	0	0
Illinois	2	0	0
Iowa	1	1	0
Kansas	2	2	0
Kentucky	0	1	0
Mississippi	1	0	0
Montana	0	1	0
New Jersey	1	0	0
North Carolina	1	0	0
North Dakota	1	0	0
Ohio	2	0	0
Oregon	0	1	0

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
South Carolina	0	2	0
Tennessee	1	1	0
Texas	2	0	0
Virginia	1	1	0
Washington	1	1	0
Wisconsin	0	2	0
Total	24	18	0

Attached to this disclosure document as Exhibit M is a list of our franchisees as of December 31, 2014

Exhibit M also lists the name, city, state and telephone number of every franchisee who has had outlet terminated, cancelled, not renewed, transferred or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the fiscal year 2014 or who has 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.

ITEM 21 **FINANCIAL STATEMENTS**

Attached to this disclosure document and designated Exhibit N are audited annual financial statements for the periods ending December 31, 2014, December 31, 2013 and December 31, 2012.

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
Deposit Agreement – Franchise Agreement	Exhibit G-1
Deposit Agreement – Multi Unit Development Zone Agreement	Exhibit G-1A
Franchise Agreement Amendment For Qualifying Restaurants	Exhibit H
Promissory Note	Exhibit I
Security Agreement	Exhibit J
Unconditional Guaranty	Exhibit K
Food Truck Franchise Agreement	Exhibit P-2 (Optional)

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

EXHIBIT A

STATE ADDENDA TO THE DISCLOSURE DOCUMENT

See attached.

ADDENDUM TO DISCLOSURE DOCUMENT
FOR THE STATE OF CALIFORNIA

OUR WEBSITE, WWW.PITAPITUSA.COM, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT www.corp.ca.gov.

Item 17 is amended to add the following language:

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

Neither the Franchisor, any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C. A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

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

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101 and following).

The franchise agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The franchise agreement requires binding arbitration. The arbitration will occur in Idaho with the costs being borne by the non-prevailing party. 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 20040.4 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.

The franchise agreement requires application of the laws of the State of Idaho. This may not be enforceable in the State of California.

Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Corporations before we ask you to consider a material modification of your franchise agreement.

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 3100 Through 31516). Business and Professions

ADDENDUM
STATE OF CALIFORNIA

Code Section 20010 voids a waiver of your rights under the franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

Some of the terms described in Items 6, 10, 11 and 17 of this Franchise Disclosure Document have been negotiated with a franchisee. A copy of the Negotiated Sales Notice filed in California in the last 12 months is attached as Exhibit A. This notice provides a summary description of each material term that has been negotiated. If you request an opportunity to view a material term that has been negotiated, it will be made available to you within 5 business days of your request. Requests may be made to Lee Strait at (208) 765-3326, 105 N. 4th Street, Suite 208, Coeur d'Alene, Idaho, 83814.

We certify that we have complied with all requirements of the Negotiated Sale Exemption under Section 310.100.2 of the California Administrative Code, Title 10, Chapter 3, Subchapter 2.6, including the requirement that we file notices with the State of California under Section 310.100.2(a)(4).

Exhibit A
Notices Of Negotiated Sale Of A Franchise

None

ADDENDUM TO DISCLOSURE DOCUMENT
FOR THE STATE OF HAWAII

The following language is added to the Cover Page:

“THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.”

The following list reflects the status of the franchise registrations of the Franchisor in the states which require registration:

- A. This proposed registration application is effective in the following states.
California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, Wisconsin
- B. The proposed registration application is or will shortly be on file in the following states.
- C. States which have refused, by order or otherwise, to register these franchises are.
None
- D. States which have revoked or suspended the right to offer franchises are.
None
- E. States which the proposed registration of these franchises has been withdrawn are:
None

ADDENDUM TO DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS

This addendum amends the Pita Pit Inc. disclosure document as follows:

Paragraph 705/4 of the Illinois Franchise Disclosure Act (the “Act”) provides that:

“Any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of this State is void provided that a franchise agreement may provide for arbitration in a forum outside of this State.”

Rule Section 200.608 or the Act provides that:

“As described in Section 4 of the Act, a franchise agreement shall not require a franchisee to litigate any cause of action, with the exception of arbitration proceedings, arising under the franchise agreement or the Act outside of this state, nor shall a franchisee agreement provide for a choice of law provision for any state other than Illinois.”

Item 17 is amended to add the following language:

The Franchise Agreement provides that if negotiation fails, any dispute between us or claim arising out of or relating to the Franchise Agreement or any other franchise related agreement will be arbitrated in Coeur d’Alene, Idaho under Idaho law, except that we may seek an injunction and other remedies to prohibit infringement of our intellectual property rights, disclosure of our confidential information and a breach of non-compete covenants in any court of competent jurisdiction. The Franchise Agreement also provides that if a court determines that our agreement to arbitrate a particular dispute is not enforceable, then the dispute must be litigated in Coeur d’Alene, Idaho under Idaho law. These provisions to the extent they dictate the location and governing law for court proceedings are not permitted under the Illinois Franchise Disclosure Act. For Illinois franchisees, all court proceedings must be in Illinois under Illinois law.

PITA PIT INC.

By: _____

Its:

I have read and understand this addendum
this ___ day of _____, 20__.

[INSERT FRANCHISEE’S NAME]

ADDENDUM
STATE OF ILLINOIS

ADDENDUM TO DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND

This addendum amends the Pita Pit Inc. disclosure document as follows:

Items 5, 6 and 7 are amended to add the following language:

The Maryland Securities Division requires that your payment of all franchise fees and deposits be deferred until we have met all of our material pre-opening obligations to you. To the extent that the Franchise Agreement provides for any payments by you to us or our affiliates before we have met all of our material pre-opening obligations to you, all of these payments will be deferred under the terms of the Amendment to Franchise Agreement for Pita Pit Inc. for the State of Maryland (see Exhibit D to this disclosure document). Upon meeting all of our pre-opening obligations to you, all deferred payments will become immediately due and payable by you.

Item 6 (Note 1) is amended to delete the following language:

We may facilitate the transfer of existing Franchise Agreements with a flat monthly Continuing Fee to existing franchisees who have convincingly demonstrated an ability to successfully operate a Pita Pit franchise. Such franchisees will receive a copy of our Flat Monthly Continuing Fee Addendum and Flat Monthly Fee Amendment to Franchise Agreement as part of the disclosure document they receive.

Any general release required as a condition of obtaining a reduced continuing fee percentage shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Item 17 is amended to add the following language:

Any limitation of claims shall not act to reduce the 3 year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law (the "Law"). Claims under the Law must be brought within 3 years after the grant of the franchise to you.

Table of Projected Openings as of December 31, 2014

The following is the status of Deposit Agreements signed:

State	Deposit Agreement signed but Franchise Agreement not signed as of December 31, 2014	Deposit Agreement signed but Franchise Agreement not signed as of December 31, 2013
Minnesota	0	1
Missouri	1	0
New Mexico	0	1
Ohio	1	0
Oregon	0	1
South Carolina	2	0
South Dakota	0	1
Texas	1	0
Utah	0	1
Virginia	1	2
Washington	1	0
Totals	7	7

There were 7 Deposit Agreements signed but Franchise Agreement not signed as of December 31, 2013. 7 Franchise Agreements for these 7 deposits were subsequently signed in 2014.

Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Law.

Exhibit O is amended to add the following language:

These representations 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.

ADDENDUM TO 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 ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.

(B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.

(C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE 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 A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE AT THE TIME OF EXPIRATION OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISE BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSCRIPTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE 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 ARE SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.

(E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.

(F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE. THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE.

(G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSE SHALL INCLUDE, BUT IS NOT LIMITED TO:

i. THE FAILURE OF THE PROPOSED TRANSFEREE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.

ii. THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.

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 THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.

(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR 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 THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE 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.

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA

The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Miss. Stat. Section 80.01 et seq., and the Rules and Regulations promulgated under it (collectively the “Minnesota Franchise Act”). This addendum amends the Pita Pit Inc. disclosure document as follows:

1. The Minnesota Department of Commerce requires that Pita Pit indemnify Minnesota licensees against liability to third parties resulting from claims by third parties that the Franchisee’s use of the Names and Marks infringes trademark rights of the third party. Item 13 states that Pita Pit does indemnify against the consequences of Franchisee’s use of the Names and Marks but only to a maximum amount equal to the initial franchise fee paid by Franchisee.

Item 13 is amended to add the following language:

For Minnesota franchisees, if the indemnification provision concerning your use of the Names and Marks is inconsistent with Minnesota Department of Commerce requirements, it shall be superseded by these requirements and shall have no force or effect.

2. Item 17 is amended to add the following language:

Section 80C.14, Subd. 4. of the Minnesota Franchise Act requires, except in certain specified cases, that a Minnesota franchisee be given written notice of a franchisor’s intention not to renew 180 days prior to expiration of the franchise and that the franchisee be given sufficient opportunity to operate the franchise in order to enable the franchisee the opportunity to recover the fair market value of the franchise as a going concern. These Minnesota Franchise Act requirements are in addition to and may supersede the renewal provisions described in Item 17(b).

Section 80C.14, Subd. 3. of the Minnesota Franchise Act requires, except in certain specified cases, that a Minnesota franchisee be given 90 days notice of termination (with 60 days to cure). These Minnesota Franchise Act requirements are in addition to and may supersede the renewal provisions described in Item 17(e)-(h).

If you are required in the Franchise Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, for Minnesota franchisees such release shall exclude claims arising under the Minnesota Franchise Act, and such acknowledgments shall be void with respect to claims under the Franchise Act. The releases referred to in Item 17(c) and (m) are subject to the preceding statement.

For Minnesota franchisees, to the extent the Franchise Agreement requires it to be governed by a state's law, other than the State of Minnesota or provides for arbitration or mediation, these provisions shall not in any way abrogate or reduce any rights of the franchisee as provided for in the Minnesota Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota. These requirements are in addition to and may supersede the provisions described in Item 17(u), (v) and (w).

Section 80C17, Subd.5. of the Minnesota Franchise Act states that no civil action may be commenced for violation of the Minnesota Franchise Act more than 3 years after the cause of action accrues. Section 21(26)(f) of the Franchise Agreement contains certain time limits on commencing actions. For Minnesota franchisees, to the extent that these limitations are inconsistent with those under the Minnesota Franchise Act, the provisions of the Franchise Agreement are superseded by the Minnesota Franchise Act's requirements and shall have no force or effect.

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK

This addendum amends and revises the Pita Pit Inc. disclosure document as follows:

1. Item 3 of the disclosure document is amended by adding the following language:

“Neither Pita Pit Inc., any person identified in Item 2, nor an affiliate offering franchises under Pita Pit Inc.’s principal trademark:

a. Has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations. This includes pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

b. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

c. Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.”

2. Item 4 of the disclosure document is amended by adding the following language:

“During the 10 year period immediately preceding the date of this disclosure document, neither Pita Pit Inc., nor any predecessor, current officer or general partner of Pita Pit Inc. (a) has filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) has obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after holding this position in the company or partnership.”

3. Item 17(d) of the disclosure document is amended by adding the following language:
“On any grounds available at law.”

ADDENDUM TO DISCLOSURE DOCUMENT
FOR THE STATE OF RHODE ISLAND

This addendum amends and revises the Pita Pit Inc. disclosure document as follows:

1. Item 3 of the disclosure document is amended by adding the following language:

No person identified in Item 2:

- a. Is subject to any currently effective order of the securities and exchange commission or the securities administrator of any state denying registration to or revoking or suspending the registration of such person as a securities broker or dealer or investment advisor, or is subject to any currently effective order of any national securities association.
- b. Is subject to any currently effective injunction or restrictive order relating to business activity as a result of an action brought by any public agency or department, including, without limitation, actions affecting a license as a real estate broker or salesman.

ADDENDUM TO DISCLOSURE DOCUMENT
FOR THE STATE OF VIRGINIA

THIS DISCLOSURE DOCUMENT IS PROVIDED FOR YOUR OWN PROTECTION AND CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THIS DISCLOSURE DOCUMENT AND ALL CONTRACTS AND AGREEMENTS SHOULD BE READ CAREFULLY IN THEIR ENTIRETY FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

ALTHOUGH THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE VIRGINIA RETAIL FRANCHISING ACT AS AMENDED, REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIVISION OF SECURITIES AND RETAIL FRANCHISING OF THE VIRGINIA STATE CORPORATION COMMISSION OR A FINDING BY THE DIVISION OF SECURITIES AND RETAIL FRANCHISING THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE, ACCURATE OR NOT MISLEADING.

IF THIS DISCLOSURE DOCUMENT IS NOT DELIVERED ON TIME, OR IF IT CONTAINS A FALSE, INCOMPLETE, INACCURATE OR MISLEADING STATEMENT, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE VIRGINIA DIVISION OF SECURITIES AND RETAIL FRANCHISING, 1300 EAST MAIN STREET, RICHMOND, VIRGINIA 23219.

The name and address of the Franchisor's agent in Virginia authorized to receive service of process is:

Clerk of the State Corporation Commission
1300 E. Main Street, 9th Floor
Richmond, Virginia 23219

ADDENDUM
STATE OF VIRGINIA

EXHIBIT B

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

Listed here are the names, address and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws. Also listed are our agents for service of process.

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
Alabama		National Corporate Research, Ltd., Inc. 2527 College Street Montgomery, AL 36104 (800) 221-0102
California	Department of Corporations: <i>Los Angeles</i> 320 West 4th Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 <i>San Francisco</i> One Sansome Street, Suite 600 San Francisco, California 94104 (415) 972-8559	National Corporate Research, Ltd. 523 W. 6 th Street, Suite 544 Los Angeles, CA 90014 (866) 369-1640
Connecticut	Securities & Bank Investments CT-Division Department of Banking 260 Constitution Plaza Hartford, Connecticut 06103 (860) 240-8230	
Delaware		National Corporate Research, Ltd. 615 South DuPont Highway Dover, Delaware 19901 (800) 483-1140
Florida	Department of Agriculture & Consumer Services Division of Consumer Services 2005 Apalachee Parkway Tallahassee, Florida 32399-6500 (850) 922-2966	

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
Hawaii	Hawaii Department of Commerce & Consumer Affairs Business Registration Division 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2744	Hawaii Department of Commerce & Consumer Affairs Commissioner of Securities 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2722
Idaho		Jack T. Riggs, M.D. 105 North 4th Street, Suite 208 Coeur d'Alene, Idaho 83814 (208) 765-3326
Illinois	Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
Indiana	Indiana Secretary of State Securities Division 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, Indiana 46204 (317) 232-6536
Maryland	Office of the Attorney General - Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6300	Maryland Securities Commissioner at the Office of Attorney General - Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
Michigan	Consumer Protection Division Department of Attorney General G. Mennen Williams Building, 7th Floor 525 W. Ottawa Street P.O. Box 30212 Lansing, Michigan 48909 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau 6520 Mercantile Way, Suite 3 P.O. Box 30213 Lansing, Michigan 48909-8236
Minnesota	Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101 (651) 539-1600	Minnesota Secretary of State 180 State Office Building St. Paul, Minnesota 55155
Nebraska	Department of Banking & Finance	

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
	1230 O Street, Suite 400 P.O. Box 95006 Lincoln, Nebraska 68509 (402) 471-2171	
New York	New York State Department of Law Investor Protection and Securities Bureau 120 Broadway, 23 rd Floor New York, New York 10271-0332 (212) 416-8000	Secretary of the State of New York 41 State Street Albany, New York 12231 (518) 473-2492
North Carolina		National Corporate Research, Ltd. 176 Mine Lake Court, Suite 100 Raleigh, North Carolina 27615 (866) 775-0114
North Dakota	Securities Commissioner's Office 600 East Boulevard, Fifth Floor Bismarck, North Dakota 58505 (701) 328-2910	Securities Commissioner's Office 600 East Boulevard, Fifth Floor Bismarck, North Dakota 58505 (701) 328-2910
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	
Rhode Island	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Building 69-1 Cranston, Rhode Island 02920 (401) 462-9500	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Building 69-1 Cranston, Rhode Island 02920 (401) 462-9500
South Dakota	Department of Labor and Regulation Division of Securities 124 S Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-4823	Department of Labor and Regulation Division of Securities 124 S Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-4823
Texas	Statutory Document Section Secretary of State	National Corporate Research, Ltd. 800 Brazos, Suite 400

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
	1019 Brazos Austin, Texas 78701-2413 (512) 463-5705	Austin, Texas 78701
Utah	Department of Commerce Division of Consumer Protection 160 East 300 South SM Box 146704 Salt Lake City, Utah 84114-6704 (801) 530-6601	
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, Ninth Floor Richmond, Virginia 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, Virginia 23219 (804) 371-9733
Washington	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98507-9033 (360) 902-8760	Director Department of Financial Institutions Securities Division General Admin. Bldg., 3rd Floor 210-11th Avenue S.W. Olympia, Washington 98504 (360) 902-8700
Wisconsin	Commissioner of Securities 345 West Washington Avenue, 4th Floor Madison, Wisconsin 53703 (608) 266-1064 or Commissioner of Securities P.O. Box 1768 Madison, Wisconsin 53701-1768 (608) 266-1064	Commissioner of Securities 345 West Washington Avenue, 4th Floor Madison, Wisconsin 53703 (608) 266-1064

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

EXHIBIT C
FRANCHISE AGREEMENT

See attached.

FRANCHISE AGREEMENT

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PART II - MARKS
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- C SUBLEASE
- D HEAD LEASE
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- F GENERAL SECURITY AGREEMENT
- G SMALL BUSINESS ADMINISTRATION FRANCHISE AGREEMENT AMENDMENT

THIS AGREEMENT made this ____ day of _____, 2014

AMONG:

PITA PIT INC. a corporation formed under the laws of the State of Delaware
(hereinafter referred to as the Franchisor)

OF THE FIRST PART

- and -

_____, a partnership, corporation or limited liability
company formed under the laws of the State of _____ (hereinafter
referred to as the Franchisee)

OF THE SECOND PART

- and -

_____, an individual resident in the City of _____,
_____ (hereinafter referred to as the Guarantor)

OF THE THIRD PART

WHEREAS the Franchisor has developed a unique marketing plan and system (hereinafter called "THE PITA PIT SYSTEM"TM) for the development, opening and operation of distinctive retail outlets specializing in the sale of pitas;

AND WHEREAS the distinguishing features of THE PITA PIT SYSTEM include, but are not limited to, unique methods and procedures, specially designed premises with distinctive equipment, equipment layouts, interior and exterior accessories, identification schemes, products, management programs, standards, specifications and proprietary marks and confidential information;

AND WHEREAS the Franchisor has heretofore carried on its business under the trade-name and trade-mark "THE PITA PIT"[®] and other proprietary identifying characteristics used in relation to and in connection with THE PITA PIT and other proprietary identifying characteristics and logos;

AND WHEREAS the Marks are unique and distinctive making them easily recognizable by the public and form an integral and valuable part of THE PITA PIT SYSTEM;

AND WHEREAS by reason of a uniform business format or system and high standards of quality and service, the Franchisor has established an excellent business reputation, created a substantial demand for its products and services and built up valuable goodwill;

AND WHEREAS the Franchisee is desirous of acquiring from the Franchisor, the right and license to operate a THE PITA PIT franchised business utilizing the Franchisor's business format, methods, specifications, standards, operating procedures, trade marks and upon the terms and conditions hereafter set forth.

NOW THEREFORE this Agreement witnesseth that in consideration of the mutual covenants and agreements herein contained the parties hereto, intending to be legally bound, do hereby covenant and agree with each other as follows:

1. DEFINITIONS

Where used herein or in any schedules or amendments hereto, the following terms shall have the following meanings:

- (a) **"Affiliate"** means an entity with ten percent (10%) or more common ownership with another entity, or an entity controlled by, controlling, or under common control with another entity.
- (b) **"Continuing Fee"** means the fee payable to the Franchisor pursuant to paragraph 3(2) hereof.
- (c) **"Dollar"** means a dollar in the currency of the United States of America (USD).
- (d) **"Franchised Business"** means the business of operating retail outlets for the sale of pita sandwiches and other ancillary products using the System to be operated by the Franchisee under the trade name THE PITA PIT at the Premises, as defined hereinafter, pursuant to the provisions of this Agreement.
- (e) **"Initial Term"** means the term provided for in subsection 4(1) hereof.
- (f) **"Institution"** means any facility where the owner or operator wants designated food services for those people who reside, work, attend and/or visit at the facility, including, without limitation shopping centers, office complexes, universities, colleges, hospitals and other health care facilities, airports, military installations, sports complexes, museums, factories and corporate campuses and includes any land or building that is owned or leased by the owner or operator.
- (g) **"Interest Rate"** means an annual rate of interest equal to the lower of (i) the highest domestic prime rate published in The Wall Street Journal (if no longer published, then a similar publication designated by the Franchisor) from time to time, plus five percent (5%), adjusted daily, and (ii) the maximum rate of interest permitted by law in the state where the Franchised Business is located,

each calculated and payable monthly, not in advance, with interest on overdue interest at the aforesaid rate, before as well as after default or judgment, from the time such sums became due until paid in full.

- (h) **“Manual”** means, collectively, all books, pamphlets, bulletins, memoranda, letters, notices or other publications or documents prepared by or on behalf of the Franchisor for use by franchisees generally or for the Franchisee in particular, setting forth information, advice, standards, requirements, operating procedures, instructions or policies relating to the operation of the Franchised Businesses, as same may be reasonably amended from time to time.
- (i) **“Marks”** means the trade-marks, trade-names and other commercial symbols and related logos as set forth in Part III of Schedule A hereto, including the trade-name and trade-mark THE PITA PIT, together with such other trade-names, trade-marks, symbols, logos, distinctive names, service marks, certification marks, logo designs, insignia or otherwise, whether owned or used under license, which may be designated by the Franchisor as part of THE PITA PIT SYSTEM from time to time, and not thereafter withdrawn.
- (j) **“Net Sales”** means the entire amount of the actual sales price of all sales of Products, (as defined hereinafter) including delivery fees, and all other receipts or receivables whatsoever from any and all business conducted upon or originating from the Premises, including Internet or telephone order sales, whether such sales or other receipts be by check, for cash, credit, charge accounts, barter or otherwise and whether such sales be made by means of mechanical or other vending devices in the Premises. There shall be no deductions allowed for uncollected or uncollectible credit accounts and no allowances shall be made for bad debts. Net Sales shall include the amount of all sales assumed to have been lost by the interruption of business at the Premises, to be determined on the basis upon which proceeds of any business interruption insurance are paid or are payable to the Franchisee or other occupiers of the Premises. Each charge or sale upon installment or credit shall be treated as a sale for the full price in the week during which such charge or sale shall be made, irrespective of the time when the Franchisee shall receive payment (whether full or partial) therefore. Net Sales shall not include:
 - (i) the amount of any tax imposed by any federal, state, municipal or other governmental authority directly on sales and collected from customers if such tax is added to or included in the selling price and actually paid by the Franchisee to such governmental authority;
 - (ii) the amount of the refund or credit given in respect of any products returned or exchanged by a customer for which a refund of the whole or

a part of the purchase price is made or for which a credit is given, provided that the selling price thereof was included in Net Sales; and

- (iii) the amount of any credit granted by the Franchisor to the Franchisee under any coupon redemption or similar promotion program. Each charge or sale upon installment or credit shall be treated as a sale for the full price in the week during which such charge or sale shall be made, irrespective of the time when the Franchisee shall receive payment (whether full or partial) therefore.
- (k) **“Premises”** means the Premises at which the Franchised Business is to be located, as described in Part I of Schedule A hereto.
- (l) **“Products”** means all food products, beverages, wares, merchandise, supplies, accessories and other items sold, dispensed, handled or otherwise dealt in, and all services performed at or from the Premises,
- (m) **“System”** has the meaning given in the first recital.
- (n) **“Territory”** means the territory described in Part I of Schedule A hereto, excluding any existing franchised locations and their territories and any existing and future Institutions.

2. GRANT

Grant

- (1) Subject to the provisions of this Agreement and for the term hereinafter specified, the Franchisor hereby grants to the Franchisee an exclusive right to operate the Franchised Business at, and only at, the Premises and a non-exclusive license to use THE PITA PIT SYSTEM and Marks solely and exclusively in the operation thereof, including a non-exclusive right to use and reproduce the Marks in association with the sale of Products at the Premises. Termination or expiration of this Agreement shall constitute a termination or expiration of the right and license granted herein. The Franchisee may not relocate the Franchised Business without the Franchisor’s prior written consent.

Restricted Territory

- (2) So long as the Franchisee is not in breach of any of the terms and conditions of this Agreement, the Franchisor shall refrain from operating, or granting to anyone else a franchise to operate, a franchised business for the retail sale of pita sandwiches within the Territory, except that the Franchisor may, at any Institution within the Territory (i) operate a franchised business, (ii) grant a third party the right to operate a franchised business and/or (iii) enter into a license or other agreement with the Institution granting

the Institution, or its agents, the right to operate a franchised business or otherwise utilize the System and/or the Marks.

Additional Franchises

- (3) The Franchisor may operate, or grant franchises to operate, a THE PITA PIT franchised business outside the Territory without restriction. The Franchisor reserves the right to sell clothing and other merchandise bearing the Marks to non-food related businesses in the Territory. The Franchisor is under no obligation to grant the Franchisee the right to operate at additional locations. Without restricting the generality of the foregoing, the Franchisor may determine in its sole discretion that the Franchisee does not have the management or financial capability of operating more than one location.

Premises and Territory

- (4) Subject to the provisions of this Agreement, the Franchisee shall work with the Franchisor and a local real estate broker, approved by the Franchisor, to identify, and negotiate a lease for, a location within the geographic area set forth in Part I of Schedule A hereto, that shall serve as the Premises. Upon approval by the Franchisor and the entering of a lease or sublease for the location pursuant to Section 6 hereof, the location shall constitute the Premises. The Franchisor shall, within a reasonable period of time, note the street address of the Premises and set out the Territory in Part I of Schedule A hereto so that the Premises and Territory are delineated accordingly. In no event will the Franchisee be deemed to have a Premises or Territory until the Franchisee executes a lease or sublease, as set forth in this Agreement and Part I of Schedule A has been completed accordingly.

3. INITIAL FEE & CONTINUING FEE

Initial Fee

- (1) In consideration of the Franchisee receiving the opportunity to establish the Franchised Business, the Franchisee shall pay to the Franchisor, forthwith upon the execution of this Agreement, an initial, non-recurring, non-refundable franchise fee in the amount set forth in Part II of Schedule A plus any applicable taxes. This initial franchise fee shall be deemed to be fully earned by the Franchisor upon the execution of this Agreement by the Franchisor and in consideration of the grant by it to the Franchisee of the opportunity to establish the Franchised Business as herein provided, and the Franchisee shall not be entitled to a refund of any part thereof, regardless of the date of expiration or termination of this Agreement, except as specifically provided herein.

Continuing Fee

- (2) In return for the on-going rights and privileges granted to the Franchisee hereunder, the Franchisee shall pay to the Franchisor, after the opening of the Franchised Business and throughout the Initial Term of this Agreement, a Continuing Fee equal to the percentage of Net Sales set forth in Part II of Schedule A plus any applicable taxes, such Continuing Fee to be payable in arrears on or before the 5th day of the month immediately following the expiry of the month for which payment is being made. To enable the Franchisor to monitor the Franchisee's Net Sales and other information concerning the Franchised Business, the Franchisee shall install a Point of Sale System, as designated by the Franchisor, at the Franchisee's cost. At any time, the Franchisor may require the Franchisee to pay the Continuing Fee on a weekly basis.

Adjustment

- (3) If any federal, state, or local law prohibits the Franchisor from retaining any rebate attributable to the Franchisee's purchases, or any portion thereof, as permitted under Section 8(6) hereof, regardless of whether or not such rebates become available to the Franchisee, the Franchisor has the right to, and may, increase the Franchisee's monthly Continuing Fee by up to 1.5% of Net Sales, and such an increase will be effective from the first date that the Franchisor is no longer able to retain such rebate. This adjustment will be made to the then current Continuing Fee and any future Continuing Fee under this Agreement.

Multiple-Units

- (4) This paragraph of Section 3(4) applies if this Agreement is signed under a Multi Unit Development Zone Agreement. Franchisee acknowledges that its affiliate, [**Zone Franchisee Operating Company Name**], is a party to a Multi Unit Development Zone Agreement ("MUZA"), under which this Agreement has been entered. The MUZA calls for development of [**# of restaurants**] new Pita Pit restaurants. This Agreement represents the [**1st, 5th, etc.**] restaurant under the MUZA. Franchisee acknowledges it has been provided a copy of the MUZA, and that it has reviewed and understands the MUZA. Among other things, Franchisee acknowledges and agrees that in the event [**Zone Franchisee Operating Company Name**] fails to meet its Minimum Development Obligation, as defined and set forth in the MUZA, or if this Agreement is sold, assigned, or transferred, pursuant to Section 15 of this Agreement, the Continuing Fee set forth in Part II of Schedule A herein, will automatically revert to the higher of (i) a default rate of 5% of Net Sales, or (ii) the Franchisor's then current Continuing Fee, as determined by the Franchisor in its sole discretion, for the remainder of the Initial Term.

OR

This paragraph of Section 3(4) applies if this Agreement is not signed under a Multi Unit Development Zone Agreement. For as long as the Franchisor offers this program, the Continuing Fee set forth in this Agreement may become eligible for a reduction based upon the aggregate number of qualifying franchise agreements owned by the Franchisee or its affiliates. The following conditions will apply in order to become and remain eligible for the reduced Continuing Fee: (i) the Franchisee, Guarantor, and their respective affiliates may not be in default of, or later default upon, any agreement with the Franchisor or any of its affiliates, (ii) all existing franchised restaurants, whether owned by the Franchisee or one of its affiliates, must have achieved an evaluation score of 90% or higher on their two most recent evaluations, and (iii) the Franchisee must either own each franchise agreement counted in determining the aggregate number of franchise agreements, or the Franchisee's owners (such as shareholders, members, partners, etc.) must collectively own at least 50% of such franchise agreements, or the affiliate or affiliates that own such franchise agreements. If any of the aggregate franchise agreements become ineligible for the reduced Continuing Fee, this Agreement, along with all other aggregate franchise agreements, will no longer be eligible for the reduced Continuing Fee. If the aggregate number of franchise agreements owned is reduced for any reason that does not render all aggregate franchise agreement ineligible for the reduced Continuing Fee, such as a transfer, the Continuing Fee for this Agreement and the remaining aggregate franchise agreements will be adjusted according to the remaining number of aggregate franchise agreements.

4. TERM

Initial Term

- (1) The term of this Agreement shall commence on the date hereof, and shall expire either at midnight on the day preceding the tenth (10th) anniversary of the day that the Franchised Business opens to the public or on the expiration of the Franchisee's lease or sublease of the Premises, whichever date shall be the earlier, unless terminated sooner in accordance with the provisions of this Agreement. In no event though, shall the term of this Agreement exceed eleven (11) years from the date hereof.

Renewal

- (2) If throughout the Initial Term (and other renewal terms as applicable) and as described herein, the Franchisee shall have reasonably complied with all of the terms and conditions of this Agreement and any other agreement entered into between the Franchisor and the Franchisee and shall have complied with the operating standards and criteria established for the Franchised Business, including, without limitation, THE PITA PIT SYSTEM, the Franchisee shall have the option to renew this Agreement for one renewal term(s) only. The renewal term shall commence on the expiry of the Initial Term of this Agreement, and end on the earlier of: (i) the tenth (10th) anniversary thereof, and (ii) the expiry of the Franchisee's lease or sublease of the Premises, unless terminated sooner in accordance with the terms and conditions of this Agreement. The

renewal shall require payment of the Franchisor's renewal fee of twenty-five thousand dollars (\$25,000) plus any applicable taxes, and shall be subject to the following terms and conditions being complied with in full prior to the expiration of the Initial Term:

- (a) the Franchisee shall give the Franchisor written notice of its desire to exercise the renewal option herein provided for, not less than six (6) months prior to the expiration of the Initial Term provided that such notice shall not be given before the commencement of the last year of the Initial Term;
- (b) the Franchisee shall do or cause to be done all such things as the Franchisor may reasonably require to ensure that the Franchised Business satisfies the then current image, standards and specifications established by the Franchisor for new franchises in THE PITA PIT SYSTEM whether or not such image, standards or specifications reflect a material change in THE PITA PIT SYSTEM in effect during the Initial Term hereof and upon inspection by the Franchisor shall achieve an evaluation score of 90% or higher. Without limiting the generality of the foregoing, the Franchisee shall make such capital expenditures as the Franchisor shall determine in its sole discretion as being required in connection with the foregoing for the modernization, renovation and refurbishing of the Premises and all fixtures, furnishings, equipment and signs therein or thereon;
- (c) the Franchisee shall not be in default of any provision of the Lease or Sublease for the Premises and shall satisfy the Franchisor that it has the right to remain in possession of the Premises or other premises which are in the reasonable opinion of the Franchisor suitable for any applicable renewal term;
- (d) the Franchisee shall pay all amounts owing by it to the Franchisor;
- (e) the Franchisee shall not be in default of any provision of any license for the Franchised Business carried on at the Premises and shall be able to renew such license as necessary;
- (f) at the commencement of the renewal term, the Franchisee shall, at the option of the Franchisor, execute the Franchisor's then current form of franchise agreement, which shall contain Continuing Fee rates (whether an increasing flat monthly fee or a percentage of Net Sales) and advertising contributions commensurate with those then required of single unit new franchisees in the final year of their initial term, and shall contain a Territory commensurate with those then being granted to new franchisees and adjusted by the Franchisor, in its sole discretion, to reflect population changes, and shall execute such other documents and agreements as are then customarily used by the Franchisor in the granting of franchises. If the Franchisor shall elect not to have Franchisee execute such a new franchise agreement, all of the provisions contained in the franchise agreement in effect immediately prior to the commencement of such renewal

term shall remain in force during such renewal term (except for any further right of renewal); and

- (g) the Franchisee shall deliver to the Franchisor a complete release of the Franchisor, its directors and officers, as well as its affiliates and the directors and officers thereof, from all claims howsoever arising as well as all obligations under this Agreement of any such persons, in the form attached to this Agreement as Schedule B.

Provided the Franchisee has fully and timely complied with all requirements set forth in this Section 4(2)(a) through 4(2)(g), the Franchisee may apply all but two thousand five hundred (\$2,500) of the twenty-five thousand dollar (\$25,000) renewal fee toward the capital expenditures required under Section 4(2)(b) above. If the capital expenditures required under Section 4(2)(b) are less than \$22,500, the Franchisee will not be obligated to pay the balance to the Franchisor. If these capital expenditures exceed \$22,500, the Franchisee will be obligated to incur those costs and complete the associated upgrades.

Holdover

- (3) If the Franchisee, without any further agreement in writing signed by the Franchisor, continues to operate the Franchised Business after the expiry of the Initial Term or any renewal term and the Franchisor has not notified the Franchisee that it does not intend to renew this agreement, this agreement shall operate on a month-to-month basis. No deemed renewal may be imputed from the conduct of the parties hereto in support of the month-to-month operation of the Franchised Business and the Franchisor may terminate this Agreement effective at the end of any month upon at least 10 days advance written notice to the Franchisee.

5. OPERATING ASSISTANCE

- (1) During the term of this Agreement, the Franchisor shall furnish to the Franchisee such continuing advice, guidance and additional training as is from time to time reasonably required by the Franchisee in the sole judgment of the Franchisor with respect to the planning, opening and operation of the Franchised Business, including consultation, advice and training regarding:
 - (a) selection, purchasing, stocking and display of Products and supplies;
 - (b) formulation and implementation of advertising and promotional programs;
 - (c) establishment and maintenance of administrative, bookkeeping, accounting, inventory control and general operating procedures;

- (d) improvements to THE PITA PIT SYSTEM, including new product development; and
 - (e) financial advice and consultation.
- (2) In the event that the Franchisee requires more assistance and guidance than is reasonable, in the sole opinion of the Franchisor, or if the Franchisor determines that additional training is required, the Franchisor may charge the Franchisee a reasonable fee for such additional assistance, guidance or training.

6. PREMISES

Use of Premises

- (1) The right and license granted to the Franchisee pursuant to Section 2 hereof, has been granted to the Franchisee solely for use by it at the Premises. The Franchisee shall use the Premises for the operation of the Franchised Business only and for no other purpose.

Sublease or Lease By Franchisee

- (2) If, at the time of execution of this Agreement, a location for the Franchised Business has been identified and the Franchisor has determined that it or its affiliate will enter into the lease, then the Franchisee will simultaneously with, or immediately following the execution of this Agreement and the entering into of the lease, enter into an agreement with the Franchisor or an affiliate designated by the Franchisor to sublease the Premises which agreement will be in substantially in the form attached hereto as Schedule C or in such other form as may otherwise be required by the Franchisor or its affiliate or any lessor or sublessor of the Premises. The Franchisee further agrees that, if requested to do so either by the Franchisor, its affiliate or any lessor of the Premises, the Franchisee shall execute a covenant and/or agreement directly in favor of such lessor, covenanting and agreeing to be bound by, and to perform and observe all of the terms and conditions of the lease or any other instruments under which the right to occupy the Premises has been obtained. If the Franchisor is, for any reason whatsoever, unable to obtain the written consent of any lessor of the Premises whose consent may be required to the subletting of the Premises by the Franchisor or its affiliate to the Franchisor, then this Agreement shall be terminated and of no further force or effect and neither the Franchisor nor the affiliate shall be responsible for any losses, costs or expenses whatsoever incurred by the Franchisee as a result of such inability to obtain the consent.

If, at the time of execution of this Agreement, a location for the Franchised Business has been identified, and the Franchisor has determined that it or its affiliate will not enter into the lease, then the Franchisee shall work with the Franchisor and a local real estate agent, approved by the Franchisor, to negotiate and enter into the lease for the

location. The Franchisor shall work with the Franchisee and approved local real estate to draft a lease proposal for each prospective location that has been approved by the Franchisor. The local real estate broker will then initiate negotiations with the prospective landlord for an approved location by delivering the lease proposal to the landlord. The lease shall be in a form and contain terms acceptable to the Franchisor. Without limitation, the lease entered into by the Franchisee shall provide that such lease be assigned to the Franchisor or its affiliate at the Franchisor's option, upon the termination or expiry of this Agreement for whatever reason, without the need for consent by the landlord. The Franchisor or its affiliate shall be made a party to any such lease for the benefit only of taking advantage of such right of assignment. The Franchisee agrees not to terminate or in any way alter or amend such lease during the term of this Agreement, including any renewal thereof, without the Franchisor's or its affiliate's prior written approval. Any attempt to terminate, alter or amend such lease shall be null and void and have no effect as to the Franchisor's or its affiliate's interests thereunder, and a clause to such effect shall be included in such lease.

- (3) If, at the time of execution of this Agreement a location for the Franchised Business has not been approved by the Franchisor and obtained, then the Franchisee shall work with the Franchisor and a local real estate broker, approved by the Franchisor, and use its best efforts, to find a suitable location for the Franchised Business acceptable to the Franchisee and the Franchisor in all reasonable respects. If the Franchisee finds a location which it feels is suitable, it shall immediately notify the Franchisor and the Franchisor shall determine the suitability of such location. If the Franchisor approves a location, the Franchisor or its affiliate shall have the option to enter into a binding agreement to lease the premises with the owner or landlord thereof.

If the property owner of the location will not pay the local real estate broker's commission, the Franchisee may pay the broker's commission and go forward with the location or the Franchisee may continue working with the broker to find another location.. The broker's commission is not covered by, and is in addition to, the Franchisee's Initial Franchise Fee.

If the Franchisor or its affiliate exercises its option to enter into the lease, then the Franchisee shall, within three (3) days of receipt of notice from the Franchisor or its affiliate enter into a sublease for the premises substantially in the form attached hereto as Schedule C, in accordance with the terms and conditions, *mutatis mutandis*, as contained in the first paragraph of subsection 6(2) above. If the Franchisor or its affiliate elects not to enter into the lease, then the Franchisee shall enter into the lease in accordance with the terms and conditions, *mutatis mutandis*, as contained in the second paragraph of subsection 6(2) above.

If the Franchisee has entered into a sublease for the Premises and wishes to have the Franchisor or its affiliate exercise an option to renew or extend the then current term of the lease, or other instrument under which the right to occupy the Premises has been obtained, the Franchisee shall give the Franchisor written notice of its desire to have the

option exercised, not less than ninety (90) days prior to the applicable deadline to exercise the option under the Head Lease. The Franchisor may or may not exercise the option for the lease in its sole discretion.

Option to Terminate

- (4) If, within one year of the date of the execution of this Agreement, the lease or a binding agreement to lease suitable premises has not been executed by the Franchisor or its affiliate or the Franchisee, or if the Franchisor is unable to obtain any required consent of any lessor to sublet the premises to the Franchisee in accordance with this Section 6, then, until such time as any of them has entered into such binding agreement to lease, or such consent is obtained in accordance with this Section 6, the Franchisor shall have the continuing option to terminate this Agreement by giving ten (10) days notice of termination to the Franchisee.

If notice of termination is given as aforesaid, then unless the Franchisor or its affiliate or the Franchisee has entered into the lease or agreement for lease or obtained the necessary consent of any lessor, as aforesaid before the expiry of the notice period, this Agreement and the rights and obligations of the parties hereunder shall terminate. Upon such termination of this Agreement, the parties shall deliver to each other a release in the form attached to this Agreement as Schedule B and other documents as may be required to fully rescind all agreements between them in respect of the subject matter of this Agreement. Upon compliance with the foregoing, the Franchisor agrees to refund to the Franchisee all amounts received by the Franchisor pursuant to this Agreement, less \$5,000 and any additional costs and expenses reasonably incurred by the Franchisor in connection with the granting of this Franchise, the negotiation and execution of this Agreement and any other agreement, the sourcing and investigation of the premises and any lease negotiations.

7. DESIGN AND CONSTRUCTION

Development of Premises By The Franchisee

- (1) The Franchisee will construct and equip the Premises in conformity with THE PITA PIT SYSTEM standard layout plans, specifications and drawings provided by the Franchisor. The cost of producing all plans and specifications and all costs and expenses pertaining to the planning, construction and equipping of the Premises to THE PITA PIT standards will be borne exclusively by the Franchisee.
- (2) The Franchisee acknowledges that any such work already performed by the Franchisor or its affiliate has been performed on a commercially reasonable basis by the Franchisor or its affiliate.
- (3) All development costs, including all costs of the Franchisee's leasehold improvements, whether performed by the Franchisee or by the Landlord or by the Franchisor's or its

affiliate, or their contractor, on behalf of the Franchisee, of equipment and machinery, of signs and logos, of permits and fees and whatever else the Franchisee encounters in the way of costs in bringing about the completion of the Franchised Business and the Premises so as to be satisfactory according to THE PITA PIT SYSTEM will be borne by the Franchisee. The Franchisee acknowledges that any guarantees or warranties with respect to the performance and function of any of the equipment selected for use in the Franchised Business will be limited to those provided by the manufacturer or supplier of such equipment.

- (4) The Franchisor makes no representation that its standard layout plans, specifications and drawings or any work already performed by the Franchisor or its affiliate at the Premises are in compliance with state and local laws.

Fixtures, Equipment and Signs

- (5) The Franchisee agrees to use in the operation of the Franchised Business only those brands or types of fixtures, equipment (including point of sale systems) and signs that the Franchisor has approved, in its reasonable discretion, as meeting its specifications and standards for design, appearance, function, performance and serviceability. The Franchisee must purchase products, equipment and supplies from suppliers approved by the Franchisor, which may include the Franchisor or its affiliates. For some fixtures, equipment, and signs the Franchisor may designate one brand or type and one supplier from whom the Franchisee must purchase, which may be Franchisor or its affiliate. The Franchisor may require the Franchisee to enter into written agreements with designated suppliers. If the Franchisee proposes to purchase any brand or type of fixture, equipment or sign which is not then approved or from a supplier that is not then approved, the Franchisor shall have first approved in writing such brand or type and supplier, which approval shall not be unreasonably withheld so long as the Franchisee can demonstrate to the Franchisor's reasonable satisfaction that the brand or type meets the Franchisor's standards and specifications and its supplier possesses adequate quality control and capacity to be able to supply on a reliable basis a product or service meeting the Franchisor's standards and specifications and is capable of supplying THE PITA PIT SYSTEM on a regional and national basis at prices that are more competitive than those of the Franchisor's current designated supplier, including any rebates payable to the Franchisor. The Franchisor must be permitted to inspect the supplier's facility and the Franchisee shall submit to the Franchisor samples of any such products or supplies, which Franchisee wishes to acquire from any other source or supplier and the Franchisor shall be entitled to submit such samples, at the Franchisee's or supplier's or other source's expense, to an independent testing laboratory to determine whether the standards of the Franchisor and THE PITA PIT SYSTEM are met. The Franchisee shall be responsible for all costs incurred by the Franchisor relating to the inspection and approval process. The Franchisee's right to seek approval of alternative brands or types and alternative suppliers does not apply where there is designated brand or type or there is a designated supplier. The Franchisee further agrees to place or display at the Premises (interior and exterior) only such signs,

emblems, lettering, logos and display materials that are from time to time approved in writing by the Franchisor, which approval may be given or withheld by the Franchisor at the sole discretion of the Franchisor.

8. OPERATION OF FRANCHISED BUSINESS

Duties and Obligations

- (1) The Franchisee acknowledges that the Franchisor has invested and is investing time and capital in the advertising and promotion of THE PITA PIT Franchises as a network of businesses and has established a uniform business format or system and high standards of quality and service. The Franchisee acknowledges that the Franchisor has established an excellent business reputation, created a substantial demand for its products and services and built up valuable goodwill. The Franchisee understands and acknowledges that such advertising and promotion by the Franchisor has created and is creating goodwill and customer association in the Marks, which benefit the Franchisor, the Franchisee and all other THE PITA PIT franchisees. The Franchisee acknowledges that to foster and preserve such goodwill, it is necessary for the Franchisee to open and operate the Franchised Business in a manner and to a quality consistent with THE PITA PIT SYSTEM and the businesses heretofore opened and operated by its franchisees. The Franchisee acknowledges that, in order to maintain such uniformity and quality consistency, it is necessary for the Franchisor to exercise a degree of control over the opening and operation of each and every THE PITA PIT franchise. Therefore, the Franchisee agrees to open and operate the Franchised Business in accordance with THE PITA PIT SYSTEM, whether contained in the Manual, or otherwise. Without limiting the generality of the foregoing, the Franchisee agrees as follows:
 - (a) once construction is completed, to open the Franchised Business to the public only with the prior written approval of the Franchisor and to operate the Franchised Business with due diligence and efficiency in an up-to-date, quality and reputable manner during such days, nights and hours as may be designated by the landlord for the Premises and/or the Franchisor;
 - (b) to ensure that at all times, prompt, courteous and efficient service is accorded to its customers. The Franchisee shall in all dealings with its customers, suppliers and the public adhere to the highest standards of honesty, integrity, fair dealings and ethical conduct;
 - (c) to sell such Products and only such Products as meet the Franchisor's uniform standards of quality and quantity, as have been expressly approved for sale in writing by the Franchisor acting reasonably, and as have been prepared in accordance with the Franchisor's methods and techniques for product preparation. The Franchisee shall sell all Products on the list of required products provided by the Franchisor and the Franchisee may, at its option, sell any or all Products on the list of optional products provided by the Franchisor.

The Franchisee shall not offer for sale any other products or services from the Premises. The Franchisee shall discontinue the sale of any items or any other merchandise of any kind whatsoever as the Franchisor, acting reasonably, prohibits in writing;

- (d) to maintain the condition and appearance of the Franchised Business and the equipment used therein consistent with the then image, as it may be from time to time, of the Franchisor's franchised businesses as an attractive, modern, clean, convenient and efficiently operated business offering high quality products served promptly and courteously. The Franchisee agrees to promptly effect such maintenance of, and repairs to the Premises and to complete all repairs and replacements of the leaseholds and the equipment installed therein as is reasonably required on a regular and frequent basis and maintain such condition and appearance;
- (e) to not make or cause to be made any alterations to the interior or exterior of the Premises so as to modify the appearance thereof or any alteration or replacements of any of the leasehold improvements, fixtures or equipment at the Premises without first having obtained the written approval of the Franchisor, which approval shall be given or withheld in the discretion of the Franchisor, acting reasonably;
- (f) subject to the exercise of reasonable discretion by the Franchisor, having regard to local market conditions, to participate fully in all national, regional and local promotions initiated by THE PITA PIT;
- (g) to maintain required staffing levels and, if required by the Franchisor, to make available for a reasonable period of time each of the owners of the Franchised Business and its manager for initial or additional training by the Franchisor, at the Franchisor's head office or other locality designated by the Franchisor. Prior to attending training, the Franchisee and, if applicable, the Franchisee's manager must complete the assigned pre-training assignments. Failure to do so may result in the scheduled training and Franchised Business opening date being rescheduled to a later date. The Franchisee must purchase and maintain a laptop meeting the hardware, peripheral, and software specifications, as set forth in the System Manual, which may be changed from time to time. The laptop must accompany the Franchisee or manager attending the initial or additional training. All required training must be completed to the satisfaction of the Franchisor. The Franchised Business may not be open to the public until all required initial training is completed to the satisfaction of the Franchisor. Such training shall be conducted at no cost to the Franchisee, except that the Franchisee shall be responsible for all expenses, including travel, food and lodging costs for each attendee and Franchisor may charge a reasonable fee for additional training as described in subsection 5(2). The Franchisee and its managers may receive some general employment related training and support from the Franchisor, but

the Franchisee is solely responsible for all decisions, and the implementation thereof, related to hiring, training, managing, disciplining, and firing its employees. The Franchisee is also responsible, at all times, for ensuring that its employees comply with the standards, methods of operation, and techniques prescribed by the Franchisor to comply with the System and protect the brand and its trademarks. The Franchisor is not the employer and accordingly will not take part in any of these employment related actions;

- (h) to comply with all municipal, state and federal laws and regulations and shall obtain and at all times maintain any and all permits, certificates or licenses, necessary for the proper conduct of the Franchised Business pursuant to the terms of this Agreement;
- (i) subject to the employment of competent professional management and staff, in the opinion of the Franchisor reasonable in the circumstances, the Franchisee and the Guarantor shall devote their full time and attention to the establishment, development and operation of the Franchised Business;
- (j) to ensure that all Products are served in containers as dictated by THE PITA PIT SYSTEM, bearing accurate reproductions of the Marks. All such reproductions shall be submitted to the Franchisor for prior written approval before usage. All paper goods and like articles used in connection with the Franchised Business shall be of an appropriate quality and style according to THE PITA PIT SYSTEM and bear quality reproductions of the Marks and shall conform to specifications established by the Franchisor and be submitted to the Franchisor for prior written approval before usage. Such imprinted items shall be purchased by the Franchisee only from the Franchisor or from suppliers or manufacturers approved in writing by the Franchisor;
- (k) to permit the inspection of its Premises at any time during the Franchisee's hours of operation as the Franchisor reasonably requires;
- (l) to submit samples of all packaging, labeling, advertising, signage and other materials bearing the Marks to the Franchisor promptly upon request; and
- (m) implement an online ordering system, obtained from the Franchisor's designated service provider; all at the expense of the Franchisee, including, at the Franchisor's option, payment of any fees directly to the Franchisor's designated service provider or the reimbursement of any fees paid by the Franchisor to the designated service provider.

Purchase and Sale of Products

- (2) The Franchisee acknowledges that the reputation and goodwill of THE PITA PIT SYSTEM is based upon, and can be maintained and enhanced only by, the sale of high

quality products and the satisfaction of customers who rely upon the uniformly high quality of products that are sold under THE PITA PIT SYSTEM and such continued uniformity is essential to the goodwill, success and continued public acceptance of THE PITA PIT SYSTEM.

- (3) Recognizing that the Products and supplies to be used in the Franchised Business must conform to the Franchisor's standards and specifications, the Franchisee hereby agrees to purchase all Products and supplies from the Franchisor, or suppliers approved or designated by the Franchisor (which may include affiliates of the Franchisor), or from any other sources or suppliers, provided that the Franchisor shall have first approved in writing such other source or supplier, which approval shall not be unreasonably withheld so long as the Franchisee can demonstrate to the Franchisor's reasonable satisfaction that its source or supplier possess adequate quality control and capacity to be able to supply on a reliable basis a product or service meeting the Franchisor's standards and specifications and is capable of supplying THE PITA PIT SYSTEM on a regional and national basis at prices that are more competitive than those of the Franchisor's current designated supplier, including any rebates payable to the Franchisor. The Franchisor must be permitted to inspect the supplier's facility and the Franchisee shall submit to the Franchisor samples of any such products or supplies, which Franchisee wishes to acquire from any other source or supplier and the Franchisor shall be entitled to submit such samples, at the Franchisee's or supplier's or other source's expense, to an independent testing laboratory to determine whether the standards of the Franchisor and THE PITA PIT SYSTEM are met. The Franchisee shall be responsible for all costs incurred by the Franchisor relating to the inspection and approval process. For some Products and supplies, the Franchisor may designate one supplier from whom the Franchisee must purchase, which may be Franchisor or its affiliate. The Franchisor may require the Franchisee to enter into written agreements with designated suppliers. The Franchisee's right to seek approval of alternative suppliers does not apply where there is a designated supplier.
- (4) With respect to suggestions given by the Franchisor to the Franchisee concerning the resale price for Products, the Franchisee is under no obligation to accept any such suggested resale price and furthermore, the Franchisee shall have the sole right to determine resale prices. If the Franchisee does not sell or dispose of the Products at the prices suggested by the Franchisor, the Franchisee will not suffer in any way in its business relations with the Franchisor or any other person whom the Franchisor can otherwise influence or control.
- (5) So long as the Franchisee is not in default hereunder, the Franchisor will endeavor to use its reasonable best efforts to fill all orders placed by the Franchisee with the Franchisor as promptly as possible. However, the Franchisor will not be liable for loss or damage due to delay in delivery resulting from any cause beyond its reasonable control, including, but not limited to, compliance with any regulations, orders or instructions of any federal, state or municipal government or any department or agency thereof, acts or omissions of the Franchisee, acts of civil or military authority, fires,

strikes, lockouts, embargoes, delays in transportation, and inability due to causes beyond control of the Franchisor to obtain the necessary products or ingredients. In no event shall the Franchisor be liable for financial loss, including consequential or special damages on account of delay due to any cause.

Discounts, Rebates, Bonuses

- (6) In the event that any volume discounts, rebates, bonuses or tenant inducements (whether by way of cash, kind or credit) are received by the Franchisor from any manufacturer or supplier approved or designated by the Franchisor or by any landlord of the Premises, whether or not on account of purchases or improvements made (i) by the Franchisor for its own account or for the account of the Franchisee or (ii) by the Franchisee directly for its own account, the Franchisor shall be entitled to retain the whole of the amount or any part of such volume discounts, rebates, bonuses or tenant inducements.

System Modifications

- (7) The Franchisee acknowledges and agrees that the Franchisor may from time to time hereafter add to, subtract from, modify or otherwise change THE PITA PIT SYSTEM, including, without limitation, the adoption and use of new or modified trade-marks or trade names, new products or services and new techniques in connection therewith, new equipment or fixtures, and the Franchisee agrees, at its own cost, to promptly accept, implement, use and display all such alterations, modifications and changes. Provided however, that such implementation shall only be undertaken on a reasonable basis, having regard to the costs thereof and the disruption of the Franchisee's business arising therefrom.

Transfer of Funds

- (8) The Franchisee covenants and agrees to cooperate fully and comply with any reasonable system implemented by the Franchisor for the transfer of funds directly from the bank account of the Franchisee to the bank account of the Franchisor, including the execution of any preauthorized payment or automatic withdrawal forms required by the Franchisor's or the Franchisee's bankers.

9. OPERATING MANUAL AND CONFIDENTIALITY

Compliance With Manual

- (1) The Franchisee shall conduct the Franchised Business strictly in accordance with all of the provisions set out in the Manual as amended by the Franchisor from time to time.

Non-Disclosure

- (2) The Franchisee acknowledges that it has had no part in the creation or development of, nor does it have any property or other rights or claims of any kind in, or to, any element of THE PITA PIT SYSTEM including, without limitation, the specifications, standards, procedures and the entire contents of the Manual are communicated to the Franchisee solely on a confidential basis and as trade secrets, in which the Franchisor has a substantial investment and a legitimate right to protect against unlawful disclosure. Accordingly, the Franchisee agrees to maintain the confidentiality of all such information, whether obtained before or after the Franchisee executed this Agreement, during the currency of this Agreement or at any time thereafter and shall not disclose any of the contents of the Manual or any information whatsoever with respect to the Franchisee's or the Franchisor's business affairs or THE PITA PIT SYSTEM other than as may be required to enable the Franchisee to conduct its business from the Premises in accordance with this Agreement. The Franchisee further agrees not to use any such information, whether obtained before or after the Franchisee executed this Agreement, in any other business or in any manner not specifically approved in writing by the Franchisor. The Franchisee shall use its reasonable best efforts to have its principals, senior employees, agents, and the Guarantor execute the Franchisor's standard form secrecy agreement, a current form of which appears in Schedule E hereto. This section shall survive the termination of this Agreement for any reason whatsoever. The obligations of the Franchisee under this paragraph shall not apply to information: (a) which at the time of disclosure was readily available to the public, (b) which after disclosure becomes readily available to the public, otherwise than by reasons of a breach of this Agreement by the Franchisee or its principals, employees or agents, (c) which is subsequently lawfully and in good faith obtained by the Franchisee from an independent third party having the right to publicly disclose the information, and (d) which the Franchisee is by law required to disclose.

Manual is Property of the Franchisor

- (3) The Franchisee hereby acknowledges that the Manual is loaned to the Franchisee and shall at all times remain the sole and exclusive property of the Franchisor, and upon the expiration or termination of this Agreement for any reason whatsoever, the Franchisee shall immediately return the Manual together with all copies or any partial copies of the Manual which the Franchisee may have made, to the Franchisor. There is a replacement fee of \$1,000 for any lost Manual.

10. ADVERTISING

Local Advertising

- (1) The Franchisee agrees to, during the Initial Term and any renewal thereof, expend annually on local advertising and promotion not less than an amount equal to one per cent (1%) of Net Sales each year and such amount as may be required to be expended

for such purposes by the lease or sublease for the Premises. Additionally, the franchisee agrees to fully participate in the Daily Discipline Marketing Program, as such program is delineated by the Franchisor from time to time. Participation requires that the Franchisee purchase, maintain, and utilize a laptop computer, meeting the hardware, peripheral, and software specifications as set forth in System Manual, which may be changed from time to time. The Franchisee may apply its annual expenditure of one percent (1%) of Net Sales for local advertising and promotion toward the cost of materials necessary for participation in the Daily Discipline Marketing Program.

- (2) The Franchisee shall have the right to conduct such additional advertising and promotions in respect of the Franchised Business as the Franchisee shall, in its reasonable discretion desire, provided that:
 - (a) the Franchisee shall advertise and promote only in a manner that will reflect favorably on the Franchisor, the Franchisee, the Products and the good name, goodwill and reputation thereof;
 - (b) the Franchisee shall submit to the Franchisor for its approval, all advertising and promotions to be utilized by the Franchisee and until such time as the Franchisor shall give its prior written approval to the use of such advertising and promotions, the Franchisee shall not utilize same in any advertising or promotion;
 - (c) the Franchisee shall prominently display, at its expense, in and upon the Premises signs of such nature, form, color, number, location and size and containing such matter as the Franchisor may direct or approve in writing from time to time and such signs shall be purchased from the Franchisor or, at its option, from suppliers approved by it;
 - (d) the Franchisee hereby acknowledges that the Franchisor is the sole and exclusive owner of all copyrights in any and all advertising and promotional material prepared by, or on behalf of, the Franchisor or which contains the Marks and shall, at all times, remain the property of the Franchisor; and,

General Advertising Fund

- (3) Recognizing the value of uniform advertising and promotion to the goodwill and public image of THE PITA PIT SYSTEM, the Franchisee agrees that the Franchisor may undertake, maintain and administer a general advertising fund (the Fund) for such national, regional and other advertising programs as the Franchisor may deem necessary or appropriate, in its sole discretion. The Franchisor shall direct all such advertising programs in its sole discretion with respect to the creative concepts, materials, endorsements and media used therein, and the placement and allocation thereof.

- (4) The Franchisee shall contribute to the Fund in each year an amount equal to up to two percent (2%), as determined by the Franchisor, of the Net Sales for such year. Any amounts payable hereunder to the Fund, shall be payable on the 10th day of each month and shall be based upon Net Sales for the preceding month.
- (5) The Fund shall be used and expended for media costs, commissions, market research costs, creative and productions costs, including, without limitation, the costs of creating promotions and artwork, printing costs, and other costs relating to advertising and promotional programs undertaken by the Franchisor. The Franchisor reserves the right to place and develop such advertisements and promotions and to market the same for and on behalf of the Franchisee, either directly or through an advertising agency retained or formed for such purpose. The Fund shall be accounted for separately from the other funds of the Franchisor and shall not be used to defray any of the Franchisor's general operating expenses, except for such reasonable salaries, administrative costs and overhead (calculated on a fully allocated basis), if any, as the Franchisor may incur in activities reasonably related to the administration or direction of the Fund and its advertising programs (including, without limitation, conducting market research). A statement of the operation of the Fund shall be prepared annually and shall be made available to the Franchisee upon request, the cost of such statement to be paid from the Fund.
- (6) The Franchisee acknowledges and agrees that the Fund is intended to maximize general public recognition and patronage of THE PITA PIT SYSTEM and businesses for the benefit of all THE PITA PIT franchisees and that the Franchisor undertakes no obligation in administering the Fund to ensure that any particular franchisee, including the Franchisee, benefits directly or *pro rata* from the placement or conduct of such advertising and promotion.
- (7) Except as expressly provided in this section, the Franchisor assumes no direct or indirect liability or obligation to the Franchisee with respect to the maintenance, direction or administration of the Fund.

11. MARKS

No Permanent Interest

- (1) The Franchisee acknowledges that the Franchisor owns the Marks and all associated goodwill and that all registrations of the Marks by the owner are valid. Neither this Agreement nor the operation of the Franchised Business shall in any way give or be deemed to give to the Franchisee any interest in the Marks except for the right to use the Marks solely at, and on, the Premises and in accordance with the terms and conditions of this Agreement. The Franchisee shall not use the Marks in any manner calculated to represent that it is the owner of the Marks. Neither during the term of this Agreement nor at any time after expiration or termination hereof, shall the Franchisee, directly or indirectly, dispute or contest the validity or enforceability of the

Marks, attempt any registration thereof, or attempt to dilute the value of any goodwill attaching to the Marks. Any goodwill associated with the Franchisee's use of the Marks shall enure exclusively to the benefit of the Franchisor.

Franchisee's Obligations With Respect to Marks

- (2) Without in any way restricting or limiting subsection 11(1) hereof, the Franchisee covenants and agrees as follows:
- (a) that contemporaneously with the execution of this Agreement or forthwith upon any request by the Franchisor, the Franchisee will execute such agreements or other instruments in such form and with such parties, including the Franchisor, as the Franchisor in its sole discretion shall specify, for the purpose of protecting the interests and rights of the Franchisor in such Marks, or complying with any applicable trade name, trade-mark or other similar legislation;
 - (b) that the Franchisee will not use either the Marks or any variations thereof, including the words "Pita" and "Pit" together, as any part of its corporate, firm or business name or for any other purposes, save and except in accordance with the terms and conditions of this Agreement or as may otherwise be specifically authorized by the Franchisor in writing;
 - (c) that if the business, partnership or corporate statutes of any jurisdiction require that the Franchisee make application to use the Marks within such jurisdiction, such application of the Franchisee shall specify that the Franchisee's use of such Marks is subject to and limited by the terms and conditions of this Agreement;
 - (d) that forthwith upon the expiration or termination for any reason whatsoever of this Agreement, the Franchisee shall cease all use of the Marks and shall permanently refrain from using the Marks (including any colorable imitations or confusingly similar trade-marks) for any purposes whatsoever and the Franchisee shall not make known, either directly or indirectly, following such expiration or termination, that the Franchisee previously conducted business under the Marks;
 - (e) that the Franchisee shall not (i) use the Marks, (ii) reference its affiliation with the Franchisor in the system, or (iii) offer for sale any of the Products, on the Internet or any communications network now or hereafter developed, without prior written approval of the Franchisor; and
 - (f) that the Franchisee shall not use the words "Pita" and "Pit" together in any domain name or email address without the Franchisor's prior written consent.
 - (g) that the Franchisee shall not cause the Marks to be held in disrepute or otherwise damage the goodwill in the Marks.

Affixing of Notice

- (3) The Franchisee hereby covenants and agrees that it will affix in a conspicuous location in or upon the Premises, a sign containing the following notice:

“This business is owned and operated independently by **(name of franchisee operating company)** which is a licensed user of trade-marks owned by Pita Pit Inc.”

Infringement or Change of Marks

- (4) The Franchisee shall immediately notify the Franchisor in writing of any infringement of or challenge to the Franchisee's use of any of the Marks and the Franchisor shall have the sole discretion to take such action as it deems appropriate. The Franchisee shall not take any other action, including, without limitation, threatening or commencing legal proceedings regarding the infringement or challenge without the Franchisor's prior written permission. The Franchisor agree to indemnify the Franchisee against, and to reimburse the Franchisee for, all damages for which he is held liable in any proceeding arising out of the use of any of the Marks by the Franchisee in compliance with this Agreement and for all costs reasonably incurred by the Franchisee in the defense of any such claim brought against him or in any such proceeding in which he is named as a party, to a maximum aggregate amount of the initial franchise fee paid by the Franchisee pursuant to Section 3(1). The Franchisee agrees to cooperate fully with the Franchisor in any infringement proceeding or challenge to the Franchisee's use of any of the Marks. If it becomes advisable at any time, in the sole discretion of the Franchisor, for the Franchisee to modify or discontinue the use of any of the Marks or use one or more additional or substitute trade names or trade marks, the Franchisee agrees to do so and the sole obligation of the Franchisor in any such event shall be to reimburse the Franchisee for the actual out of pocket expenses reasonably incurred by the Franchisee in replacing signs or other printed material then being used by the Franchisee in the conduct of the Franchised Business and bearing the Marks to be modified or discontinued.

Registration of Marks

- (5) The Franchisee recognizes that the Franchisor makes no representations or warranties to the Franchisee that any of the Marks are registered or registerable, that the Franchisor has the right or exclusive right to use any of the Marks, or that the Marks do not infringe any intellectual property, proprietary or other right of any person.

12. ACCOUNTING, RECORDS, REPORTS, AUDITS AND INSPECTIONS

Bookkeeping, Accounting and Records

- (1) The Franchisee shall maintain a bookkeeping, accounting and record keeping system conforming to the requirements prescribed from time to time by the Franchisor. The

Franchisee's books and records shall only contain information relating to the Franchised Business. The Franchisee's books and records shall be preserved for at least six years (including the period after this Agreement expires or is earlier terminated).

POS System

- (2) Before commencing to operate the Franchised Business, the Franchisee shall, at its sole expense, procure and install an electronic Point of Sale System as specified by the Franchisor in the Manual or otherwise in writing (the "POS System"). At the Franchisor's request, the Franchisee shall, without charge, provide any assistance the Franchisor requires to bring the POS System "on-line" with the Franchisor's computer system. The Franchisee and all personnel employed by the Franchisee shall record, at the time of sale, in the presence of customers, all receipts from sales or other transactions, whether for cash or credit, on the POS System. The Franchisor shall have the free and unfettered right to retrieve such data and information from the POS System as the Franchisor, in its sole discretion, deems necessary, desirable or appropriate. The Franchisee is solely responsible for the telephonic cost of such retrieval.
- (3) The Franchisor, at its sole discretion, may require that the Franchisee add memory, ports and other accessories and/or peripheral equipment and/or additional, new, or substitute hardware or software to the original POS System purchased by the Franchisee. At a certain point in time it may become necessary for the Franchisee to, and at the Franchisor's request the Franchisee will, replace or upgrade the entire POS System with a larger system capable of assuming and discharging all the computer-related tasks and functions or with an entirely different system as specified by the Franchisor. To ensure full operational efficiency and communication capability between the Franchisor's computer and that of the Franchised Business, the Franchisee shall keep the POS System in good maintenance and repair. Upon the expiration or earlier termination of this Agreement, all software, disks, tapes and other magnetic storage media the Franchisor provided to the Franchisee must be returned to the Franchisor in good condition (reasonable wear and tear excepted). The Franchisee shall delete all software and applications from all memory and storage. All of the foregoing items specified to be installed or purchased, or acts specified to be undertaken by the Franchisee under this Section 12(3), and the delivery of all hardware and software, are at the Franchisee's sole expense.

Reports and Financial Information

- (4) The Franchisee shall furnish to the Franchisor such reports as the Franchisor may reasonably require from time to time. Without limiting the generality of the foregoing, the Franchisee shall furnish to the Franchisor in the form from time to time prescribed by the Franchisor, acting reasonably and together with such detail and breakdown and copies of supporting records as the Franchisor may reasonably require from time to time:

- (a) by the 5th day following the end of each month or on a weekly basis if the Franchisor requires the Franchisee to pay the Continuing Fee on a weekly basis, a report of the Net Sales for such month, signed and verified by the Franchisee;
- (b) within sixty (60) days after the end of each three consecutive months, a profit and loss statement for the Franchised Business for such months;
- (c) within sixty (60) days after the end of each fiscal year of the Franchised Business, financial statements for the Franchised Business, including a balance sheet, profit and loss statement and a statement of retained earnings for such period, which statements shall be signed and verified by the Franchisee;
- (d) within sixty (60) days of the end of each fiscal year of the Franchised Business, a statement of Net Sales for such fiscal year determined in accordance with generally accepted accounting principles applied on a consistent basis, and reviewed by a firm of independent certified public accountants acceptable to the Franchisor;
- (e) in the event that the Franchisee remains in default of any provision of this Agreement for a period exceeding fifteen (15) days, the Franchisee shall provide to the Franchisor, true copies of all filings of all returns, schedules and reports filed by Franchisee for income, corporate or sales tax purposes; and,
- (f) the Franchisee hereby authorizes the Franchisor to make inquiry of the Franchisee's bankers, suppliers and other trade creditors as to their dealings with the Franchisee in relation to the Franchised Business, to discuss the affairs, finances and accounts of the Franchised Business (and by its execution hereof the Franchisee authorizes and directs such bankers, suppliers and other trade creditors to discuss with the Franchisor the affairs, finances and accounts of the Franchised Business) and to obtain information and copies of invoices relating to sales or other dealings with all such persons and the Franchisee in any way relating to the Franchised Business. If requested, the Franchisee agrees to execute and deliver such additional directions and other documents as the Franchisor may require in order to permit such bankers, suppliers or other trade creditors to release or disclose any such information and documents to the Franchisor.

Inspection and Audit of Books and Records

- (5) At any time, the Franchisor may access the Franchisee's POS System to determine, among other things, sales activity and Net Sales. The Franchisor may use any and all information available to it on the POS System or other computerized systems for any reasonable business purpose.

- (6) The Franchisor shall have the right, during normal business hours and without prior notice to the Franchisee, to inspect or audit, or cause to be inspected or audited by an independent Certified Public Accountant, the financial books, records, bookkeeping and accounting records, documents or other materials in respect of the Franchised Business, including the right, without limitation, to have a person on the Premises to inspect all cash-control devices and systems, conduct physical inventory to check, verify and tabulate Net Sales, and/or to examine and make copies of all accounting and business records and procedures. In the event that any such audit or inspection shall disclose an understatement of Net Sales, the Franchisee shall pay to the Franchisor, within ten (10) days after receipt by the Franchisee of the inspection or audit report, the Continuing Fee and other sums due on account of such understatement. Further, if such audit or inspection is made necessary by the failure of the Franchisee to furnish reports, financial statements or any other documentation as herein required, or if it is determined by any such audit or inspection that the Franchisee's records and procedures were insufficient to permit a proper determination of Net Sales for any year or part thereof to be made, or that Net Sales for the period in question were understated by three percent (3%) or more of the Net Sales actually received, or that the Franchisee was not complying with each of the provisions of Section 12 hereof, the Franchisee shall immediately take such steps as may be necessary to remedy such default in accordance with the recommendations of such auditor and the Franchisee shall promptly pay to the Franchisor all reasonable costs incurred in connection with such audit or inspection, including, without limitation, charges of an accountant and the travel expenses, room, board and compensation of employees of the Franchisor. If the Franchisee's records and procedures were insufficient to permit a proper determination of Net Sales, the Franchisor shall have the right to deliver to the Franchisee an estimate, made by the Franchisor, of Net Sales for the period under consideration and the Franchisee shall immediately pay to the Franchisor any amount shown thereby to be owing on account of the Continuing Fee and other sums due on account of any understatement. Any such estimate shall be final and binding upon the Franchisee.

Auditor's Report to be Final

- (7) Any report of the Franchisor's auditor rendered from time to time pursuant to this section shall be final and binding upon all of the parties hereto; provided that, in making any such report, the Franchisor's auditor shall do so pursuant to generally accepted accounting principles.

Right to Inspect Franchised Business and Premises

- (8) The Franchisor and/or its representatives shall have the right, at all times, to inspect the Premises and the furnishings, equipment and fixtures thereon and the Products, to take inventory of such Products, and otherwise to examine the manner in which the Franchisee is conducting its business including, without limitation, the Franchisee's use of the Marks to ensure the Franchisee's uniform and consistent compliance with the Franchisor's standards and specifications. In the event of any such inspection, the

Franchisee and its staff shall cooperate fully. The Franchisor and/or its representatives shall have the right, at all times, to interview employees and customers of the Franchised Business; the right to make inquiry of banks, suppliers or other creditors of the Franchisee and the right to videotape operations within the Franchised Business.

13. INSURANCE

Types of Insurance

- (1) The Franchisee shall, at its sole cost and expense, take out and keep in full force and effect throughout the term of this Agreement and any renewal thereof, such insurance coverage as may be required, pursuant to the lease or sublease for the Premises, under applicable law, and as the Franchisor may from time to time require (including, without limitation, product liability insurance, fire and extended coverage insurance on the equipment, leasehold improvements and stock of the Franchised Business, business interruption insurance, rental insurance, worker's compensation insurance and public liability and indemnity insurance) in such amounts as the Franchisor may from time to time require, fully protecting the Franchisor, as an additional insured, and the Franchisee against loss or damage occurring in connection with the operation of the Franchised Business. The Franchisee's insurance coverage shall be primary and non-contributory. All costs in connection with the placing and maintaining of such insurance shall be borne solely by the Franchisee.
- (2) The Franchisor has implemented an insurance program with specific insurers for franchisees to comply with the insurance requirements hereunder. The Franchisee must purchase the insurance package offered under this program through the Franchisor's designated broker, all at the expense of the Franchisee, including, at the Franchisor's option, payment of any fees to the Franchisor's designated broker or the reimbursement of any fees paid by the Franchisor to its designated broker.

Policies of Insurance

- (3) All policies of insurance obtained pursuant to Section 13 shall:
 - (a) be placed only with insurers reasonably acceptable to the Franchisor;
 - (b) be in such form and amounts as is acceptable to the Franchisor;
 - (c) contain a clause that the insurer will not cancel or change or refuse to renew the insurance without first giving to the Franchisor thirty (30) days prior written notice;
 - (d) name the Franchisor as an additional insured; and
 - (e) be primary and non-contributory.

Copies

- (4) Copies of all policies or certificates of insurance and any renewals thereof, shall be delivered promptly to the Franchisor by the Franchisee from time to time throughout the term of this Agreement and any renewal thereof. The Franchisee hereby grants the Franchisor and its designated broker or other designee the right to obtain information directly from the Franchisee's insurer about the insurance placed with it by the Franchisee, including, without limitation, the type of insurance, coverage limits, exclusions, claims history, payment history, and copies of policies.

Placement of Insurance by the Franchisor

- (5) If the Franchisee fails to take out or keep in force any insurance referred to in subsection 13(1) or 13(2) above, or should any such insurance not be as provided in subsection 13(3) above, and should the Franchisee not rectify such failure within forty-eight (48) hours after written notice is given to the Franchisee by the Franchisor, the Franchisor has the right, without assuming any obligation in connection therewith, to effect such insurance at the sole cost of the Franchisee and all outlays by the Franchisor shall be immediately paid by the Franchisee to the Franchisor on the first day of the next month following such payment by the Franchisor without prejudice to any other rights and remedies of the Franchisor under this Agreement.

Sufficiency

- (6) Nothing in this Agreement implies that the insurance required by the Franchisor will be sufficient for the Franchisee's needs. The Franchisee is encouraged to consider whether to obtain additional insurance or coverage with higher limits since the Franchisor does not require insurance against all potential insurable risks.

14. RESTRICTIVE COVENANTS AND TRADE SECRETS

Competition During Term of Agreement

- (1) The Franchisee and the Guarantor, (in consideration of the Franchisor entering into this Agreement) jointly and severally, covenant and agree that, during the term of this Agreement and any renewal period thereof, the Franchisee and the Guarantor shall not, without the prior written consent of the Franchisor, either individually or in partnership or jointly or in conjunction with any person, firm, association, syndicate or corporation, as principal, agent, shareholder or in any manner whatsoever, carry on or be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of or permit their names or any part thereof to be used or employed in any quick service restaurant that features the sale of pita sandwiches, sandwich wraps or other food products featured by THE PITA PIT restaurants.

Competition After Termination

- (2) In the event of the expiration or termination or assignment by the Franchisee of this Agreement for any reason whatsoever, each of the Franchisee and the Guarantor (in consideration of the Franchisor entering into this Agreement) shall not, without the prior written consent of the Franchisor, at any time during the period of two (2) years from the date of such expiration or termination either individually or in partnership or jointly or in conjunction with any person or persons, firm, association, syndicate, company or syndication as principal, agent, shareholder or in any other manner whatsoever carry on, be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of or permit its name or any part thereof to be used or employed by any person or persons, firm, association, syndicate, company or corporation engaged in or concerned with any quick service restaurant that features the sale of pita sandwiches, sandwich wraps or other food products featured by THE PITA PIT restaurants, within the Territory or within a five (5) mile radius from the Franchised Business whichever surface is greater, or within the territory of any other THE PITA PIT franchise or corporately owned restaurant in existence at the time of the expiration or termination of this Agreement or within a five (5) mile radius from THE PITA PIT franchise(s) or corporately owned restaurant(s) in existence at the time of the expiration or termination of this Agreement, whichever surface is greatest.

Acknowledgment of Corporate Franchisee

- (3) In the event the Franchisee is a corporation, the Franchisee covenants and agrees to deliver to the Franchisor at any time the Franchisor may request, the written acknowledgment of such directors, officers, shareholders, members, partners or senior management employees of the Franchisee, as the Franchisor shall in its reasonable discretion determine, acknowledging that they have reviewed the provisions of this Section 14 and that they agree to abide by and be bound by all such provisions.

15. SALE, ASSIGNMENT, TRANSFER

Assignment by the Franchisee

- (1) The Franchisee acknowledges that the Franchisor, in granting this franchise and the rights and interests under this Agreement, has relied upon, among other things, the character, background, qualifications and financial ability of the Franchisee and, where applicable, its members, partners, shareholders, officers, directors, managers and the Guarantor. Accordingly, this Agreement, the Franchisee's rights and interests hereunder, the lease or sublease of the Premises and the property and assets owned and used by the Franchisee in connection with the Franchised Business shall not be sold, assigned, transferred, shared or encumbered in whole or in part in any manner whatsoever, without the prior written consent of the Franchisor, which shall not be unreasonably withheld. Prior to seeking such consent, the Franchisee shall provide the Franchisor with a right of first refusal as set forth below. In no case shall the

Franchisee place a "FOR SALE" sign anywhere on the Premises without the Franchisor's prior written permission. Any actual or purported assignment occurring by operation of law or otherwise without the prior written consent of the Franchisor shall be a material default of this Agreement and shall make this Agreement null and void.

- (2) In considering the request for sale, assignment, transfer or encumbrance (all of which are hereinafter included within the word "transfer") pursuant to subsection 15(1) above, the Franchisor may consider, among other things, the information set out in the proposed franchisee's application, along with the qualifications, good character, requisite general business experience, apparent ability to operate the Franchised Business, and credit standing of the proposed transferee, and its partners, managers, principal shareholders, directors and officers, and any guarantor as appropriate, whether the purchase price and other terms of sale as well as the amount and terms of any financing would be unduly burdensome to the transferee, and whether the Franchised Business was purchased with the intent to flip it. The Franchisor may reduce the size of the Territory to be effective immediately upon transfer by the Franchisee. In addition, the Franchisor shall be entitled to require as a condition precedent to the granting of its consent that:
- (a) as of the date of the Franchisee's request for consent and as of the closing date of transfer there shall be no default in the performance or observance of any of the Franchisee's obligations under this Agreement or any other agreement between the Franchisee, the Franchisor or any affiliate or supplier thereof, and if the Franchisee intends to transfer its rights of possession of the Premises, that the Franchisee have obtained the consent of all necessary parties to the assignment of the lease or sublease to the proposed transferee;
 - (b) the Franchisee has settled all outstanding accounts with the Franchisor, its affiliates and all other trade creditors of the Franchised Business up to the date closing of the proposed transfer;
 - (c) the Franchisee has delivered to the Franchisor a complete release of the Franchisor, its directors and officers, as well as its affiliates and the directors and officers thereof, from all claims howsoever arising as well as all obligations under this Agreement of any such persons, in the form attached to this Agreement as Schedule B;
 - (d) the proposed transferee has entered into a written assignment, in a form prescribed by the Franchisor or, at the Franchisor's option, shall have executed a new franchise agreement in the form then being used by the Franchisor, for the balance of the Initial Term or renewal term, with the same rights of renewal under this Agreement if not already renewed, and at the Continuing Fee rates provided under this Agreement and with no greater expenditures for advertising and promotion than are provided under this Agreement unless the Franchisor determines, in its sole discretion, that the Franchisee purchased the Franchised

Business with the intent to flip it (in which case the Franchisor may deny the transfer or impose on the transferee the fees and terms then being offered to new franchisees absent any rebates or reductions), except the transferee will receive a Territory commensurate with those being offered to new franchisees and adjusted by the Franchisor, in its sole discretion, to reflect population changes, and shall have executed such other documents and agreements as are then customarily used by the Franchisor in the granting of franchises;

- (e) the proposed transferee has provided guarantees from anyone whom the Franchisor may request, guaranteeing the proposed transferee's performance of its obligations under the agreements to be entered into;
- (f) the proposed transferee has completed, to the satisfaction of the Franchisor, such training in the operations of the Franchised Business, at the proposed transferee's or the Franchisee's sole expense, as the Franchisor may require;
- (g) the proposed transferee has provided, to the satisfaction of the Franchisor, a business plan indicating that the proposed transferee possesses the required level of business experience and acumen necessary in the operation of a THE PITA PIT franchised business;
- (h) the Franchisee paying to the Franchisor, any fees and/or expenses which may be incurred by the Franchisor in dealing with the transfer and the Franchisee's application for approval together with a transfer fee of \$7,000 paid to the Franchisor with the request to transfer, whether or not such approval is given or the transfer is completed;
- (i) the Franchisee shall do or cause to be done all such things as the Franchisor may require to ensure that the Premises satisfy the then current image, standards and specifications established by the Franchisor for new franchises in THE PITA PIT System whether or not such image, standards or specifications reflect a material change in THE PITA PIT System in effect during the initial Term hereof and upon inspection by the Franchisor achieving an evaluation score of 90% or higher. Without limiting the generality of the foregoing, the Franchisee shall make such capital expenditures as the Franchisor shall determine in its sole discretion as being required in connection with the foregoing for the modernization, renovation and refurbishing of the Premises and all fixtures, furnishings, equipment and signs therein or thereon. The Franchisee shall have the Premises cleaned by professional commercial cleaners and to arrange inspections with highly qualified inspectors of all equipment and infrastructure, including without limitation the electrical and plumbing systems, prior to the transfer, and to provide all such inspection reports to the Franchisor and the proposed transferee at least three (3) weeks prior to the transfer;

- (j) the Franchisor's consent to any transfer is not a waiver by the Franchisor of any claim against the Franchisee; and
- (k) The refusal of the Franchisor to consent to the proposed transfer based upon the non-compliance with any of the foregoing conditions shall not be deemed to be an unreasonable withholding of such consent. The Franchisor's consent to a transfer shall not operate to release the Franchisee from any liability under this Agreement;

Right of First Refusal

- (3) Without in any way derogating from the right of the Franchisor to reject a proposed transfer pursuant to subsection 15(1) above, if at any time or times during the term of this Agreement, including any renewal thereof, the Franchisee obtains a bona fide offer (the "Offer") to acquire the whole or any part of his interest in the Franchised Business, which the Franchisee wishes to accept, the Franchisee shall promptly give written notice thereof to the Franchisor together with a true copy of the Offer. Upon receipt of such notice and Offer, the Franchisor, or its designated affiliate, shall have the option of purchasing the property forming the subject matter thereof upon the same terms and conditions as those set out in the Offer except that:
 - (a) the Franchisor, or its designated affiliate, shall have the right to substitute cash for any other form of consideration specified in the Offer and to pay in full the entire purchase price at the time of closing. The Franchisor, or its designated affiliate, may exercise its option at any time within twenty (20) days after receipt of the said notice by giving written notice to the Franchisee. If the Franchisor declines to exercise such option and if such transfer is approved by the Franchisor, the Franchisee shall be at liberty to complete the transfer to such third party transferee in accordance with the Offer, provided that, notwithstanding the terms of the Offer, such transaction must be completed within thirty (30) days of the date on which the Franchisor notifies the Franchisee of its approval of such transaction. If the transaction is not completed within thirty (30) days, the foregoing provisions of subsection 15(2) shall apply again in respect of the proposed transfer and so on from time to time;
 - (b) in addition to the Offer to be given by the Franchisee to the Franchisor together with the notice described in subsection 15(3) above, the Franchisee shall provide the Franchisor with:
 - (i) information relating to the business reputation and qualifications to carry on the Franchised Business of the proposed transferee; and
 - (ii) any credit information the Franchisee may have as to the financial ability and stability of the proposed transferee, including, if the proposed

transferee is an individual, his personal net worth statement and if the proposed transferee is a corporation, partnership, or other entity, its latest financial statements and personal net worth statement of the proposed guarantor.

Sale of Shares or Other Interest in the Franchisee

- (4) In the event the Franchisee is a corporation, limited liability company or partnership:
- (a) then the respective transfer, sale, assignment, pledge, mortgage or
 - (b) hypothecation of any shares or interest, or any change in the composition of shareholders, membership interest holders or partners, whether by operation of law, or otherwise, or any amalgamation or merger which results or could result in a change of Control (as defined below) of the Franchisee, as applicable, shall be deemed to be an assignment of this Agreement and shall be subject to all of the provisions, terms and conditions precedent specified in this Section 15, which shall apply *mutatis mutandis*. "Control" means (i) ownership of legal and equitable title to more than twenty-five percent (25%) of the outstanding voting equity interests of the Franchisee, or (ii) having the right to designate a majority of the directors, the manager or any other similar governing body or person of the Franchisee.
 - (c) the Franchisee will, upon the Franchisor's request from time to time, deliver to the Franchisor a certificate certifying as to then current shareholders, directors, officers, members, or partners, as the case may be, of the Franchisee, and will permit the Franchisor to review its corporate, limited liability company or partnership records;
 - (d) the Franchisee will cause the share certificates representing share ownership in the case of a corporation or the documents of title representing an ownership interest in the case of a limited liability company or a partnership, to have typed or written thereon a legend stating that such shares or documents of title are subject to this franchise agreement among the Franchisor, the Franchisee and the Guarantor, that the said franchise agreement contains restrictions on the sale, assignment, transfer, mortgage, pledge, hypothecation, donation, encumbrancing or other dealings with the said shares or documents of title, and that notice of the said agreement is thereby given.

Assignment by the Franchisor

- (5) The Franchisor, (including its successors and assigns), may sell, transfer or assign its interest in THE PITA PIT SYSTEM or the Marks or any parts thereof or in this Agreement without seeking the consent of the Franchisee. In the event of a sale, transfer or assignment by the Franchisor of its interests in THE PITA PIT SYSTEM or

the Marks or any parts thereof, or in the event of any sale, transfer or assignment by the Franchisor of this Agreement or any interest therein, to the extent that the purchaser or assignee shall assume the covenants and obligation of the Franchisor under this Agreement, the Franchisor shall thereupon and without further agreement, be freed and relieved of all liability with respect to such covenants and obligations.

16. DEATH OR INCAPACITATION

Death or Incapacitation

- (1) Upon the death, permanent disability or legal incapacity of the Franchisee, or a controlling shareholder, membership interest holder or partner of the Franchisee, or the Guarantor, as the case may be, if such person has at the date of such death, permanent disability or legal incapacity a spouse or any adult children surviving, the following shall apply:
 - (a) if the surviving spouse and/or adult child desire and are, in the reasonable opinion of the Franchisor capable of carrying on the Franchised Business, with the assistance of suitable professional management or otherwise, the said spouse and/or adult child shall have the right to continue to operate the Franchised Business provided that they shall directly covenant and agree with the Franchisor to be bound by the terms and conditions of this Agreement and any other agreements made between the Franchisor, and the Franchisee, and that the fees set out in subsection 15(2)(h) above, are paid;
 - (b) if the surviving spouse and/or adult child do not desire or are not, in the reasonable opinion of the Franchisor, capable of carrying on the Franchised Business, or cannot devote their full time and attention to the Franchised Business, or if there is no spouse or adult child surviving, then the Franchisee, the controlling shareholder, membership interest holder, or partner of the Franchisee, or their respective guardians or estates, as the case may be, shall have the right to sell, assign, or transfer such party's rights under this Agreement, as provided in Section 15. The right to sell, assign, or transfer is conditioned upon the Franchisee's or Franchisee's estate's continued operation of the Franchised Business and ongoing compliance with the terms and conditions of this Agreement. The Franchisor's rights and remedies arising from any default of this Agreement, by the Franchisee, the Franchisee's estate, or otherwise, will remain in full force and effect;
 - (c) if the surviving spouse and/or adult child do not desire or are not, in the reasonable opinion of the Franchisor, capable of carrying on the Franchised Business, or cannot devote their full time and attention to the Franchised Business or if there is no spouse or adult child surviving, and the Franchisee, the controlling shareholder, membership interest holder, or partner of the Franchisee, or their respective guardians or estates elect not to or cannot sell, assign, or

transfer such party's rights under this Agreement within ninety (90) days of the date of the Franchisee's death or death of the controlling shareholder, membership interest holder or partner of the Franchisee or the Guarantor, or the date upon which the permanent disability of the Franchisee or the controlling shareholder, membership interest holder or partner of the Franchisee or the Guarantor arises, or the date of declaration of legal incapacity of the Franchisee or the controlling shareholder, membership interest holder or partner of the Franchisee or the Guarantor, then the Franchisor shall have the right, such right to be exercised by the Franchisor giving written notice to the Franchisee or to the Franchisee's estate to purchase all or any part of the assets of the Franchisee used in the operation of the Franchised Business for a purchase price equal to the "asset value" of the Franchisee's assets calculated in accordance with the provisions set out below, less all proper business liabilities assumed by the Franchisor as at the date the said purchase is completed. To satisfy the aforesaid purchase price, the Franchisor shall pay the difference between the said "asset value" and the amount of the liabilities assumed by it, on the date of the completion of the purchase by way of cash or certified check.

Valuation

- (2) For the purposes of this section "asset value shall be determined as follows:
- (a) "Products" shall be valued at the Franchisee's actual cost (less freight and other shipping charges); provided that, if in its sole opinion, the Franchisor believes any portion of the Products are shopworn, damaged or not saleable, the Franchisor shall not be required to purchase such portion;
 - (b) "fixtures, equipment and furniture" shall be valued at an amount equal to the net depreciated book value of each such item as such term is defined in Section 16 (2)(d) below.
 - (c) "goodwill" shall be valued at an amount equal to the average of the Franchisee's annual after-tax earnings for the two (2) fully completed fiscal years immediately preceding the date of death or permanent disability of the Franchisee or the controlling shareholder, membership interest holder or partner or other equity interest holder of the Franchisee or the Guarantor, as the case may be; provided that, if the Franchisee shall have conducted business for less than the said two (2) year period but for at least one (1) fully completed fiscal period, goodwill shall be valued at an amount equal to the Franchisee's average annual after-tax earnings for such lesser period. If the Franchisee has conducted business for less than one (1) fully completed fiscal period, no value shall be attributed to goodwill. In calculating such after-tax earnings, appropriate adjustments shall be made for reasonable management salaries.

- (d) “net depreciated book value” shall be calculated by valuing all fixtures, equipment, furniture and other assets as having been depreciated at the maximum amount of depreciation allowed in accordance with the prevailing taxation statutes.
- (e) Any other assets (except for any leasehold interest) purchased by the Franchisor hereunder shall be valued at the lesser of their depreciated value as shown in the financial records of the Franchisee, or the actual cost to the Franchisee. No value shall be attributed to any interest in the lease or other instruments pursuant to which the Franchisee occupied the Premises. Any purchase pursuant to the provisions of this Article 16 shall be completed within one hundred and twenty (120) days of the date of death or permanent disability of the Franchisee or the controlling shareholder, membership interest holder or partner of the Franchisee or the Guarantor, or at such other time as may be mutually agreed upon by the Franchisor and the Franchisee or the appropriate estate personal representatives.

Deemed Permanently Disabled

- (3) For the purposes of this Section 16 and subject to the employment of suitable professional management reasonably satisfactory to the Franchisor, the Franchisee or any controlling shareholder, membership interest holder or partner of the Franchisee or the Guarantor, as the case may be, shall be deemed to have a “permanent disability” if the usual participation of the Franchisee or any controlling shareholder, membership interest holder or partner of the Franchisee or the Guarantor, as the case may be, in the Franchised Business is, for any reason, curtailed for a cumulative period of ninety (90) days in any twelve (12) month period during the term of this Agreement or renewal period.

17. TERMINATION

Events of Termination

- (1) The Franchisor shall have the right to terminate this Agreement and the rights granted hereunder (provided however that Sections 9 and 14, shall continue in full force and effect for the periods therein specified), without prejudice to the enforcement of any other legal right or remedy, immediately upon giving written notice of such termination upon the happening of any of the following events:
 - (a) if default is made in the due and punctual payment of any amount payable under this Agreement, when and as same shall become due and payable, and such default shall continue for a period of ten (10) days after written notice thereof has been given to the Franchisee;

- (b) if the Franchisee or the Guarantor breaches any other of the terms or conditions of this Agreement or any other agreement or undertaking entered into between the Franchisee or the Guarantor or any of their Affiliates and the Franchisor or any of its Affiliates and such breach shall continue for a period of ten (10) days after written notice thereof has been given to the Franchisee;
- (c) if the Franchisee fails to observe or perform any of the rules, bulletins, directives or other notices set forth in the Manual and any such failure to observe or perform same shall continue for a period of ten (10) days after written notice thereof has been given to the Franchisee;
- (d) if the Franchisee fails to pay its share of any arbitration costs under Section 21(27) when due and such failure shall continue for a period of ten (10) days after written notice thereof has been given to the Franchisee;
- (e) if the Franchisee fails to observe or perform any of the terms and conditions of any lease, sub-lease or other instruments under which the Franchisee has acquired the right to occupy the Premises;
- (f) if the Franchisee opens to the public before any required initial training is completed to the satisfaction of the Franchisor or without the written consent of the Franchisor, or the Franchisee fails to complete the required initial training to the satisfaction of the Franchisor;
- (g) if the Franchisee fails to conduct business in, at or from the Premises for a period of three (3) consecutive business days without the prior written consent of the Franchisor or if the Premises are used by any party other than such as are properly authorized by the Franchisor to use same;
- (h) if the Franchisee ceases or threatens to cease to carry on business, or takes or threatens to take any action to liquidate its assets, or stops making payments in the usual course of business;
- (i) if either the Franchisee or the Guarantor makes or purports to make a general assignment for the benefit of creditors;
- (j) if either the Franchisee or the Guarantor makes or purports to make a bulk sale of their assets;
- (k) if either the Franchisee or the Guarantor shall institute any proceeding under any statute or otherwise relating to insolvency or bankruptcy, or should any proceeding under any such statute or otherwise be instituted against the Franchisee or the Guarantor;

- (l) if a custodian, receiver, manager or any other person with like powers is appointed over the Franchisee's or the Guarantor's undertaking, business, property or assets;
- (m) if any lessor or encumbrancer or any other person, corporation or entity lawfully entitled, takes possession of any of the undertaking, business, property or assets of either the Franchisee or the Guarantor;
- (n) if either the Franchisee or the Guarantor commits or suffers any default under any contract of conditional sale, mortgage or other security instrument;
- (o) in the event the Franchisee or the Guarantor is a corporation,
 - (i) if an order is made or a resolution passed for the winding up or liquidation of either the Franchisee or the Guarantor;
 - (ii) if either the Franchisee or the Guarantor passes or purports to pass, or takes or purports to take any corporate proceedings to enable it to take proceedings for its dissolution, liquidation or amalgamation;
 - (iii) if either the Franchisee or the Guarantor loses its charter by expiration, forfeiture or otherwise; or
 - (iv) if any proceedings with respect to either the Franchisee or the Guarantor are commenced under any statute governing the affairs of bankrupts or insolvent entities.
- (p) if a distress or execution against any of the undertaking, business, property or assets of either the Franchisee or the Guarantor is not discharged, varied or stayed within twenty (20) days after the entry thereof or within such time period as action must be taken in order to discharge, vary or stay the distress or execution, whichever shall be the earlier;
- (q) if final judgment for the payment of money in any amount in excess of \$2500 is rendered by any court of competent jurisdiction against either the Franchisee or the Guarantor and such judgment shall not be discharged, varied or execution thereof stayed within twenty (20) days after entry thereof or within such time period as action must be taken in order to discharge, vary or stay execution of the judgment, whichever shall be the earlier;
- (r) if the Franchisee or any agent or representative of the Franchisee:
 - (i) fails to submit any report required to be furnished to the Franchisor pursuant hereto within three (3) days of the date such report is due or,

- (ii) understates Net Sales by three (3%) percent or more on such report; or
 - (iii) materially distorts any other material information pertaining to the Franchised Business, or fails to maintain its records in a manner which permits a determination of Net Sales, unless the Franchisee proves to the satisfaction of the Franchisor that it had no knowledge of such distortion; or
 - (iv) misrepresents any material facts to the Franchisor, or
 - (v) or any Guarantor or principal thereof commits a felony, a crime involving moral turpitude, or any crime or offense reasonably likely, in the sole opinion of the Franchisor, to materially and unfavorably affect the System, the Marks, and their associated goodwill and reputation; or
 - (vi) loses any license necessary to operate the Franchised Business;
- (s) subject to the provisions of Section 16 hereof, if the Franchisee, the controlling shareholder, membership interest holder or partner of Franchisee or Guarantor dies or otherwise becomes permanently disabled and the Franchisee's or the Guarantor's spouse or an adult child of same does not desire to continue, or is not capable of continuing, to operate the Franchised Business as provided in accordance with the provisions of the said Section 16 or if there is no spouse or adult child;
- (t) any default hereunder which is repeated more than three times within 12 months, even if such defaults have been subsequently cured within any time period permitted herein for such curing.

Effect of Termination

- (2) Upon the expiration or termination of this Agreement for any reason whatsoever, the following shall apply:
- (a) the Franchisee shall, immediately upon the request of the Franchisor (in order that the Franchisor may protect its proprietary marks, other proprietary rights and the rights of other franchisees), permit the Franchisor and its representatives, to enter the Premises and, at its option, to cure any default by the Franchisee, to operate the Franchised Business for the Franchisor's account or to secure the Franchisee's complete and timely compliance with the other obligations set forth in this section;
 - (b) the Franchisee shall pay to the Franchisor, within seven (7) days after the effective date of termination or expiration, all Continuing Fees, advertising fees and other charges then due and unpaid by the Franchisee including, but not

limited to the Franchisor's costs and expense in reentering the Premises and in completing the acts specified in this section;

- (c) the Franchisee shall immediately discontinue the operation of the Franchised Business, THE PITA PIT SYSTEM and the use of the Marks and other proprietary rights licensed under this Agreement, and similar names and marks, or any other designations or marks associating the Franchisee with the Franchisor or THE PITA PIT SYSTEM. The Franchisee shall cease displaying and using all signs, stationery, letterheads, packaging, forms, marks, manuals, bulletins, instruction sheets, printed matter, advertising and other physical objects used from time to time in connection with THE PITA PIT SYSTEM or containing or bearing any of the Marks or other names, marks or designations, and shall not thereafter operate or do business under any name or in any manner in violation of subsection 11(2) above or that might tend to give the general public the impression that it is associated with the Franchisor or THE PITA PIT SYSTEM or that it is operating a business similar to a THE PITA PIT franchised business or that it previously conducted its business under the Marks;
- (d) if the Franchisee retains possession of the Premises, the Franchisee shall promptly and, at its expense, make such modifications to the interior and/or exterior decor of the Premises as the Franchisor shall require to remove all identification as a THE PITA PIT franchised business, including removal of all signs and color schemes. It is agreed that the Franchisor will require that the Premises be modified in such a fashion to ensure that the Premises no longer tend to give the general public the impression in any fashion whatsoever, that it is associated with the Franchisor or THE PITA PIT SYSTEM or that it is operating a business similar to a THE PITA PIT franchised business;
- (e) the Franchisee shall promptly execute such documents or take such actions as may be necessary to abandon the Franchisee's use of any fictitious business name containing any of the Franchisor's proprietary marks adopted by the Franchisee and to remove (in respect of the next publication), at the request of the Franchisor, the Franchisee's listing as a THE PITA PIT franchisee from the yellow pages, all other telephone directories and all other trade or business directories and to assign to the Franchisor or any other party designated by the Franchisor all of the Franchisee's telephone numbers and listing in connection with the Franchised Business;
- (f) within seven (7) days after the effective date of expiration or termination, the Franchisee shall return to the Franchisor or its representatives all copies of the Manual, all other confidential material provided to the Franchisee by the Franchisor and all other material required to be returned in accordance with this Agreement or the Manual without having retained any copies of same in any manner whatsoever, including without limiting the generality of the foregoing,

photocopies, scanned copies, or electronic or computer copies of any kind whatsoever; and

- (g) The Franchisee shall immediately assign ownership to the Franchisor of any URL or social media site, created or owned by the Franchisee or any of its affiliates, which are branded with any of the Franchisor's marks.

Liquidated Damages

- (3) Upon termination of this Agreement by the Franchisor under subsection 17(1), the Franchisee agrees to pay the Franchisor as fair and reasonable liquidated damages (but not as a penalty) an amount equal to the lesser of (a) the projected Continuing Fee for the balance of the Initial Term or renewal term, as applicable, and (b) the projected Continuing Fee for the next three (3) years. If the Continuing Fee is a percentage of Net Sales, the projected Continuing Fee shall be calculated using the average monthly Net Sales during the last six (6) months that business was conducted at the Premises, or if business has been conducted at the Premises for less than six (6) months, then the average over the actual operating period. The Franchisee agrees that it would be difficult to calculate with certainty the actual amount of damages that the Franchisor will incur and that this amount is the best estimate of the Franchisor's lost revenues. If a court determines that the liquidated damages payment is unenforceable, then the Franchisor may pursue all other available remedies, including recovery of consequential damages. Payment of liquidated damages will not in any way limit any other remedy the Franchisor may have at law or in equity resulting from the Franchisee's failure to perform its obligations.

Rights of the Franchisor

- (4) Upon the expiration or termination of this Agreement for any reason whatsoever, save and except in the event of a purchase pursuant to the provisions of Section 16 of this Agreement, the Franchisor shall have the right, but not the obligation, such right to be exercised by notice in writing delivered to the Franchisee within thirty (30) days of the date of expiration or termination of this Agreement for any reason whatsoever, to purchase from the Franchisee all or any portion of the Products located on the Premises or otherwise held by the Franchisee for the purpose of sale or distribution at the Premises, and/or all or any part of the fixtures, equipment, furniture or other assets located on, in or at the Premises or otherwise used in connection with the Franchised Business. The Franchisor has the unlimited right to enter the Premises at any time to ensure compliance with Section 17(2). In the event that the Franchisee entered into a lease directly with the landlord for the Premises, upon expiration or termination of this Agreement and upon written notice from the Franchisor to the landlord and the Franchisee, there shall be a deemed assignment of the lease to the Franchisor.

Payment of The Purchase Price

- (5) The purchase price payable by the Franchisor to the Franchisee for any assets purchased by the Franchisor under subsection (4) above shall be determined as follows:
- (a) for each of the Products so purchased, the Franchisor shall pay an amount equal to the cost (less freight or other shipping charges) thereof to the Franchisee; and
 - (b) for each fixture, or item of equipment or furniture or other asset so purchased, the Franchisor shall pay an amount equal to either the fair market value or net depreciated book value (as such term is defined in s.16(2)(d)) of each such fixture, item of equipment or furniture or other asset, as set forth in subsection (c).
 - (c) in no event, shall any amount be payable under subsection (4) for goodwill or going concern value.
 - (d) The Franchisor shall deliver to the Franchisee a statement prepared by the Franchisor's accountants setting forth the basis upon which the purchase price has been calculated, including any required determination of fair market value. Such statement shall be conclusive and binding upon all parties, unless the Franchisee requests an appraisal by an outside appraiser within seven (7) days of the Franchisor's delivery of the statement setting forth the purchase price. In such case, the appraiser must be mutually agreed upon, with the parties acting reasonably, and the cost will be borne solely by the Franchisee. The appraisal must be concluded with the appraiser's final report provided in writing to both parties no later than fourteen (14) days from the date the Franchisee exercised its option for an independent appraisal. Failing that, the Franchisor's initial statement setting forth the purchase price will become conclusive and binding. In the event the Franchisor disagrees with the independent appraiser's valuation, the Franchisor may, within seven (7) days of receiving the initial appraiser's final report, elect to have a final independent appraisal. The second appraiser will be mutually agreed upon, with the parties acting reasonably, and the cost will be borne solely by the Franchisor. The final report of the final appraiser must be provided in writing to both parties no later than fourteen (14) days from the date the Franchisor exercised its option for a final appraisal. The purchase price will be the lesser of the final two appraisals.
 - (e) The purchase price, less the fees charged by the Franchisor's accountants for preparing the above statement in subsection (d), shall be paid in cash or certified check at the closing of the purchase transaction, which, if practicable, shall take place no later than thirty (30) days after receipt by the Franchisee of the Franchisor's notice pursuant to subsection 17(4) at which time the Franchisee shall: (i) deliver all documents and instruments necessary to transfer good and merchantable title to the assets purchased, to the Franchisor or its nominee free

and clear of all liens and encumbrances and (ii) transfer or assign to the Franchisor all licenses or permits, utilized by the Franchisee in the conduct of the Franchised Business which may be assigned or transferred. The Franchisee shall, prior to closing, comply with any applicable bulk sales legislation. The Franchisor shall have the right to set off against and reduce the purchase price by any and all amounts owed by the Franchisee to the Franchisor or any of its affiliates.

Additional Remedies

- (6) The Franchisee expressly consents and agrees that, in addition to any other remedies the Franchisor may have, at law or under this Agreement, the Franchisor may apply for an injunction and/or appointment of a receiver which term includes a receiver and manager of the Franchised Business to terminate or prevent the continuation of any existing default, or to prevent the occurrence of any threatened default by the Franchisee of this Agreement.

Survival of Covenants

- (7) Notwithstanding the expiration or termination of this Agreement for any reason whatsoever, all covenants and agreements to be performed and/or observed by the Franchisee and/or the Guarantor under this Agreement or which by their nature survive the expiration or termination of this Agreement, including without limitation, those set out in Sections 9, 14(2), 16, 17(2), 17(3), 17(4), 17(5), 17(6), 18 and 21(3) hereof shall survive any such expiration or termination.

Failure to Act Not to Affect Rights

- (8) The failure of the Franchisor to exercise any rights or remedies to which it is entitled upon the happening of any of the events referred to in subsection 17(1) hereof, shall not be deemed to be a waiver of or otherwise affect, impair or prevent the Franchisor from exercising any right or remedies to which it may be entitled, arising either from the happening of any such event, or as a result of the subsequent happening of the same or any other event or events provided for in subsection 17(1) above. The acceptance by the Franchisor of any amount payable by or for the account of the Franchisee under this Agreement after the happening of any event provided for in subsection 17(1) above, shall not be deemed to be a waiver by them of any rights and remedies to which they may be entitled, regardless of their knowledge of the happening of such preceding event at the time of acceptance of such payment. No waiver of the happening of any event, referred to in subsection 17(1) above, shall be deemed to be waived by the Franchisor unless such waiver shall be in writing.

18. GUARANTOR'S COVENANTS

Guarantee and Indemnity

- (1) In consideration of the Franchisor entering into this Agreement with the Franchisee and in consideration of the sum of two dollars (\$2.00) and other good and valuable consideration, (the receipt and sufficiency whereof is hereby acknowledged by the Guarantor) the Guarantor hereby unconditionally guarantees to the Franchisor that the Franchisee will pay all amounts to be paid and otherwise observe and perform all terms and conditions to be so observed and performed in this Agreement. If the Franchisee shall default in making any such obligations, the Guarantor hereby covenants and agrees to pay to the Franchisor, forthwith upon demand, without any setoff or other deduction, all amounts not so paid by the Franchisee and all damages that may arise in consequence of any such non-observance or non-performance.
- (2) Without in any way restricting or limiting the guarantee given by the Guarantor as set out above or any other rights and remedies to which the Franchisor may be entitled, the Guarantor hereby covenants and agrees to indemnify and save the Franchisor harmless against any and all liabilities, losses, suits, claims, demands, costs, fines and actions of any kind or nature whatsoever to which the Franchisor shall or may become liable for, or suffer, arising from the Franchisee's operation of the Franchised Business or by reason of any breach, violation or non-performance by the Franchisee of any term or condition of this Agreement or any other agreement made between the Franchisee and the Franchisor.

Waiver of Right to Proceed

- (3) In the enforcement of any of its rights against the Guarantor, the Franchisor may in its sole discretion proceed as if the Guarantor was the primary obligor under this Agreement, or any other agreement made between the Franchisee and the Franchisor. The Guarantor hereby waives any right to require the Franchisor to proceed against the Franchisee or to proceed against or to exhaust any security (if any) held from the Franchisee, or to pursue any other remedy whatsoever which may be available to the Franchisor before proceeding against the Guarantor.

Any Dealings Binding on Guarantor

- (4) No dealings of whatsoever kind between the Franchisor and the Franchisee and/or any other persons as the Franchisor may see fit, whether with or without notice to the Guarantor, shall exonerate, release, discharge or in any way reduce the obligations of the Guarantor in whole or in part, and in particular, and without limiting the generality of the foregoing, the Franchisor may modify or amend this Agreement, grant any indulgence, release, postponement or extension of time, waive any term or condition of this Agreement or any obligation of the Franchisee, take or release any securities or other guarantees for the performance by the Franchisee of its obligations and otherwise

deal with the Franchisee and/or any other persons as the Franchisor may see fit without affecting, lessening or limiting in any way the liability of the Guarantor. The Guarantor hereby expressly waives all acts and other things upon which, but for such waiver, such guaranty would or might be conditioned, including, but not limited to, any demand, presentment or protest, any notice of non-payment or other default or of protest.

Settlement Binding on Guarantor

- (5) Any settlement made between the Franchisor and/or any other persons as the Franchisor may see fit to deal with, or any determination made pursuant to this Agreement which is expressed to be binding upon the Franchisee, shall be binding upon the Guarantor.

Bankruptcy of the Franchisee

- (6) Notwithstanding any assignment for the general benefit of creditors of any bankruptcy or any other act of insolvency by the Franchisee and notwithstanding any rejection, disaffirmation or disclaimer of this Agreement (including its agreement and covenant under Section 18), the Guarantor shall continue to be fully liable hereunder.

Guarantor's Covenants Binding

- (7) Without in any way limiting the generality of any other section of this Agreement, the covenants and agreement of the Guarantor contained in this section shall enure to the benefit of and be binding upon the Guarantor and the heirs, executors, administrators, successors and assigns of the Guarantor.

Guarantor to be Bound

- (8) The Guarantor acknowledges reviewing all of the provisions of this Agreement and agrees to be bound by all of the provisions hereof insofar as applicable to him, including without limitation, the provisions of Sections 9 and 14 which, by his execution of this Agreement, he covenants and agrees to abide by and be bound by.

19. SECURITY TO THE PITA PIT

To secure the payment and performance of any and all obligations from time to time owing by the Franchisee to the Franchisor, including payment of any amount owing by the Franchisee to the Franchisor in respect of Products from time to time purchased by the Franchisee, the Franchisee hereby grants the Franchisor a security interest in the inventory, equipment, leasehold improvements and other assets of the Franchised Business. The Franchisee also covenants and agrees to execute from time to time, on request by the Franchisor, a security agreement, substantially in the form attached hereto as Schedule F. Failure to provide such a security agreement within ten (10) days following the receipt by the Franchisee of a written request therefore shall be deemed to be a material default under this Agreement.

20. ACKNOWLEDGEMENTS

Independent Investigation

- (1) The Franchisee and Guarantor acknowledge that they have conducted an independent investigation of the Franchised Business and recognize that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of the Franchisee and Guarantor as independent businessmen. The Franchisor expressly disclaims the making of, and the Franchisee and the Guarantor expressly acknowledge that they have not received, any warranty or guarantee, expressed or implied, as to the potential volume, profits or success of the Franchised Business. The Franchisee and the Guarantor acknowledge that they have received, have had an ample time to read and have read this Agreement and fully understand its provisions. The Franchisee and the Guarantor further acknowledge that they have had an adequate opportunity to be advised by legal counsel and accounting professionals of their own choosing regarding all pertinent aspects of this franchise, the purchase of the Franchised Business and the franchise relationship.

Entire Agreement

- (2) This Agreement and the documents incorporated by reference (which includes the Manual) constitute the entire agreement between the parties and supersedes all previous agreements and understandings between the parties in any way relating to the subject matter hereof.

Franchise Disclosure Document

- (3) The Franchisee acknowledges that (a) the Franchisor's Franchise Disclosure Document and its exhibits, including this Agreement, (the FDD) were delivered to the Franchisee upon the Franchisee's reasonable request, if any, and at least fourteen (14) calendar days before the Franchisee signed this Agreement or any other agreement with, or made any payment to, the Franchisor or an affiliate in connection with the proposed franchise sale, (b) it signed a Receipt for the FDD, and (c) if this Agreement or any other agreement contained material differences from the form attached to the FDD and these changes were required by the Franchisor, it received execution copies of all such agreements at least seven (7) calendar days before it signed them. The Franchisee represents that it carefully reviewed the FDD, including all agreements, and had enough time to consult with any professional advisers with respect to its contents. Any representations or promises outside of the FDD, this Agreement, and the documents incorporated by reference in this Agreement, are not enforceable.

No Financial Performance Representations

- (4) The Franchisee acknowledges that no employee, agent or representative of the Franchisor or its affiliates made any oral, written or visual representation or projection

to the Franchisee of actual or potential sales, costs, or net or gross profits, except for the financial performance representations provided in Item 19 of the FDD or the actual results of the location being purchased.

21. GENERAL PROVISIONS

Overdue Amounts

- (1) All Continuing Fee and advertising contributions, all amounts due for goods purchased by the Franchisee from time to time from the Franchisor or its affiliates and any other amounts owed to the Franchisor or its affiliates by the Franchisee pursuant to this Agreement or otherwise shall bear interest after the due date at the Interest Rate, calculated and payable weekly, not in advance, both before and after default, with interest on overdue interest at the aforesaid rate. The acceptance of any interest payment shall not be construed as a waiver by the Franchisor of its respective rights in respect of the default giving rise to such payment and shall be without prejudice to the Franchisor's right to terminate this Agreement in respect of such default.

Modification of Agreement

- (2) No modification of the Agreement shall be binding unless same is agreed to in writing by both parties except that Franchisor may in its sole, unfettered discretion, modify the Manual provided such modifications do not substantially alter Franchisee's status and rights as a franchisee.

Indemnification of the Franchisor

- (3) The Franchisee hereby agrees, during and after the term of this Agreement to indemnify and save the Franchisor, its directors, shareholders, officers, employees and agents harmless from any and all liabilities, losses, suits, claims, demands, costs, fines and actions of any kind or nature whatsoever to which they shall or may become liable for, or suffer by reason of any breach, violation or non-performance on the part of the Franchisee or any of its agents, servants or employees of any term or condition of this Agreement and from all claims, damages, suits, costs or rights of any persons, firms or corporations arising from the operation by the Franchisee of the Franchised Business.

Legal Fees

- (4) In the event the Franchisor shall be made a party to any litigation commenced by or against the Franchisee, other than litigation commenced by the Franchisee against the Franchisor, then the Franchisee shall indemnify and save them harmless against any losses, damages or claims whatsoever arising therefrom and shall pay all costs and expenses including reasonable legal fees, accountants and expert witness fees, costs of investigation and travel and living expenses incurred or paid by the Franchisor in connection with such litigation. Further, if it is established that the Franchisee has

breached any of the terms and conditions of this Agreement, the Franchise hereby agrees to pay all costs and expenses including legal fees that may be incurred or paid by the Franchisor in enforcing their rights and remedies under this Agreement.

No Liability

- (5) The Franchisor shall not be responsible or otherwise liable for any injury, loss, or damage resulting from, occasioned to or suffered by any person or persons or to any property because of any products sold or services provided by it to the Franchisee or because of its specification or standards, any approved or designated products or services, or any approved or designated suppliers.

Legal Relationship

- (6) The parties hereto hereby acknowledge and agree, that, except as expressly provided in this Agreement, each is an independent contractor, that no party shall be considered to be the agent, representative, master or servant of any other party hereto for any purpose whatsoever, and that no party has any authority to enter into any contract, assume any obligations or to give any warranties or representations on behalf of any other party hereto. Nothing in this Agreement shall be construed to create a relationship of partners, joint ventures, fiduciaries, or any other similar relationship among the parties. Franchisee must post a sign at the Premises conspicuously identifying Franchisee as the owner of the business operating as a licensed franchisee of the Franchisor.

Joint and Severable

- (7) If two or more individuals, corporations, partnerships or other entities (or any combination of two or more thereof) shall sign or be subject to the terms and conditions of this Agreement as the Franchisee or as a Guarantor, the liability of each of them under this Agreement shall be deemed to be joint and several.

Severability

- (8) If for any reason whatsoever, any term or condition of this Agreement or the application thereof to any party or circumstances shall, to any extent be invalid or unenforceable, all other terms and conditions of this Agreement and/or the application of such terms and conditions to parties or circumstances, other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term and condition of this Agreement shall be separately valid and enforceable to the fullest extent permitted by law.

Remedy Savings

- (9) If a remedy cannot be contractually waived or restricted under applicable law, then each party retains that remedy to the extent that it cannot be waived or restricted, despite any provision in this Agreement to the contrary.

Franchisee May Not Withhold Payments Due To Franchisor

- (10) The Franchisee agrees that he or it will not, on grounds of the alleged non-performance by the Franchisor of its obligations hereunder, withhold payment of any Continuing Fee or other amounts due to the Franchisor, or its affiliates, whether on account of goods purchased by the Franchisee or otherwise.

Notices

- (11) All notices, consents, approvals, statements, authorizations, documents, or other communications (collectively “notices”) required or permitted to be given hereunder shall be in writing, and shall be delivered personally, by facsimile telephone transmission, by prepaid nationally recognized overnight courier, by email, or by registered mail, postage prepaid, to the parties at their respective addresses set forth below:

To the Franchisor 105 North 4th Street, Suite 208
Coeur d’Alene, ID 83814
Telephone: (208) 765-3326
Facsimile: (208) 667-7694
Email: lee.strait@pitapitusa.com, brenda.zosel@pitapitusa.com

With a Copy to: George J. Eydt
Hodgson Russ LLP
150 King St. West
P.O. Box 30, Suite 2309
Toronto, Ontario M5H 1J9 Canada
Telephone: (416) 595-2671
Facsimile: (416) 595-5021
Email: geydt@hodgsonruss.com

To the Franchisee at: Premises
Facsimile: To be Determined
Email: 

To the Guarantor at: Premises
Facsimile: To be Determined
Email: 

Or at any such other address or addresses as may be given by any of them to the other in writing from time to time. Such notices, if mailed, shall be deemed to have been given on the fifth business day following such mailing, or, if delivered by facsimile telephone transmission or email on a business day prior to 5:00 p.m. recipient's local time, shall be deemed to have been given on the day delivered, or, if delivered after that time or on a day other than a business day, shall be deemed to have been given on the next business day, or, if delivered by courier, will be deemed to have been given on the day delivered, if delivered personally, shall be deemed to have been given on the day delivered, if a business day, or if not a business day, on the next business day following the day delivered; provided that if such notice shall have been mailed and if regular mail service shall be interrupted by strike or other irregularity before the deemed receipt of such Notice, as aforesaid, then such Notice shall not be effective unless delivered.

If there are multiple Franchisees or Guarantors, service on one Franchisee or Guarantor shall constitute valid notice to all. If the Franchisee is no longer occupying the Premises, the Franchisor may send notice to the last known address of the Franchisee or any of its owners.

Headings, Article Numbers

- (12) The headings, article numbers and table of contents appearing in this Agreement or any schedule hereto are inserted for convenience of reference only and shall not in any way affect the construction or interpretation of this Agreement.

Applicable Laws and Jurisdiction

- (13) Notwithstanding the location of the Franchised Business and the location of the Franchisee's principal office, it is specifically agreed that this Agreement and all collateral agreements shall be construed and governed in accordance with the substantive laws of the State of Idaho without reference to its conflicts of law, except as may otherwise be provided in this Agreement. The parties agree that any franchise law or business opportunity law of the State of Idaho, now in effect, or adopted or amended after the date of this Agreement, will not apply to franchises located outside of the State of Idaho.
- (14) For the collective benefit of all franchisees, the Franchisee, and the Franchisor, any litigation permitted under this Agreement shall be conducted in the State of Idaho, County of Kootenai, and the parties hereby irrevocably attorn to the jurisdiction of the courts of the State of Idaho, County of Kootenai.

Time of the Essence

- (15) Time shall be of the essence of this Agreement and of each and every part hereof.

Waiver of Obligations

- (16) The Franchisor may by written instrument unilaterally waive any obligation of or restriction upon the Franchisee under this Agreement. No acceptance by the Franchisor of any payment by the Franchisee and no failure, refusal or neglect of either of them to exercise any right under this Agreement or to insist upon full compliance by the Franchisee with his obligations hereunder, including without limitation, any mandatory specification, standard or operating procedure, shall constitute a waiver of any provision of this Agreement.

Franchisee and Guarantor Defined, Use of Pronoun

- (17) The words “Franchisee” and “Guarantor” whenever used in this Agreement shall be deemed and taken to mean each and every person or party mentioned as a Franchisee or Guarantor herein, be the same one or more; and if there shall be more than one Franchisee or Guarantor, any notice, consent, approval, statement, authorization, document or other communication required or permitted to be given by the terms or conditions of this Agreement may be given by or to any one thereof, and shall have the same force and effect as if given by or to all thereof. The use of the neuter or male or female pronoun to refer to the Franchisee, the Franchisor and/or the Guarantor may be an individual (male or female), a partnership, a corporation or another entity or a group of two or more individuals, partnerships, corporations or other entities. The necessary grammatical changes required to make the provisions of this Agreement apply in the plural sense, where there is more than one Franchisee or Guarantor and to either individuals (male or female), partnerships, corporations or other entities, shall in all instances be assumed in each case. The words “hereof”, “herein”, “hereunder” and similar expressions used in any section or subsection of this Agreement relate to the whole of this Agreement (including any Schedules attached hereto) and not to that section or subsection only, unless otherwise expressly provided for or the context clearly indicates to the contrary. Any reference to “days” means calendar days, unless otherwise specified.

Default Cumulative

- (18) In the event that the Franchisee acquires the right and franchise to operate another or other THE PITA PIT businesses, any default by the Franchisee in the performance or observance of any of the terms and conditions under any one agreement governing the aforesaid right and franchise shall be deemed to be an event of default under all other agreements pursuant to which the Franchisee operates such a THE PITA PIT business or businesses.

Set-Off by the Franchisor

- (19) Notwithstanding anything contained in this Agreement, upon the failure of the Franchisee to pay to the Franchisor as and when due, any amounts of money provided

for herein, the Franchisor shall have the right at its selection, to deduct any and all such amounts remaining unpaid from any monies or credits held by the Franchisor for the account of the Franchisee.

Further Assurances

- (20) Each of the parties hereto hereby covenants and agrees to execute and deliver such further and other agreements, assurances, undertakings, acknowledgments or documents, cause such meetings to be held, resolutions passed and by-laws enacted, exercise their vote and influence and do and perform and cause to be done and performed any further and other acts and things as may be necessary or desirable in order to give full effect to this Agreement and every part hereof.

Binding Agreement

- (21) Subject to the restrictions on assignment herein contained, this Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

When Agreement Binding on the Franchisor

- (22) This Agreement or any ancillary agreement is not effective until signed by a corporate officer or authorized signatory of the Franchisor. No field representative or salesman is authorized to execute this Agreement or any ancillary agreement on behalf of the Franchisor. The Franchisee is advised not to incur any expense or obligation with respect to the proposed Franchise Business until the Franchisee has received a fully executed copy of this Agreement and each ancillary agreement from the Franchisor.

Rights of The Franchisor are Cumulative

- (23) The rights of the Franchisor hereunder are cumulative and no exercise of enforcement by the Franchisor of any right or remedy hereunder shall preclude the exercise or enforcement by it of any other right or remedy hereunder, of which they are otherwise entitled by law to enforce.

Force Majeure

- (24) Subject to subsection 8(5), in the event that any party hereto is delayed or hindered in the performance of any act required herein by reason of strike, lock-outs, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulation, riots, insurrection, war or other reasons of a like nature not the fault of such party, then performance of such act shall be excused for the period of the delay and the period for performance of any such act shall be extended for a period of such delay, up to a maximum of three (3) months. The provisions of this section shall not

operate to excuse the Franchisee from the prompt payment of any fee or other payment due the Franchisor pursuant to the provisions of this Agreement.

Work Product

- (25) Any improvements made by the Franchisee to the System are the exclusive property of the Franchisor. To the extent that any improvements are determined, under applicable law, to be property of the Franchisee, the Franchisee will assign them to the Franchisor for no consideration other than provided under this Agreement.

Taxes

- (26) The Franchisee will pay to the Franchisor any sales tax or other tax assessed on all payments the Franchisee makes to the Franchisor that the Franchisor must collect from the Franchisee or pay to the taxing authority. The Franchisee will pay to the Franchisor any applicable sales tax or other tax, on behalf of the local taxing authority at the same time and in the same manner as the Franchisee pays for the taxable goods or services, whether or not the requirement is specifically stated in this Agreement. Any payment made by the Franchisee shall be made without any setoff or counterclaim and free and clear of and without any deduction or withholding for any tax, assessment, fee, charge, fine or penalty imposed by any government, political subdivision or other taxing authority; provided, however, that, if such deduction or withholding is required by applicable law, (i) such payment shall include such additional amount as is necessary to result in the net amount of such payment after such deduction or withholding not being less than the amount of such payment without such deduction or withholding, (ii) the Franchisee shall make such deduction or withholding and (iii) the Franchisee shall pay the amount of such deduction or withholding as required by applicable law.

Dispute Resolution

- (27) The Franchisor and the Franchisee want to settle all issues quickly, amicably, and in the most cost effective fashion. To accomplish these goals, the Franchisor and the Franchisee agree to the following provisions for resolution of any dispute or claim arising out of or relating to this Agreement (including the franchise and supply relationships created under this Agreement), or any other franchise related agreement or relationship between the Franchisor and/or its affiliates and the Franchisee (a "Dispute"):
- (a) The Franchisor and the Franchisee agree to first notify each other in writing of any Dispute. The written notification will specify, to the fullest extent possible, the notifying party's version of facts and all elements of the Dispute. The Franchisee and the Franchisor agree to use their best efforts to communicate with the other to attempt to resolve the Dispute. If the Franchisor and the Franchisee do not resolve the Dispute within thirty (30) days after receipt of the notice of the Dispute, the Franchisor or the Franchisee may commence

arbitration as provided in this subsection 21 (27). Each of the Franchisor and the Franchisee will be responsible for its own costs, including lawyers' fees, in any arbitration or court proceeding, except as otherwise provided in this subsection 21 (27).

- (b) The Franchisor and the Franchisee agree that except as otherwise provided in this Agreement, the Federal Arbitration Act will apply to all Disputes, including the breach of this Agreement and any alleged precontractual representations or conduct, violations of the Racketeering Influenced or Corrupt Organizations Act (RICO), applicable federal or state franchise disclosure or franchise relationship laws, unfair trade practice laws, or similar laws, and that the business that is the subject of this Agreement is engaged in interstate commerce.
- (c) The Franchisor and the Franchisee will arbitrate any Dispute that they do not settle under the discussion procedure above, except as provided in this Agreement. The arbitration will be held in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "AAA") at a hearing administered by the AAA to be held at Coeur d'Alene, Idaho. The parties intend that any state laws attempting to prohibit arbitration or void out-of-state forums for arbitration be pre-empted by the Federal Arbitration Act and that arbitration will be held as provided in this Agreement. If no disclosed claim or counterclaim exceeds \$75,000 exclusive of interest and arbitration costs, Sections e1 through e10 of the AAA's Commercial Dispute Resolution Procedures (Expedited Procedures) shall be applied to the arbitration. Unless the Franchisor and Franchisee agree otherwise, all Disputes will be heard by a single arbitrator. If the parties cannot agree on a single arbitrator, one will be appointed by the AAA. At the request of the Franchisor or the Franchisee, the arbitrator will have the discretion to order examination by deposition of witnesses to the extent the arbitrator deems such additional discovery relevant and appropriate. If ordered, the deposition must be held within 30 days of the order, and will be limited to a maximum of seven hours duration. All objections are reserved for the arbitration hearing except for objections based on privilege and proprietary or confidential information. In the event of any conflict between the rules and procedures of the AAA and the provisions of this Section, the provisions of this Section will prevail. The arbitrator may not modify the terms of this Agreement. Any court having jurisdiction may enter judgment on the arbitration award. Unless otherwise agreed to by the Franchisor and the Franchisee, or required by applicable law, they, the arbitrator and the administrator shall keep confidential all matters relating to the arbitration and the arbitration award. Except as provided in this Agreement, the Franchisor and the Franchisee must commence and pursue arbitration to resolve Disputes before commencing legal action.
- (d) If a court of competent jurisdiction decides the requirement to arbitrate a Dispute is unenforceable because applicable law does not permit the type of

claim involved to be resolved by arbitration, or because this Agreement limits the Franchisor's and the Franchisee's rights or remedies in a manner applicable law does not permit, or for any other reasons, then the entire arbitration clause is not void. It is specifically agreed herein that only the portions of the arbitration clause with respect to such claim or claims as are necessary to comply with applicable law will be invalid and considered severable, but the remainder will be enforced.

- (e) The Franchisee recognizes that if it breaches the provisions of this Agreement that prohibit it from infringing intellectual property rights in the Marks, or from disclosing Confidential Information, or from competing, it may cause irreparable harm to the Franchisor, its affiliates, other franchisees, and THE PITA PIT SYSTEM as a whole. The Franchisor or an affiliate may bring an action in any court having jurisdiction in connection with any such breach, and may seek damages, injunctive relief, or both. Notwithstanding any other provision of this Agreement, the discussion and arbitration procedures above will not apply to any such breach.
- (f) The Franchisee agrees that the only person or entity from which it may seek damages or any remedy for any Dispute, including the breach of this Agreement, is the Franchisor, or its successor or assign. The Franchisee agrees that it will not name the Franchisor's equity interest holders, directors, officers, employees, agents, representatives or affiliates, in any arbitration or legal action. The Franchisee agrees that none of these other entities or individuals will be liable to it; only the Franchisor will. The Franchisee acknowledges that the Franchisor has relied on this representation in signing this Agreement.
- (g)
 - (i) Notwithstanding any other provision in this Agreement, the Franchisor may send default notices to the Franchisee and terminate this Agreement without first giving notice of a Dispute or pursuing arbitration. The Franchisee may dispute the termination by filing a demand for arbitration within 30 days after the effective date of the termination, without first giving notice of a Dispute. The Franchisee may only demand a declaratory judgment in the arbitration to determine if the termination was invalid and only request an award reinstating this Agreement. The arbitrator may only rule on the validity of the termination and the award may only grant or deny the request for reinstatement. The Franchisee will waive the remedy of reinstatement if it does not file for arbitration within the time allowed. The Franchisor may file a demand for arbitration requesting validation of the termination of this Agreement and appropriate relief and may seek court confirmation of any arbitration award without first giving notice of a Dispute.
 - (ii) Any party may initiate litigation to collect any debt owed to it by any other party, without first giving notice of a dispute or pursuing arbitration. In such an event, the applicable law and jurisdiction shall be as set forth in Section 21(13) and 21(14) of this Agreement.
 - (iii) Any security agreement signed by a party in favor of another party will not

be subject to the discussion and arbitration procedures under this Section 21 and instead will be subject to the governing law, consent to jurisdiction and other terms contained in such security agreement.

- (h) If the Franchisor or the Franchisee (i) commences action in any court, except to compel arbitration, or except as specifically permitted under this Agreement, prior to an arbitrator's final decision, or (ii) commences any arbitration or litigation in any forum except where permitted under this subsection 21(27), then that party is in default of this Agreement. The defaulting party must commence arbitration (or litigation, if permitted under this subsection 21(27), in a permitted forum prior to any award or final judgment. The defaulting party will be responsible for all expenses incurred by the other party, including lawyers' fees. If a party defaults under any other provision of this subsection 21(27), or the Franchisee names anyone in any arbitration, or legal proceedings other than the Franchisor, the defaulting party must correct its claim. The defaulting party will be responsible for all expenses incurred by the other party, or the improperly named parties, including lawyers' fees, and will be liable for abuse of process.
- (i) Any arbitration award will have a binding effect only on the actual Dispute arbitrated, and will not have any collateral effect on any other Dispute whatsoever, whether in litigation, arbitration or other dispute resolution proceeding. The Franchisee will arbitrate, or litigate each Dispute with the Franchisor on an individual basis. The Franchisee will not consolidate its Dispute in any arbitration or litigation action, with a claim by any other franchisee, individual, or entity.
- (j) If a court of competent jurisdiction decides the arbitration clause in subsection 21(27)(c) is unenforceable, and after any and all final appeals the decision is upheld, the parties agree to litigate all Disputes in Coeur d'Alene, Idaho. THE PARTIES WAIVE ANY RIGHT TO TRIAL BY JURY, EXCEPT WHERE WAIVER IS PROHIBITED BY APPLICABLE FEDERAL OR STATE LAW.
- (k) The Franchisor may bring an action to evict the Franchisee in any court having jurisdiction. The Franchisor may bring an action to enforce the rights and remedies and other provisions in Section 17 in any court having jurisdiction.
- (l) The parties submit to the jurisdiction of any tribunal or court in accordance with subsection 21(27)(c) and subsection 21(27)(j), for arbitration or litigation of any Dispute, and waive any right to object to the location being inconvenient. Such jurisdiction will be exclusive, except for the Franchisor's right or its affiliates' rights under subsection 21(27)(e) to bring an action in any court having jurisdiction, to protect intellectual property rights in the Marks, copyrighted items and Confidential Information, or to enforce the covenants not to compete and the Franchisor's rights under subsection 21(27)(k) to bring an eviction

action or exercise its remedies under subsection 17(6) in any court having jurisdiction.

- (m) The Franchisor or the Franchisee must start the action permitted under this subsection 21(27) to resolve a Dispute, whether by giving notice of the Dispute or filing for arbitration, litigation, or any other permitted proceeding, within 2 years from the time the events occurred which give rise to the Dispute, or the claim will be barred. The Franchisor or the Franchisee may bring an action for indemnification within 2 years after the Franchisor or the Franchisee have notice of the claim that gives rise to the indemnification action. The parties recognize this Subparagraph may have shorter time limits than applicable law will permit.
- (n) Either party's waiver of any default under this Agreement will not constitute a waiver of any other default and will not prevent a party from requiring the other party to strictly comply with this Agreement.
- (o) The Franchisor and its affiliates, and the Franchisee and its affiliates, will not withhold any money due to the other party or its affiliates, under this Agreement or any other agreement. A party or its affiliate that withholds money in violation of this provision will reimburse the party or its affiliate whose money is withheld for the reasonable costs to collect the withheld money, notwithstanding the provisions of subsection 21(27)(a). These costs include, but are not limited to, arbitration fees, court costs, lawyers' fees, management preparation time, witness fees, and travel expenses incurred by the party or its affiliate or their or agents or representatives.

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Counterparts and Electronic Signature

(28) This Agreement may be executed in counterparts and by facsimile transmission or other electronic signature, each of which will be deemed to be an original and all of which will constitute one and the same document.

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

PITA PIT INC.

By: _____
D. COREY BOWMAN, President

(FRANCHISEE OP CO)

By: _____
Authorized Signatory

GUARANTOR

NAME

NAME

SCHEDULE A

PART I

GEOGRAPHIC AREA:

PREMISES:

TERRITORY: within ____ mile(s) of _____

PART II

INITIAL FEE: \$ _____

CONTINUING FEE: _____

PART III

Mark	Registration Number	Registration Date
THE PITA PIT	REGISTRATION NO. 2,502,588	October 30, 2001
THE PITA PIT and design	REGISTRATION NO. 2,502,588	September 11, 2001
THE PITA PIT and design	REGISTRATION NO. 3,702,114	October 27, 2009
PITA PIT	REGISTRATION NO. 4,249,198	November 27, 2012
FRESH THINKING • HEALTHY EATING	REGISTRATION NO. 3,428,496	May 13, 2008
THE SMOOTHIE PIT	REGISTRATION NO. 3,428,843	May 13, 2008
AWAKIN' WITH BACON	REGISTRATION NO. 3,462,214	July 8, 2008
BERRY GO ROUND	REGISTRATION NO. 3,462,219	July 8, 2008
CHICKEN CRAVE	REGISTRATION NO. 3,467,715	July 15, 2008
MEAT THE DAY	REGISTRATION NO. 3,467,761	July 18, 2008
QUESAPITA	REGISTRATION NO. 3,504,702	September 23, 2008
BLUE BAYOU	REGISTRATION NO. 3,508,120	September 30, 2008
THE SMOOTHIE PIT GETTIN'	REGISTRATION NO. 3,785,251	March 4, 2010
FRESH GETTIN' SMOOTH		
PITA 101	REGISTRATION NO. 3,948,132	April 19, 2011
5 UNDER 500 CALORIES	REGISTRATION NO. 3,685,584	September 22, 2012
YOUR RESOLUTION SOLUTION	REGISTRATION NO. 4,202,070	September 4, 2012

SCHEDULE B

RELEASE

TO: Pita Pit Inc. and its affiliates (collectively, “**PPI**”)

IN CONSIDERATION of the payment of \$1.00 and such other good and valuable consideration, the sufficiency and adequacy of which is herein acknowledged, the undersigned, _____ (individually or collectively, as the case may be, the “**Releasor(s)**”) hereby release(s) and forever discharge(s) PPI, its parent and affiliates, and their respective shareholders, directors, officers, employees, agents and representatives (collectively, the “**Releasees**”) from any actions, causes of action, debts, liabilities, claims, demands and complaints of any kind whatsoever, both in law and in equity, whether implied or express (a “**Claim**”) which the Releasor(s) now has or hereafter may have against any Releasee for or by reason of or in any way arising out of any cause, matter or thing done or omitted to be done existing at any time up to the later of the date of this release, or [Insert reference to effective date of event giving rise to this Release, i.e. the effective renewal, transfer or sale of the franchised business described below], including, without limitation, for or by reason of or in any way arising out of the franchise agreement, sublease, confidentiality agreement, [Insert description of event giving rise to this Release, i.e. the renewal, transfer or sale of the franchised business at [ADDRESS] _____] and any other agreement or instrument entered into between the Releasor(s) and PPI relating to [ADDRESS] _____.

The Releasor(s) further agrees not to make any Claim against any person, firm, corporation or other entity which might claim contribution, indemnity or other relief from the Releasees or any of them with respect to any such Claim. The provisions hereof shall enure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the Releasees and shall be binding upon the heirs, executors, administrators, legal representatives, successors and assigns of the Releasor(s).

[If required, insert language necessary to make this Release effective under federal and state law.]

Pursuant to COMAR 02.02.08.16L, this Release does not apply to any liability under Maryland Franchise and Disclosure Law.

IN WITNESS WHEREOF, the Releasor(s), do(es) execute this release as of this _____.

FRANCHISE GUARANTOR

OPERATING COMPANY

By: _____
(Authorized Signatory)

SCHEDULE C

SUBLEASE

This Sublease made this ____ day of _____, 20__.

BETWEEN:

PITA PIT INC., a corporation formed under the laws of the State of Delaware
(hereinafter called the “Lessor”)

OF THE FIRST PART:

-and-

_____ a company incorporated pursuant to the laws
of the State of _____
(hereinafter called the “Sublessee”)

OF THE SECOND PART:

-and-

_____ an individual resident in the City of
_____, _____
(hereinafter referred to as the “Guarantor”)

OF THE THIRD PART:

WHEREAS by a lease dated _____ made between _____ as
landlord (hereinafter called “Head Lessor”) and Pita Pit Inc. as tenant, (hereinafter called
“Lessor”), (the said lease, a copy of which is attached hereto as Schedule D, is herein called
the (“Head Lease”), Head Lessor leased to the Lessor, the demised premises comprising an
area more particularly described in the Head Lease for a term of ____ years commencing
_____ and ending _____;

AND WHEREAS Lessor and Sublessee have entered into a franchise agreement dated the ____ day of _____, 20__ (the “Franchise Agreement”);

AND WHEREAS the Sublessee wishes to sublease the said demised premises for the sole purpose of carrying on the Franchised Business as that term is defined in the Franchise Agreement;

AND WHEREAS it is a condition of the Franchise Agreement that this agreement be entered into;

AND WHEREAS Lessor has agreed with the Sublessee to sublease the said demised premises subject to the terms and conditions herein contained;

NOW THEREFORE THIS INDENTURE WITNESSETH that in consideration of the sum of ONE DOLLAR (\$1.00), the rents and other amounts payable hereunder, the mutual covenants and agreements herein contained, the receipt and sufficiency of all of which are hereby acknowledged by each of the parties hereto, the parties hereby agree as follows:

1. INCONSISTENCY BETWEEN SUBLEASE AND FRANCHISE AGREEMENT

If there is any inconsistency or conflict between the terms of this Sublease and any of the provisions contained in the Franchise Agreement, the parties hereto acknowledge, agree and confirm that the provisions of the Franchise Agreement shall be read in priority to and shall supersede any of the conflicting provisions in this Sublease.

2. SUBLEASED PREMISES

- (1) The Sublessee has inspected the Premises and accepts the same as is.
- (2) Lessor hereby subleases the premises described in the Head Lease (the “Premises”) to Sublessee for the Sublease Term as hereinafter defined, in accordance with, and subject to, the provisions of the Head Lease and this Sublease.

3. TERM AND RENEWAL

- (1) The term of this Sublease shall be for the remainder of the Term set out in the Head Lease and any properly exercised option periods thereof less one day (the “Sublease Term”).
- (2) If the Sublessee desires that the Lessor exercise an option period for the Head Lease and this Sublease, the Sublessee shall give the Lessor written notice of its desire to have the option exercised, not less than ninety (90) days prior to the applicable deadline to exercise the option under the Head Lease. The Lessor may or may not exercise the option for the Head Lease and the Sublease in its sole discretion.

4. RENT

- (1) The Sublessee shall pay to the Lessor, or as the Lessor shall otherwise direct during the Sublease Term and any renewal or extension thereof, as annual minimum rent all rentals, charges, fees, assessments and other amounts reserved under the Head Lease, including, without limiting the generality of the foregoing, all percentage rents (if any) and additional rent contained in the Head Lease, in each case in the manner and not later than ten (10) days prior to the times therein for payment respectively provided, without any deduction, set-off or abatement whatsoever (hereinafter the "Rent").
- (2) The Sublessee shall cooperate fully and comply with any reasonable system implemented by the Lessor for the transfer of funds directly from the bank account of the Sublessee to the bank account of the Lessor, including the execution of any preauthorized payment or automatic withdrawal forms required by the Lessor's or Sublessee's bankers.
- (3) The Sublessee shall pay all taxes, rates, duties and assessments as may be levied, rated, charged or assessed against or in respect of all improvements, equipment and facilities on or in the Premises or any business carried on thereon or therein or in respect of the use or occupancy thereof by the Sublessee, whether any such assessment or license fees are charged by any federal, municipal, school or other government body; and the Sublessee hereby agrees to indemnify and keep indemnified the Lessor from and against payment for all loss, cost, charge and expense occasioned by, or arising from any and all such taxes, rates, duties, assessments, license fees and any and all taxes which may in the future be levied in lieu of such taxes, and any such loss, cost, charge and expense suffered or incurred by the Lessor may be collected by the Lessor as rent with all rights of distress and otherwise as reserved to the Lessor hereunder or at law in respect of rent in arrears.
- (4) The Sublessee, upon request of the Lessor, shall pay to the Lessor the sum of FIVE HUNDRED DOLLARS (\$500) which the Sublessee agrees is not refundable, and which represents a reasonable fee for obtaining the Head Lease and the Lessor's administrative costs associated with the Head Lease.

5. HEAD LEASE

- (1) The Sublessee has examined a copy of the Head Lease and the covenants and obligations of the Lessor contained therein. The Sublessee will honor, perform and observe all of the Lessor's covenants, obligations, and agreements therein with respect to the Premises, including the payment of all rentals, charges, costs and other expenses of any kind or nature whatsoever to be paid by the Lessor under the Head Lease, as if the same were a part of this Sublease.

- (2) The Sublessee shall indemnify and save harmless the Lessor in respect of all such rentals, charges, costs and expenses and from all actions, suits, losses, charges and demands for and in respect thereof.
- (3) The Sublessee further acknowledges and agrees that the Lessor is hereby conveying to the Sublessee, only those right to the Premises, which the Lessor acquired by virtue of the Head Lease. The Head Lease describes the Head Lessor's duties thereunder which the Lessor is not obligated to perform. If the Head Lessor fails to perform its duties under the Head Lease, the Sublessee must send the Lessor notice by certified mail describing the Landlord's default in detail. Upon receipt of the notice, the Lessor shall use its reasonable efforts to take all necessary steps and do and perform all requisite acts, on behalf of the Sublessee and at the sole cost and expense of the Sublessee, in order to enforce performance of the terms, covenants and conditions contained in the Head Lease on the part of the Head Lessor.

6. ASSIGNMENT OR SUBLETTING

The parties to this Agreement agree that the Lessor, (including its successors and assigns) may sell, transfer or assign its interest in this Sublease without seeking the consent of the Sublessee. The Sublessee will not assign this Sublease in whole or in part, nor sublet all or any part of the Premises, nor mortgage or encumber this Sublease or the Premises or any part thereof, or any improvements, fixtures, chattels, machinery or equipment therein or thereon, nor suffer or permit the occupation of all or any part thereof by others, nor change or alter the locks on any doors of the Premises, either exterior or interior, without, in each instance, obtaining the prior written consent of the Lessor, which consent:

- (a) in the case of the assignment of the Sublease, shall not be unreasonably withheld, provided that this Sublease and the Franchise Agreement shall not be separately assigned, and provided further that contemporaneously with any assignment of this Sublease, the conditions and requirements set forth in Section 15 of the Franchise Agreement are complied with or fulfilled; and
- (b) in any other case, may be arbitrarily or unreasonably withheld, notwithstanding any statutory provision or provisions to the contrary. Notwithstanding any assignment or sublease as aforesaid, the Sublessee shall remain jointly and severally liable under this Sublease and shall not be released from performing any of the terms, covenants and conditions of this Sublease. Further, any consent granted by the Lessor shall be conditional upon and subject to the Sublessee causing any such assignee, sublessee or other occupant of the Premises to enter into an agreement directly with the Lessor in writing whereby such assignee or sublessee or other occupant covenants and agrees to assume and continue to perform and be bound by all of the terms and conditions contained in this Sublease and the obligations of the Lessor contained in the

Lease, and to assume and continue to perform and be bound by all of the terms and conditions contained in the Franchise Agreement.

7. USE OF PREMISES

The Sublessee shall use and occupy the Premises from and after the commencement of the term of this Sublease and shall thereafter conduct continuously the business required to be conducted therein at the times and in the manner required pursuant to the provisions of the Head Lease and the Franchise Agreement. Without in any way limiting the generality of the foregoing, in the conduct of the Sublessee's business pursuant to the terms of this Sublease and the Franchise Agreement, the Sublessee shall:

- (a) subject to the provisions contained in the Head Lease, conduct its business in the Premises during such hours and on such days as the Lessor may, from time to time, require or permit and at no other times; and
- (b) forthwith discontinue any business, conduct or practice carried on or maintained by the Sublessee, whether through advertising or selling procedures or otherwise, which, in the opinion of the Lessor, may harm or tend to harm the business or reputation of the Lessor, or reflect or tend to reflect unfavorably on the Lessor or which may tend to confuse, mislead, deceive or be fraudulent to the public, or which shall be a breach of the provisions of the Franchise Agreement or the Head Lease, and if the Sublessee shall fail to discontinue any of the foregoing upon receipt of written request to do so by the Lessor, the Lessor, on written notice to the Sublessee, shall then be entitled to terminate this Sublease in accordance with the provisions hereof.

8. GOOD REPAIR

The Sublessee shall maintain and keep in good order, condition and repair the Premises and all equipment fixtures, chattels and improvements therein or thereon, all in accordance with the provisions of the Head Lease and the Franchise Agreement.

9. SURRENDER OF PREMISES

The Sublessee shall, at the expiration or sooner termination of the Sublease Term, peaceably surrender and yield up to the Lessor, the Premises with all appurtenances thereto in good and substantial repair and condition all in accordance with the provisions of the Head Lease and the Franchise Agreement (including, at the option of the Lessor, removal of any fixtures and improvements and repair of damage) and shall surrender all keys for the Premises to the Lessor at the place then fixed for the payment of rent and shall inform the Lessor of all combinations on all locks, safes and vaults, if any, in the Premises. The Sublessee's obligation to observe and perform the provisions of this Subsection shall survive the expiration or sooner termination of this Sublease.

10. INSURANCE

Unless otherwise provided in the Head Lease (the terms of which the Sublessee agrees to honor and perform), the Sublessee shall take out and keep in full force and effect, at its sole cost and expense and in the names of the Sublessee and the Lessor, such insurance as shall comply with the obligations of the Lessor under the Head Lease, business interruption insurance and rental insurance in such amount as will reimburse the Sublessee for direct and indirect loss of earnings for a minimum period of twelve (12) months attributable to all perils, in the Lessor's sole discretion, as are commonly insured against by prudent tenants or attributable to prevention of access to the Premises as a result of such perils and rental insurance. Additionally, the Sublessee shall, at all times during the Sublease Term, and for such prior or further term as the Sublessee occupies or has possession of the Premises, and thereafter relating to such period of occupancy, to indemnify, defend, and hold harmless the Lessor and its affiliates, and the shareholders, officers, directors, employees, and agents of the Lessor and its affiliates, from and against all liability, injury, loss, cost (including attorneys' fees), damage and expense in respect of any injury or death of any persons and/or damage to any property while on the Premises and to obtain and maintain insurance in accordance with the Head Lease and the Franchise Agreement naming all such indemnified persons as additional insureds.

11. AMOUNTS DUE UNDER FRANCHISE AGREEMENT

All amounts due by the Sublessee to the Lessor pursuant to the Franchise Agreement shall be deemed to be rent under this Sublease and may be collected as rent by the Lessor with all rights of distress and otherwise as reserved to the Lessor hereunder or at law in respect to rent in arrears.

12. ABATEMENT AND TERMINATION

In the event the Premises are damaged or destroyed during the Sublease Term, then

- (a) rent and all other amounts payable by the Sublessee hereunder shall abate if and to the extent rent abates under the Head Lease; and
- (b) this Sublease shall terminate if the Head Lease terminates.

13. SUBORDINATION AND ATTORNMENT

At the option of the Lessor or the applicable mortgagee, chargee or trustee (as the case may be), this Sublease is subject and subordinate to all mortgages, charges and deeds of trust (and all instruments supplemental thereto) from time to time affecting the Premises (whether or not affecting other premises as well). Upon request, the Sublessee agrees to execute promptly any certificate in confirmation of such subordination. The Sublessee acknowledges and agrees that any mortgagee, chargee or trustee may unilaterally postpone and subordinate its mortgage, charge or deed of trust (as the case may be) to this Sublease. The Sublessee shall promptly on

request attorn to any such mortgagee, chargee or trustee or to the purchaser on any foreclosure or power of sale proceedings taken under any such mortgage, charge or deed of trust, and shall recognize such mortgagee, chargee or trustee, or purchaser, as the Lessor under this Sublease.

14. CONSENT OF HEAD LESSOR

Subject to the provisions of the Head Lease, the parties acknowledge and agree that this Sublease shall be subject to the Lessor obtaining the written consent of the Head Lessor to this Sublease failing which this Sublease shall be null and void and of no further force and effect.

15. NET SUBLEASE

The Sublessee hereby acknowledges, confirms and agrees that it is the intention of the parties hereto that this Sublease shall be a completely carefree net Sublease for the Lessor, and that, subject to the provisions contained in the Head Lease, the Lessor shall not be responsible during the Sublease Term or any renewal or extension thereof, for any loss, charges, expenses and outlays of any nature or kind whatsoever arising from or relating to the Premises or the contents thereof and the Sublessee shall pay all such charges, impositions and expenses of every kind and nature relating to the Premises, and covenants with the Lessor accordingly. The Sublessee further acknowledges and agrees that the Lessor shall have, in addition to the rights and remedies of the Lessor in this Sublease, all rights of the Head Lessor under the Head Lease and remedies as against the Sublessee in respect of this Sublease as though the Lessor was the landlord named in the Head Lease and the Sublessee was the tenant named in the Head Lease, *mutatis mutandis*.

16. QUIET POSSESSION

Subject always to the rights of the Head Lessor and the Lessor contained in the Head Lease and Sublease respectively, and to the terms and conditions of the Franchise Agreement, upon payment by the Sublessee of the Rent and other monetary assessments provided herein, and upon the observance and performance by the Sublessee of all covenants, terms and conditions contained in this Sublease and the Franchise Agreement, the Sublessee shall peaceably and quietly hold and enjoy the Premises for the Sublease Term or any renewal hereby demised without hindrance or interruption by the Lessors, subject, nevertheless to the terms and conditions of this Sublease and the Franchise Agreement.

17. FAILURE TO PAY AMOUNTS OWING

If the Sublessee shall fail to pay to the Lessor any amount required to be paid pursuant to the provisions of this Sublease or the Head Lease as the case may be, then, in any of the foregoing cases, the Lessor may, at its option, make all such payments on behalf of the Sublessee, who shall forthwith reimburse the Lessor for all costs and expenses so incurred upon demand. In the event of any such nonpayment by the Sublessee, as aforesaid, the Lessor, in addition to any other rights hereunder or at law, shall have the same remedies and may take the same steps for

the recovery of all such amounts as the Lessor may have for the recovery of rent in arrears under the terms of this Sublease. All arrears of rent and other sums to be paid by the Sublessee herein to the Lessor shall bear interest at the lower of (i) the highest domestic prime rate per annum published by The Wall Street Journal (if no longer published, then a similar publication designated by Lessor) from time to time, plus five percent (5%), adjusted daily, and (ii) the highest rate permitted by the laws of the State where the premises are located, each calculated and payable monthly, not in advance, with interest on overdue interest at the aforesaid rate, before as well as after default or judgment, from the time such sums became due until paid in full to the Lessor.

18. DEFAULT BY SUBLESSEE

- (a) If the Sublessee fails to pay Rent or any other amounts due hereunder or under the Head Lease on the date or dates appointed for the payment thereof, or
- (b) if the Sublessee fails to perform any of the other terms, conditions or covenants contained in this Sublease or the Head Lease, as the case may be, to be respectively performed and observed thereunder by the Sublessee, or any other agreement entered into with the Lessor, or with any of the Lessor's subsidiary, associated or affiliated companies, or
- (c) if the Sublessee shall be in default or in breach of any chattel mortgage or any other loan or security agreement given to or assumed by the Sublessee in favor of the Lessor or any other party, or in the event any check, note or negotiable instrument given the Sublessee to the Lessor is dishonored upon presentation, or
- (d) Provided, if without the written consent of the Lessor, the Premises is vacant and remain vacant or not used for a period of three (3) business days while the same is suitable for use by the Sublessee, or is used by any person other than the Sublessee, except with the written consent of the Lessor pursuant to the provisions hereof, or for any purpose other than the Sublessee's business operations in accordance with the provisions of the Franchise Agreement, or,
- (e) if the Sublease Term or any of the goods and chattels of the Sublessee is, at any time seized or taken in execution or attachment by any creditor of the Sublessee, or, if the Sublessee makes any proposal or assignment for the benefit of creditors, or,
- (f) if a receiver is appointed for all or a portion of the Sublessee's property,
- (g) or if the Sublessee makes a sale in bulk or gives any bill of sale or become bankrupt or insolvent or take the benefit of any act now or hereafter in force for bankrupt or insolvent debtors or any order is made for the winding up of the Sublessee, or,

- (h) if the Sublessee or any agent of the Sublessee falsifies any report required to be furnished to the Lessor pursuant to the terms of this Sublease or to the Franchisor under the Franchise Agreement, or,
- (i) if the Sublessee abandons or attempts to abandon the Premises or to sell or dispose of the goods, merchandise and chattels of the Sublessee or to remove them from the premises so that there would not in the event of such disposal be sufficient goods, merchandise or chattels on the Premises subject to distress to satisfy all rentals and other charges due or accruing hereunder, or,
- (j) if the Sublessee fails to continually operate his business in the Premises in accordance with the provisions of this Sublessee, or,
- (k) if the Sublessee does not observe, perform and keep each and every of the covenants, agreements, stipulations, provisions and conditions contained herein or in the Head Lease, or,
- (l) if the Franchise Agreement is terminated for any reason whatsoever, or if the Sublessee is in default of any provision of the Franchise Agreement,

then, in every case, Lessor may, in addition to any and all other rights which Lessor may have in equity or at law, (i) give Sublessee ten days written notice of the expiration of the Term, or if a minimum amount of written notice is required by applicable law, the minimum amount of notice of the expiration of the Term required by applicable law (even if less than 10 days) and upon the giving of such notice and the expiration of such period, this Sublease and Sublessee's right to possession will terminate, except as to Sublessee's liability, and upon such termination, Sublessee shall quit and surrender the Premises to Lessor but the Sublessee shall remain liable for the balance of the Rent due as provided in this Sublease, or (ii) may forthwith without notice re-enter and repossess the Premises but the Sublessee shall remain liable for the balance of the Rent due as provided in this Sublease. In either case, upon re-entry, the Lessor may remove all persons or property from the Premises and such property so removed shall be stored in a public warehouse or elsewhere at the cost and of and for the account of the Sublessee, all without service of notice or resort to legal process and without the Lessor being deemed guilty of trespass or becoming liable for any loss or damage which may be occasioned thereby. The parties agree that trial by jury shall be waived in the event of litigation.

19. GUARANTOR'S COVENANTS

- (1) In consideration of the Lessor entering into this Agreement with the Sublessee and in consideration of the sum of two dollars (\$2.00) and other good and valuable consideration, (the receipt and sufficiency whereof is hereby acknowledged by the Guarantor) the Guarantor hereby unconditionally guarantees to the Lessor that the Sublessee will pay all amounts to be paid and otherwise observe and perform all terms

and conditions to be so observed and performed in this Agreement. If the Sublessee shall default in making any such obligations, the Guarantor hereby covenants and agrees to pay to the Lessor, forthwith upon demand, without any setoff or other deduction, all amounts not so paid by the Sublessee and all damages that may arise in consequence of any such non-observance or non-performance.

- (2) Without in any way restricting or limiting the guarantee given by the Guarantor as set out above or any other rights and remedies to which the Lessor may be entitled, the Guarantor hereby covenants and agrees to indemnify and save the Lessor harmless against any and all liabilities, losses, suits, claims, demands, costs, fines and actions of any kind or nature whatsoever to which the Lessor shall or may become liable for, or suffer by reason of any breach, violation or non-performance by the Sublessee of any term or condition of this Agreement or any other agreement made between the Sublessee and the Lessor.
- (3) In the enforcement of any of its rights against the Guarantor, the Lessor may in its sole discretion proceed as if the Guarantor was the primary obligor under this Agreement, or any other agreement made between the Sublessee and the Lessor. The Guarantor hereby waives any right to require the Lessor to proceed against the Sublessee or to proceed against or to exhaust any security (if any) held from the Sublessee, or to pursue any other remedy whatsoever which may be available to the Lessor before proceeding against the Guarantor.
- (4) No dealings of whatsoever kind between the Lessor and the Sublessee and/or any other persons as the Lessor may see fit, whether with or without notice to the Guarantor, shall exonerate, release, discharge or in any way reduce the obligations of the Guarantor in whole or in part, and in particular, and without limiting the generality of the foregoing, the Lessor may modify or amend this Agreement, grant any indulgence, release, postponement or extension of time, waive any term or condition of this Agreement or any obligation of the Sublessee, take or release any securities or other guarantees for the performance by the Sublessee of its obligations and otherwise deal with the Sublessee and/or any other persons as the Lessor may see fit without affecting, lessening or limiting in any way the liability of the Guarantor. The Guarantor hereby expressly waives all acts and other things upon which, but for such waiver, such guaranty would or might be conditioned, including, but not limited to, any demand, presentment or protest, any notice of non-payment or other default or of protest.
- (5) Any settlement made between the Lessor and/or any other persons as the Lessor may see fit to deal with, or any determination made pursuant to this Agreement which is expressed to be binding upon the Sublessee, shall be binding upon the Guarantor.
- (6) Notwithstanding any assignment for the general benefit of creditors of any bankruptcy or any other act of insolvency by the Sublessee and notwithstanding any rejection,

disaffirmation or disclaimer of this Agreement, the Guarantor shall continue to be fully liable hereunder.

- (7) Without in any way limiting the generality of any other section of this Agreement, the covenants and agreement of the Guarantor contained in this section shall enure to the benefit of and be binding upon the Guarantor and the heirs, executors, administrators, successors and assigns of the Guarantor.
- (8) The Guarantor acknowledges reviewing all of the provisions of this Agreement and agrees to be bound by all of the provisions hereof insofar as applicable to him

20. NO WAIVER

The failure of the Lessor to insist upon the strict performance of any of the agreements, terms, covenants and conditions hereof shall not be deemed a waiver of any rights or remedies that the Lessor may have hereunder and shall not be deemed a waiver of any subsequent breach or default in any of such terms, agreements, covenants or conditions. The subsequent acceptance of Rent or other payments hereunder by the Lessor shall not be deemed to be a waiver of any preceding breach by the Sublessee of any term, covenant or condition of the Sublease, regardless of the Lessor's knowledge of such preceding breach at the time of the acceptance of such Rent or other monetary payment.

21. NOTICES

- (10) All notices, consents, approvals, statements, authorizations, documents, or other communications (collectively "notices") required or permitted to be given hereunder shall be in writing, and shall be delivered personally, by facsimile telephone transmission, by prepaid nationally recognized overnight courier, by email, or by registered mail, postage prepaid, to the parties at their respective addresses set forth below:

To the Lessor 105 North 4th Street, Suite 208
Coeur d'Alene, ID 83814
Telephone: (208) 765-3326
Facsimile: (208) 667-7694
Email:lee.strait@pitapitusa.com, brenda.zosel@pitapitusa.com

With a Copy to: George J. Eydt
Hodgson Russ LLP
150 King St. West
P.O. Box 30, Suite 2309
Toronto, Ontario M5H 1J9 Canada
Telephone: (416) 595-2671
Facsimile: (416) 595-5021
Email: geydt@hodgsonruss.com

To the Sublessee: _____
Telephone: To be determined
Facsimile: To be determined
Email: [REDACTED]

To the Guarantor: _____
Telephone: To be determined
Facsimile: To be determined
Email: [REDACTED]

Or at any such other address or addresses as may be given by any of them to the other in writing from time to time. Such notices, if mailed, shall be deemed to have been given on the fifth business day following such mailing, or, if delivered by facsimile telephone transmission or email on a business day prior to 5:00 p.m. recipient's local time, shall be deemed to have been given on the day delivered, or, if delivered after that time or on a day other than a business day, shall be deemed to have been given on the next business day, or, if delivered by courier, will be deemed to have been given on the day delivered, if delivered personally, shall be deemed to have been given on the day delivered, if a business day, or if not a business day, on the next business day following the day delivered, provided that if such notice shall have been mailed and if regular mail service shall be interrupted by strike or other irregularity before the deemed receipt of such Notice, as aforesaid, then such Notice shall not be effective unless delivered.

If there are multiple Sublessees or Guarantors, service on one Sublessee or Guarantor shall constitute valid notice to all. If the Sublessee is no longer occupying the Premises, the Lessor may send notice to the last known address of the Sublessee or any of its owners.

22. GENERAL PROVISIONS

- (1) Words importing the singular number only shall include the plural and vice versa, and words importing the masculine gender shall include the feminine and neuter gender and words importing persons shall include firms, partnerships and corporations and vice versa. Any reference to days means calendar days, unless otherwise specified.
- (2) All rights and liabilities herein given to or imposed upon the respective parties hereto shall extend to and bind the several respective permitted heirs, executors, administrators, successors and assigns of the said parties; and if there shall be more than one Sublessee they shall be bound jointly and severally by the terms, covenants and agreements herein contained. No rights, however, shall enure to the benefit of any assignee or subtenant of the Sublessee unless such assignment or subletting has been approved by the Lessor in writing pursuant to the provisions of Section 4 hereof.

- (3) Except as otherwise specifically provided in this Sublease, all words and expressions used in the Head Lease shall apply to and be read in conjunction with the provisions of the Sublease.
- (4) Time shall be of the essence of this Sublease and every part thereof.
- (5) If any term, covenant or condition of this Sublease or the application thereof to any person or circumstances, shall to any extent be invalid or unenforceable, the remainder of this Sublease or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Sublease shall be valid and enforced to the fullest extent permitted by law.
- (6) This Agreement may be executed in counterparts and by facsimile transmission or other electronic signature, each of which will be deemed to be an original and all of which will constitute one and the same document.

IN WITNESS WHEREOF the parties hereby have duly executed this Sublease as of the date first above written.

PITA PIT INC.

By: _____
D. COREY BOWMAN, President

(FRANCHISEE OP CO)

By: _____
Authorized Signatory

GUARANTOR

NAME

NAME

SCHEDULE D

HEAD LEASE

See attached.

SCHEDULE E

SECURITY AND CONFIDENTIALITY AGREEMENT made the ____ day of _____,
20__.

BETWEEN:

PITA PIT INC.
(hereinafter called "Franchisor")

OF THE FIRST PART;

- and -

(hereinafter called the "Franchisee")

OF THE SECOND PART;

- and -

(hereinafter called the "Employee")

OF THE THIRD PART:

WHEREAS the Franchisee has been licensed by the Franchisor to operate THE PITA PIT® franchised business (hereinafter called the "Franchised Business");

AND WHEREAS as a condition to the Franchisee being so licensed, the Franchisee agreed to cause its employees and others to enter into this agreement.

NOW THEREFORE in consideration of the Franchisee employing the Employee or continuing such employment in the operation of the Franchised Business and in consideration of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Employee covenants and agrees as follows:

1. During the term of the Employee's employment, the Employee shall faithfully and diligently perform such duties and exercise such powers as may from time to time be assigned to him or vested in him by the Franchisee with respect to the operation of the Franchised Business.
2. The Employee hereby acknowledges and agrees that any information concerning any customers of the Franchisee or any trade secrets, specifications, documents and data relating to the techniques for, methods of, or practice in the operation of the Franchised Business is provided to the Employee in confidence and that the same is the property of

the Franchisee and/or the Franchisor and represents valuable proprietary rights of the Franchisee and/or the Franchisor. The Employee agrees that, except as may be authorized in writing by the Franchisee, he shall not divulge or communicate to any person, corporation, partnership, trust or other entity, either during the term of the Employee's employment or thereafter, any such knowledge or information or use any of the same other than for the purpose of or in connection with his employment by the Franchisee with respect to the operation of the Franchised Business.

The obligations of the Employee under this paragraph shall not apply to information:

- (a) which at the time of disclosure is readily available to the public;
 - (b) which after disclosure becomes readily available to the public, otherwise than by reason of a breach of this Agreement by the Employee;
 - (c) which is subsequently lawfully and in good faith obtained by the Employee from an independent third party having the right to publicly disclose the information; or
 - (d) which the Recipient is by law required to disclose or which the Employee discloses as a necessarily incidental part of performing the Employee's duties under this Agreement.
3. The Employee agrees to cooperate with any confidentiality requirements of the Franchisor or the Franchisee. The Employee shall immediately notify the Franchisee of any unauthorized disclosure or use of Trade Secrets or Confidential Information of which the Employee becomes aware.
 4. Upon termination of the Employee's employment with the Franchisee for any reason whatsoever, the Employee shall forthwith surrender to the Franchisee any and all materials in the possession or under the control of the Employee and relating in any manner to the Franchised Business.
 5. A breach of the obligations in this Agreement will cause irreparable harm to THE PITA PIT. Since a remedy at law for a breach of the obligations in this section would be inadequate, the Employee hereby consents to the Franchisor or Franchisee seeking and obtaining from a court having jurisdiction an order of specific performance, an injunction, a restraining order or other equitable relief to enforce the provisions of this Agreement.
 6. Should any part of this Agreement be declared invalid by a court of law, such decision will not affect the validity of any remaining portion which remains in full force and effect as if the invalid portion was never a part of this Agreement when it was executed. If a court of law determines that the information the Franchisee or

Franchisor seeks to protect is merely confidential and does not rise to the level of a trade secret and

- (i) under State law, this Agreement is overly restrictive as to time, then the post-termination confidentiality obligations applicable to such information shall only be effective for 24 months from the date of termination or such lesser time as the court determines is reasonable; or
- (ii) under State law, this Agreement is overly restrictive as to geography, then the post-termination confidentiality obligations applicable to such information shall only be effective within 5 miles of the Franchised Business or any other THE PITA PIT location in North America or such lesser geographic limitation as the court determines is reasonable.

- 7. The waiver by the Franchisee or the Franchisor of strict compliance or performance of any of the terms and conditions of this agreement or any breach thereof on the part of the Employee shall not be held or deemed to be a waiver of any subsequent failure to comply strictly with or perform the same or any other term or condition of this agreement or any breach hereof.
- 8. This agreement may not be assigned by the Employee. This agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns, as the case may be.

IN WITNESS WHEREOF this agreement has been executed by the parties as of the day and year first above written.

PITA PIT INC.

By: _____
D. COREY BOWMAN, President

(FRANCHISEE OP CO)

By: _____
Authorized Signatory

EMPLOYEE

NAME

SCHEDULE F

GENERAL SECURITY AGREEMENT

THIS AGREEMENT is made as of the ___ day of _____, 2014, between _____, with an address at _____ (“Debtor”) and **PITA PIT INC.**, a Delaware corporation with an address at 105 North 4th Street, Suite 208, Coeur d’Alene, Idaho 83814 (“Secured Party”).

For good and valuable consideration, the receipt and sufficiency of which are acknowledged, Debtor agrees with Secured Party as follows:

1. Definitions.

- (a) *Collateral.* “Collateral” means all of the following assets, wherever located, that are now owned or hereafter acquired by Debtor or in or to which Debtor now has or hereafter acquires any right, title or interest:
- (i) Accounts;
 - (ii) Chattel Paper;
 - (iii) Inventory;
 - (iv) Equipment;
 - (v) Fixtures;
 - (vi) Instruments, including Promissory Notes;
 - (vii) Investment Property;
 - (viii) Documents;
 - (ix) Deposit Accounts;
 - (x) Letter-of-Credit Rights;
 - (xi) any Commercial Tort Claim described in the Schedule;
 - (xii) General Intangibles, including patents, trademarks, copyrights and other intellectual property;

- (xiii) Supporting Obligations;
 - (xiv) money and other personal property; and
 - (xv) to the extent not listed above as original collateral, Proceeds and products of the foregoing.
- (b) *Event of Default.* An “Event of Default” occurs or exists if:
- (i) Debtor or any Third Party fails to pay when due any of the Obligations requiring the payment of any amount and the failure continues for 10 days;
 - (ii) Debtor or any Third Party fails to perform or comply with any of the Obligations (other than those requiring the payment of any amount) when or as required and the failure continues for 10 days after the earlier of (A) Debtor’s knowledge of the failure or (B) Secured Party’s delivery to Debtor of written notice of the failure;
 - (iii) Any default or event of default, for purposes of or as defined in any document evidencing, guaranteeing or securing all or any portion of the Obligations or any obligations owing to any affiliate of Secured Party, occurs or exists after giving effect to any applicable cure or grace period;
 - (iv) Any representation or warranty contained in this Agreement, in any financial statement delivered to Secured Party at any time by or on behalf of Debtor or in any document evidencing, guaranteeing or securing any of the Obligations is incorrect or misleading in any material respect;
 - (v) Debtor transfers or disposes of any of the Collateral, except as expressly permitted by this Agreement;
 - (vi) Debtor is dissolved, ceases to exist, makes any bulk sale, becomes insolvent (however evidenced), generally fails to pay its debts as they become due, fails to pay, withhold or collect any tax as required by applicable law, suspends or ceases its present business or has entered, served, filed or recorded against it or against any of its assets any judgment, lien, attachment, execution or levy;
 - (vii) Debtor or any Third Party has any receiver, trustee, custodian or similar Person appointed for it or any of its assets, makes any assignment for the benefit of creditors or commences or has commenced against it any case or other proceeding under any bankruptcy, insolvency or similar law;

- (viii) Debtor fails to comply with, or becomes subject to any administrative or judicial proceeding under, any applicable (i) hazardous waste or environmental law, (ii) asset forfeiture or similar law which can result in the forfeiture of property or (iii) other law, and such noncompliance with any such law described in (i), (ii) or (iii) has or may have any significant effect on Debtor's business or the Collateral;
 - (ix) Any Third Party who is an individual dies or is incompetent; or
 - (x) Secured Party deems itself insecure with respect to the Obligations or is of the opinion that the Collateral is not or may not be sufficient or has decreased or may decrease in value.
- (c) *Obligations.* "Obligations" means:
- (i) all of Debtor's present and future obligations to Secured Party, including all such obligations under this Agreement and any loan agreement, promissory note, sublease or franchise or other agreement;
 - (ii) (A) all amounts that Secured Party may advance or spend at any time for the maintenance or preservation of any of the Collateral and (B) all other expenditures that Secured Party may make at any time under the provisions of this Agreement or for the benefit of Debtor;
 - (iii) all amounts and other obligations owed or required to be performed or complied with at any time under any replacements, modifications, renewals or extensions of any of the foregoing obligations; and
 - (iv) all of the foregoing obligations that arise after the filing of a petition by or against Debtor under any bankruptcy, insolvency or similar law, even if the obligations do not accrue because of the automatic stay under Bankruptcy Code § 362 or otherwise.
- (d) *Third Party.* "Third Party" means any guarantor, partner or other Person liable for, or who or that owns or has any interest in any asset that secures, all or any portion of the Obligations.
- (e) *Permitted Lien.* "Permitted Lien" means any security interest or other lien completely and accurately described in the Schedule.
- (f) *Person.* "Person" means (i) any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated association, government or

political subdivision, (ii) any court, agency or other governmental body or (iii) any other entity, body, organization or group.

- (g) *Schedule*. “Schedule” means the Schedule attached to and made a part of this Agreement.
- (h) *UCC*. Any capitalized or other term used in the Uniform Commercial Code (“UCC”) and not defined in this Agreement has the meaning given to the term in the UCC as in effect from time to time in the State of Idaho.

2. **Grant of Security Interest.**

Debtor grants to Secured Party a continuing security interest in the Collateral to secure the payment and performance of the Obligations.

3. **Perfection of Security Interests.**

- (a) *Filing of Financing Statements*. Debtor authorizes Secured Party to file one or more financing statements describing the Collateral and, without limiting the foregoing, authorizes Secured Party to use terms such as “All assets” or “All personal property and fixtures” to describe the Collateral.
- (b) *Possession*.
 - (i) Debtor will maintain possession of the Collateral, except where expressly otherwise provided in this Agreement.
 - (ii) Where any of the Collateral is in the possession of another Person, or located on premises leased and not owned by Debtor, Debtor will join with Secured Party in notifying the Person or the landlord of Secured Party’s security interest and will obtain, upon request by Secured Party, a warehouseman waiver, a bailee waiver or a landlord waiver, as appropriate, in form and substance satisfactory to Secured Party.
- (c) *Control Agreements*. Debtor will, upon request of Secured Party, obtain a control agreement in form and substance satisfactory to Secured Party with respect to any of the Collateral consisting of Deposit Accounts, Investment Property, Letter-of-Credit Rights or Electronic Chattel Paper.
- (d) *Marking of Chattel Paper*. Debtor will not create any Chattel Paper without placing a legend on the Chattel Paper acceptable to Secured Party indicating that Secured Party has a security interest in the Chattel Paper.

4. **Covenants and Rights Concerning the Collateral.**

- (a) *Inspection and Verification.* Secured Party may inspect any of the Collateral in Debtor's possession, at any time upon reasonable notice. Secured Party may verify any of the Collateral not in Debtor's possession in any manner or through any medium, whether directly with any Person obligated with respect thereto or in the name of Debtor or otherwise.
- (b) *Taxes; Defense of Collateral.* Debtor will (i) before the end of any applicable grace period, pay each tax, assessment, fee and charge imposed by any government or political subdivision upon any of the Collateral or the acquisition, ownership, possession, use, operation or sale or other disposition thereof and (ii) defend the Collateral against each demand, claim, counterclaim, setoff and defense asserted by any Person.
- (c) **Obligations Relating to Collateral.**
 - (i) *Risk of Loss.* Debtor has the risk of loss of the Collateral.
 - (ii) *No Collection Obligation.* Secured Party has no duty to collect any income accruing on the Collateral or to preserve any rights relating to the Collateral.
 - (iii) *No Assignment.* This Agreement does not constitute any assignment by Debtor to Secured Party of any obligation of Debtor relating to any of the Collateral and Debtor will at all times remain obligated to perform each such obligation.
- (d) *No Disposition of Collateral.* Secured Party does not authorize Debtor to, and Debtor will not:
 - (i) make any sale, lease or other disposition of any of the Collateral, except Inventory in the ordinary course of business;
 - (ii) license any of the Collateral;
 - (iii) modify, compromise, cancel, subordinate or waive any right relating to any of the Collateral; or
 - (iv) grant any security interest in or other lien upon any of the Collateral except in favor of Secured Party or any Permitted Lien.
- (e) *Purchase Money Security Interests.* To the extent the Obligations are used by Debtor to purchase any of the Collateral, Debtor's repayment of the Obligations will apply on a first-in-first-out basis so that the portion of the Obligations used

to purchase a particular item of the Collateral will be paid in the chronological order Debtor purchased the Collateral.

- (f) *No Installation.* Debtor will prevent any Goods included in the Collateral from being affixed to or installed in or on any real property or any Goods not included in the Collateral.
- (g) *Treatment of Collateral.* Debtor will maintain all Goods included in the Collateral in good condition except for ordinary wear and tear.
- (h) Debtor's Other Covenants.

Debtor:

- (i) will preserve its existence and not, in one transaction or a series of related transactions, merge into or consolidate with any other Person, or sell or otherwise transfer all or substantially all of its assets;
- (ii) will not change the state of its incorporation or organization;
- (iii) will not change the location of any of the Collateral;
- (iv) will not change its legal name;
- (v) will conduct its business and use and maintain the Collateral in compliance with all applicable laws;
- (vi) will maintain all-risk property insurance reasonably satisfactory to Secured Party, naming Secured Party as lender's loss payee or the equivalent and provide evidence of such insurance to Secured Party;
- (vii) will promptly notify Secured Party of (i) any information required to at all times keep each representation and warranty contained in Section 5(g) hereof complete and accurate in all respects, (ii) any loss, theft or destruction of or damage to, or any demand, claim, counterclaim, setoff or defense affecting, any of the Collateral and (iii) the occurrence or existence of any Event of Default; and
- (viii) will comply with any additional covenants set forth in the Schedule.

5. Debtor's Representations and Warranties.

Debtor represents and warrants that:

- (a) *Authority.* The execution, delivery to Secured Party and performance of this Agreement by Debtor (i) do not and will not violate applicable law, any judgment or order of any court, agency or other governmental body by which Debtor is bound or, if Debtor is not an individual, any certificate or articles of incorporation or organization, by-laws, operating or partnership agreement or other charter, organizational or other governing document of Debtor or any resolution or other action of record of any shareholders, members, directors or managers of Debtor, (ii) do not and will not violate or constitute any default under any agreement, instrument or other document by which Debtor is bound, (iii) if Debtor is not an individual, are and will be in furtherance of the purposes and within the power and authority of Debtor and (iv) do not and will not require any authorization of, notice to or other act by or relating to any Person (including, but not limited to, if Debtor is not an individual, any shareholder, member, director or manager of Debtor) that has not been duly obtained, given or done and is not in full force and effect.
- (b) Location, State of Organization and Name of Debtor.
- Debtor's:
- (i) chief executive office is located at the address in the state identified in the Schedule (the "Chief Executive Office State");
 - (ii) state of incorporation or organization is the state identified in the Schedule (the "Debtor State");
 - (iii) organizational number (if any) and entity type are identified in the Schedule; and
 - (iv) exact legal name is as set forth in the first paragraph of this Agreement.
- (c) *Title to and Transfer of Collateral.* It has rights in or the power to transfer the Collateral and its title to the Collateral is free of all adverse claims, liens, security interests and restrictions on transfer or pledge except as created by this Agreement or for any Permitted Lien.
- (d) *Location of Collateral.* All of the Collateral consisting of Goods, including Inventory, Equipment and Fixtures, is located solely at the locations listed in the Schedule.
- (e) *Fixtures.* The name and address of each record owner of real estate where any of the Collateral consisting of Fixtures is located are identified in the Schedule.

- (f) *Genuineness.* Each Account, Chattel Paper, Instrument, Document, Deposit Account, General Intangible and item of Investment Property included in the Collateral is or, if not now existing, will be genuine, in all respects what it purports to be and enforceable in accordance with its terms against each Person obligated with respect thereto, subject to no demand, claim, counterclaim, setoff or defense.
- (g) *Other Collateral.* The Schedule contains a complete and accurate description of all Chattel Paper, Instruments, Investment Property, Deposit Accounts, Letter-of-Credit Rights, Commercial Tort Claims and Supporting Obligations, and all General Intangibles consisting of patents, trademarks and copyrights, included in the Collateral.
- (h) *Other Information.* All other information provided in the Schedule is complete and accurate in all respects.

6. Costs.

Debtor will pay to Secured Party on demand all costs incurred by Secured Party for the purpose of enforcing any of its rights or Debtor's obligations hereunder, including:

- (a) costs relating to the perfection or protection of the security interest granted herein or to the performance by Secured Party, at its sole option, of any of Debtor's obligations hereunder that Debtor fails to timely pay or perform;
- (b) costs of foreclosure;
- (c) costs of obtaining money damages or other relief; and
- (d) the reasonable fees and disbursements of attorneys employed by Secured Party for any purpose related to this Agreement or the Obligations, including consultation, drafting documents, sending notices or instituting, prosecuting or defending litigation or other enforcement actions.

After any demand for the payment of any cost, Debtor will pay interest on the portion of the cost remaining unpaid due at an annual rate equal to the lesser of (i) 5% above the highest domestic prime rate published in The Wall Street Journal (if no longer published, then a similar publication designated by Secured Party) from time to time or (ii) the highest rate permitted by applicable law.

7. Remedies Upon Default.

- (a) *General.* Upon or after the occurrence of any Event of Default, Secured Party may pursue any remedy available at law (including those available under the

provisions of the UCC) or in equity to collect, enforce or satisfy any of the Obligations then owing, whether by acceleration or otherwise.

- (b) *Concurrent Remedies.* Without limiting the generality of Section 7(a) hereof, upon or after the occurrence of any Event of Default, Secured Party has the right to pursue any of the following remedies separately, successively or concurrently:
- (i) To declare all or any portion of the Obligations remaining unpaid to be immediately due.
 - (ii) To file suit and obtain judgment and, in conjunction with any action, Secured Party may seek any ancillary remedies available under applicable law, including levy of attachment and garnishment.
 - (iii) To enforce Debtor's rights against Account Debtors and Obligor and to instruct such Persons to pay all amounts owing by them directly to Secured Party.
 - (iv) To take possession of any of the Collateral if not already in its possession without demand and without legal process, and Debtor grants to Secured Party the right, for this purpose, to enter into or on any premises where any of the Collateral may be located and, upon Secured Party's demand, Debtor will assemble and make the Collateral available to Secured Party as it directs.
 - (v) With or without taking possession, to sell, lease or otherwise dispose of the Collateral at public or private sale in accordance with the UCC.
- (c) *Power of Attorney.* Debtor irrevocably and unconditionally appoints Secured Party as the attorney-in-fact of Debtor, with full power of substitution and revocation, to take, at the sole option of Secured Party, in the name and on behalf of Debtor or otherwise, upon or after the occurrence of any Event of Default, each action relating to any of the Collateral that Debtor could take. The power of attorney given pursuant to the preceding sentence is coupled with an interest in favor of Secured Party and, if Debtor is an individual, will not be terminated or otherwise affected by the death, disability or incompetence of Debtor.

8. **Foreclosure Procedures.**

- (a) *No Waiver.* No delay or omission by Secured Party to exercise any right or remedy accruing upon any Event of Default will: (i) impair any right or remedy, (ii) waive or operate as an acquiescence to the Event of Default or any other

default, or (iii) affect any subsequent Event of Default or other default of the same or of a different nature.

- (b) *Condition of Collateral.* Secured Party has no obligation to clean-up or otherwise prepare the Collateral for sale, lease or other disposition.
- (c) *No Obligation to Pursue Others.* Secured Party has no obligation to attempt to satisfy the Obligations by collecting them from any other Person liable for them and Secured Party may release, modify or waive any of the Collateral or any collateral provided by any Third Party to secure any of the Obligations, all without affecting Secured Party's rights against Debtor. Debtor waives any right it may have to require Secured Party to pursue any Third Party for any of the Obligations.
- (d) *Compliance With Laws.* Secured Party may comply with any requirements under applicable law in connection with any disposition of the Collateral. Secured Party's compliance with one permitted method of disposition over another permitted method under applicable law will not be considered to adversely affect the commercial reasonableness of any disposition of the Collateral.
- (e) *Warranties.* Secured Party may sell, lease or otherwise dispose of the Collateral without giving any warranties as to the Collateral. Secured Party may specifically disclaim any warranties of title or the like. This procedure will not be considered to adversely affect the commercial reasonableness of any sale, lease or other disposition of the Collateral.
- (f) *Sales on Credit.* If Secured Party sells any of the Collateral upon credit, Debtor will be credited (to the extent entitled) only with payments actually made by the purchaser, received by Secured Party and applied to the indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, Secured Party may resell the Collateral.
- (g) *Purchases by Secured Party.* In the event Secured Party purchases any of the Collateral being sold, Secured Party may pay for the Collateral by crediting all or any portion of the Obligations.
- (h) *No Marshalling.* Secured Party has no obligation to marshal any assets in favor of Debtor or against or in payment of (i) the Obligations or any portion thereof or (ii) any other obligations owed to Secured Party by any other Person.

9. **Certain Consents And Waivers.**

- (a) *Consents.* Except to the extent expressly provided in this Agreement, this Agreement will not be modified or terminated, no obligation of Debtor under this Agreement and no right or remedy of Secured Party under this Agreement will be impaired or otherwise adversely affected, and no such right or remedy will be waived, by any act, omission or other thing. Debtor consents, without any notice, to each act, omission and other thing that would or might, but for such consent, modify or terminate this Agreement, impair or otherwise adversely affect any such obligation, right or remedy or operate as a waiver of any such right or remedy. Without limiting the generality of the preceding two sentences, this Agreement will not be modified or terminated by, no such obligation, right or remedy will be impaired or otherwise adversely affected by, no such right or remedy will be waived by, and such consent will apply to (i) any direct or indirect extension, renewal, refinancing or other modification or replacement of, or any assignment or other transfer, compromise, cancellation, discharge, invalidity, impairment, unenforceability or change in any term or condition of, defense with respect to or grant of any participation in, any of the Obligations or any other obligation of Debtor or any Third Party or other Person, (ii) any taking, increase or decrease in value, impairment or release of, collection or sale, lease or other disposition of or other realization upon or failure or delaying to call for, take any property as, hold, preserve, protect, insure or collect, sell, lease or otherwise dispose of or otherwise realize upon any of the Collateral or (iii) any failure or delaying to perfect, keep perfected or maintain the priority of any security interest in any of the Collateral.
- (b) *Waivers.* Debtor waives, without any notice, each act and other thing upon which, but for such waiver, any obligation of Debtor under this Agreement or any right or remedy of Secured Party under this Agreement or arising or accruing as a result of this Agreement would or might be conditioned. Without limiting the generality of the preceding sentence, no such obligation, right or remedy will be conditioned upon, and such waiver will apply to (i) the acceptance of this Agreement by Secured Party, (ii) any demand upon or presentment or protest to Debtor or any Third Party or other Person or (iii) any exercise of any right or remedy of Secured Party or any other Person relating to any of the Obligations or any of the Collateral or against Debtor or any Third Party or other Person.

10. **General.**

- (a) *Cumulative Effect.* All rights and remedies of Secured Party under this Agreement are cumulative and no such right or remedy is exclusive of any other such right or remedy. This Agreement does not modify or terminate any other

agreement, instrument or other document binding upon Debtor or any Third Party or other Person in favor of Secured Party.

- (b) *Liability.* If more than one Person executes this Agreement, (i) each of them will be jointly and severally liable pursuant to this Agreement and (ii) this Agreement will be construed, interpreted and enforced, whether in any action or other legal proceeding or otherwise, as to each of them as though each of them had executed and delivered to Secured Party a separate agreement identical to this Agreement.
- (c) *Notices.* All notices, consents, approvals, statements, authorizations, documents, or other communications (collectively “notices”) required or permitted to be given hereunder shall be in writing, and shall be delivered personally, by facsimile telephone transmission, by prepaid nationally recognized overnight courier, by email, or by registered mail, postage prepaid, to the parties at their respective addresses set forth below:

To the Secured Party: 105 North 4th Street, Suite 208
Coeur d’Alene, ID 83814
Telephone: (208) 765-3326
Facsimile: (208) 667-7694
Email: lee.strait@pitapitusa.com,
brenda.zosel@pitapitusa.com

With a Copy to: George J. Eydt
Hodgson Russ LLP
150 King St. West
P.O. Box 30, Suite 2309
Toronto, Ontario M5H 1J9 Canada
Telephone: (416) 595-2671
Facsimile: (416) 595-5021
Email: geydt@hodgsonruss.com

To Debtor: PREMISES
Telephone: TO BE DETERMINED
Facsimile: TO BE DETERMINED
Email:

Or at any such other address or addresses as may be given by any of them to the other in writing from time to time. Such notices, if mailed, shall be deemed to have been given on the fifth business day following such mailing, or, if delivered by facsimile telephone transmission or email on a business day prior to

5:00 p.m. recipient's local time, shall be deemed to have been given on the day delivered, or, if delivered after that time or on a day other than a business day, shall be deemed to have been given on the next business day, or, if delivered by courier, will be deemed to have been given on the day delivered, if delivered personally, shall be deemed to have been given on the day delivered, if a business day, or if not a business day, on the next business day following the day delivered; provided that if such notice shall have been mailed and if regular mail service shall be interrupted by strike or other irregularity before the deemed receipt of such Notice, as aforesaid, then such Notice shall not be effective unless delivered.

If there are multiple Debtors, service on one Debtor shall constitute valid notice to all. If the Debtor is no longer occupying the Premises, the Secured Party may send notice to the last known address of the Debtor or any of its owners.

- (d) *No Assignments by Debtor.* Secured Party does not consent to any assignment by Debtor of, and Debtor will not assign, any of Debtor's rights, interests or obligations under this Agreement.
- (e) *Secured Party Assignments.* Secured Party may assign any of its rights, interests and obligations under this Agreement. If an assignment is made, Debtor will render performance under this Agreement to the assignee. Debtor waives and will not assert against any assignee any claim, defense or setoff that Debtor could assert against Secured Party except defenses that cannot be waived.
- (f) *Severability.* If any provision of this Agreement is found to be void, invalid or unenforceable by a court of competent jurisdiction, that finding will only affect the provisions found to be void, invalid or unenforceable and will not affect the remaining provisions of this Agreement.
- (g) *Binding Effect.* This Agreement binds Debtor, all other Persons who or that become bound as a debtor hereto and the legal representatives, successors and assigns of Debtor and all other such Persons and inures to the benefit of and is enforceable by Secured Party and the legal representatives, successors and assigns of Secured Party.
- (h) *Headings.* Section headings used in this Agreement are for convenience only. They are not a part of this Agreement and will not be used in construing it.
- (i) *Governing Law.* This Agreement is governed by and will be construed, interpreted and enforced in accordance with the laws of the State of Idaho, without regard to principles of conflicts of laws, except to the extent that the

UCC provides for the application of the law of the Debtor State or the Chief Executive Office State or any other jurisdiction.

- (j) Rules of Construction.
 - (i) No reference to “Proceeds” in this Agreement authorizes any sale, transfer or other disposition of the Collateral by Debtor.
 - (ii) “Includes” and “including” are not limiting.
 - (iii) “Or” is not exclusive.
 - (iv) “All” includes “any” and “any” includes “all”.
 - (v) Any gender includes any other gender, as the context may require.
 - (vi) The terms “hereof”, “herein”, “hereunder” and similar terms refer to this Agreement and not to any particular provision of it.
- (k) Integration and Modifications.
 - (i) This Agreement is the entire agreement of Debtor and Secured Party concerning its subject matter.
 - (ii) Any modification to this Agreement must be made in writing and signed by Debtor and Secured Party.
- (l) *Termination.* This Agreement will remain in full force and effect until and will terminate only upon (i) the final and indefeasible payment and performance in full of the Obligations and (ii) there no longer being in force or effect any loan, sublease, franchise or other agreement, any promissory note or other instrument or any credit commitment or other financial accommodation under which any of the Obligations have arisen or may arise.
- (m) *Further Assurances.* Debtor agrees to execute any further documents, and to take any further actions, reasonably requested by Secured Party to evidence, perfect or protect the security interest granted herein or to effectuate the rights granted to Secured Party herein.
- (n) **CONSENT TO JURISDICTION. DEBTOR CONSENTS IN EACH ACTION OR OTHER LEGAL PROCEEDING COMMENCED BY SECURED PARTY ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE OBLIGATIONS TO THE NONEXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED IN THE STATE OF IDAHO; WAIVES PERSONAL SERVICE OF**

PROCESS; AND AGREES THAT SERVICE OF PROCESS MAY BE EFFECTED BY SECURED PARTY BY REGISTERED MAIL TO DEBTOR AT THE ADDRESS SET FORTH AT THE BEGINNING OF THIS AGREEMENT (OR SUCH OTHER ADDRESS AS TO WHICH DEBTOR HAS GIVEN SECURED PARTY NOTICE IN ACCORDANCE WITH SECTION 10(C) HEREOF) OR IN ANY MANNER ALLOWED BY THE STATE OF IDAHO OR THE FEDERAL LAWS OF THE UNITED STATES. DEBTOR WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUCH ACTION OR OTHER LEGAL PROCEEDING.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK

- (o) **WAIVER OF TRIAL BY JURY.** DEBTOR WAIVES EACH RIGHT DEBTOR MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY ACTION OR OTHER LEGAL PROCEEDING, WHETHER BASED ON ANY CONTRACT OR NEGLIGENCE, INTENTIONAL OR OTHER TORT OR OTHERWISE, ARISING OUT OF OR OTHERWISE RELATING TO THIS AGREEMENT, ANY OF THE OBLIGATIONS OR ANY OF THE COLLATERAL.

Debtor: _____

By: _____
Authorized Signatory

Name: _____

Title: _____

Secured Party: PITA PIT INC.

By: _____
Authorized Signatory

Name: D. COREY BOWMAN

Title: President

SCHEDULE

1. Debtor's Chief Executive Office.

2. Debtor's State of Organization and Organizational Identification Number.

_____ (State)

_____ (Organizational ID#) or None

3. Type of Legal Entity.

- Corporation Limited Partnership
- General Partnership Other as indicated_____
- Limited Liability Company

4. Locations During Last 5 Years of Collateral Consisting of Goods, including Inventory, Equipment and Fixtures. (attach separate sheet for additional locations)

<u>Address</u>	<u>Type of Location (Check One Box)</u>	<u>Name and Address of Landlord, Bailee or Warehouseman*</u>	<u>Name and Address of Record Owner of Real Estate if different than Landlord*</u>
1.	<input type="checkbox"/> Debtor owned <input type="checkbox"/> Leased <input type="checkbox"/> Bailee or Warehouse <input type="checkbox"/> Prior, no longer used		

*information not necessary for locations designated as Prior, no longer used

5. Description of Chattel Paper, Instruments, Investment Property, Deposit Accounts, Letter-of-Credit Rights, Commercial Tort Claims and Supporting Obligations included in the Collateral.

6. Description of General Intangibles included in the Collateral consisting of patents, trademarks or copyrights.

7. Permitted Liens.

(a) Any purchase money security interest hereafter granted by Debtor in property acquired by Debtor to secure:

- (i) payment of not more than 75% of the purchase price of the property; or
- (ii) repayment of funding giving to Debtor by any Person and applied by Debtor to enable Debtor to acquire the property, provided that the funding does not exceed 75% of the purchase price of the property;

and any replacement, extension or renewal thereof is the amount secured thereby (including interest) at the time of such replacement, extension or renewal is not increased and the property subject to thereto remains the same property.

(b) No other "Permitted Liens" unless described here.

8. Additional Covenants.

(a) Without the prior written consent of Secured Party, Debtor will not lend money to, guarantee the debts or obligations of or invest money in any Person, whether on an arm's length basis or otherwise and whether by means of any loan, acquisition of shares, acquisition of debt or otherwise.

(b) Without the prior written consent of Secured Party, Debtor will not permit any direct or indirect change in the ownership interests or voting control of Debtor.

SCHEDULE G

SMALL BUSINESS ADMINISTRATION

FRANCHISE AGREEMENT ADMENTMENT

THIS FRANCHISE AGREEMENT AMENDMENT (“Amendment”) is made this ____ day of _____, 20__, by and between PITA PIT INC. (“Franchisor”), **FRANCHISE OPERATING COMPANY** (“Franchisee”), and **GUARANTOR** and **GUARANTOR** (“Guarantor”)

WHEREAS, the Franchisor, Franchisee, and Guarantor are parties to a Franchise Agreement dated **FA Execution Date** relating to the Premises municipally known as Address, City, State; **WHEREAS**, Franchisee has obtained funding from a lender (“Loan”), through the assistance of the United States Small Business Administration (“SBA”);

WHEREAS, as a condition of the Franchisee’s eligibility to receive the SBA assisted Loan, the SBA requires the execution of this Amendment;

NOW THEREFORE for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties have agreed to amend the Franchise Agreement, and the same is hereby amended effective **FA Execution Date**, as follows:

1. The parties affirm that the foregoing recitals are accurate and they are incorporated herein.
2. Section 15(3) (Sale, Assignment, Transfer) of the Franchise Agreement shall be amended as follows. Subsections 15(3)(a) and 15(3)(b), shall remain unmodified and in full force and effect.

Right of First Refusal

- (3) Without in any way derogating from the right of the Franchisor to reject a proposed transfer pursuant to subsection 15(1) above, if at any time or times during the term of this Agreement, including any renewal thereof, the Franchisee obtains a bona fide offer (the “Offer”) to acquire the whole ~~or any part~~ of his interest in the Franchised Business, which the Franchisee wishes to accept, the Franchisee shall promptly give written notice thereof to the Franchisor together with a true copy of the Offer. Upon receipt of such notice and Offer, the Franchisor, or its designated affiliate, shall have the option of purchasing the

property forming the subject matter thereof upon the same terms and conditions as those set out in the Offer except that:

3. Section 19 (Security to the Pita Pit) of the Franchise Agreement shall be amended as follows:

To secure the payment and performance of any and all obligations from time to time owing by the Franchisee to the Franchisor, including payment of any amount owing by the Franchisee to the Franchisor in respect of Products from time to time purchased by the Franchisee, the Franchisee hereby grants the Franchisor a security interest in the inventory, equipment, leasehold improvements and other assets of the Franchised Business. The Franchisee also covenants and agrees to execute from time to time, on request by the Franchisor, a security agreement, substantially in the form attached hereto as Schedule I. Failure to provide such a security agreement within ten (10) days following the receipt by the Franchisee of a written request therefore shall be deemed to be a material default under this Agreement. **Notwithstanding, the lender providing the SBA assisted Loan is entitled to file a lien on the Franchisee's business assets, as set forth in the lender's original Loan authorization documents, in order to secure the Loan, and the Franchisor agrees to subordinate to the same.**

4. Subject to the foregoing, all terms and conditions of the Franchise Agreement shall remain in full force and unmodified.

5. This Amendment shall automatically terminate and be of no further force or effect upon the earlier of (i) Termination of the Franchise Agreement, (ii) the Loan is repaid, or (iii) the SBA no longer has an interest in the Loan.

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement on the day and year set forth above.

FRANCHISOR: PITA PIT INC.

By: _____
Jack T. Riggs, M.D., CEO

FRANCHISEE: _____

By: _____
It's Authorized Representative

EXHIBIT D

STATE AMENDMENTS TO THE FRANCHISE AGREEMENT

See attached.

**AMENDMENT TO
FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT ZONE
AGREEMENT FOR PITA PIT INC.
FOR THE STATE OF CALIFORNIA**

The Franchise Agreement between _____ (“Franchisee” or “You”) and **Pita Pit Inc.** dated _____, 20__ and, if applicable, the Multi-Unit Development Zone Agreement between You and **Pita Pit Inc.** dated _____, 20__ (the Franchise Agreement and, if applicable, the Multi-Unit Development Zone Agreement, being hereinafter collectively referred to as the “Agreement”) may, to the extent required by applicable and enforceable state law, be superseded as follows (the “Amendment”):

CALIFORNIA LAW MODIFICATIONS

1. The California Department of Corporations requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. BUS. & PROF. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq (collectively the “Acts”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:
 - a. If 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.).
 - b. If the Franchisee is required in the Agreement to execute a release of claims, such release shall exclude claims arising under the Acts (such as those contained in Sections 4(2)(g), 6(4) and 15(2)(c) of the Franchise Agreement).
 - c. If the Agreement requires payment of liquidated damages that is inconsistent with California Civil Code Section 1671, the liquidated damage clause may be unenforceable.
 - d. If the Agreement contains a covenant not to compete which extend beyond the expiration or termination of the Agreement, the covenant may be unenforceable under California law.
 - e. The Agreement requires binding arbitration. The arbitration will occur in Coeur d’Alene, Idaho with each party bearing its own costs and the costs of arbitration and administration being apportioned by the arbitrator. 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 the Agreement restricting venue to a forum outside the State of California.
 - f. If the Agreement requires that it be governed by a state's law, other than the State of California, such requirement may be unenforceable.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the California law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. This Amendment supersedes any inconsistent provision in the Agreement, but only to the extent necessary to make the Agreement consistent with the then valid requirements of an applicable and enforceable state law and only for so long as such state law remains in effect.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Amendment and that it has had the opportunity to obtain the advice of counsel. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20__.

PITA PIT INC.

FRANCHISEE

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

**AMENDMENT TO
FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT ZONE
AGREEMENT FOR PITA PIT INC.
FOR THE STATE OF ILLINOIS**

The Pita Pit Franchise Agreement between _____ (“Franchisee” or “You”) and Pita Pit Inc. dated _____, 20__ and, if applicable, the Multi-Unit Development Zone Agreement between You and **Pita Pit Inc.** dated _____, 20__ (the Franchise Agreement and, if applicable, the Multi-Unit Development Zone Agreement, being hereinafter collectively referred to as the “Agreement”) may, to the extent required by applicable and enforceable state law, be superseded as follows (the “Amendment”):

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General’s Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, Ill. Rev. Stat. ch. 815 para. 705/1 - 705/44 (1994) (the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:
 - a. Paragraphs 705/19 and 705/20 of the Act provide rights to You concerning non-renewal and termination of this Agreement. If this Agreement contains a provision that is inconsistent with these paragraphs of the Act, the Act will control.
 - b. Any release of claims or acknowledgements of fact contained in the Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act shall be void and are hereby deleted with respect to claims under the Act (such as those in Sections 4(2)(g), 6(4) and 15(2)(c) of the Franchise Agreement).
 - c. If this Agreement requires litigation to be conducted in a forum other than the State of Illinois, the requirement is void with respect to claims under the Act.
 - d. If this 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 Illinois law, Illinois law will control, without regard to conflicts of law.
 - e. Paragraph 705/5(2) of the Act requires that we provide you a copy of our disclosure document at least 14 days prior to your signing any binding franchise agreement or other agreement or paying any consideration. If this agreement contains a provisions that is inconsistent with this Paragraph of the Act, the Act will control.
 - f. Nothing in this Agreement waives any rights the franchisee may have under Section 41 of the Act or other Illinois laws.

**AMENDMENT
STATE OF ILLINOIS**

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, applicable to the provision, are met independent of this Amendment. This Amendment shall have no force of effect if such jurisdictional requirements are not met.

3. This Amendment supersedes any inconsistent provision in the Agreement, but only to the extent necessary to make the Agreement consistent with the then valid requirements of an applicable and enforceable state law and only for so long as such state law remains in effect.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Amendment and that it has had the opportunity to obtain the advice of counsel. The parties have duly executed and delivered this the Agreement on _____, 20__.

PITA PIT INC.

By: _____
Name: _____
Title: _____

FRANCHISEE

By: _____
Name: _____
Title: _____

**AMENDMENT TO
FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT ZONE
AGREEMENT FOR PITA PIT INC.
FOR THE STATE OF INDIANA**

The Pita Pit Franchise Agreement between _____ (“Franchisee” or “You”) and Pita Pit Inc. dated _____, 20__ and, if applicable, the Multi-Unit Development Zone Agreement between You and **Pita Pit Inc.** dated _____, 20__ (the Franchise Agreement and, if applicable, the Multi-Unit Development Zone Agreement, being hereinafter collectively referred to as the “Agreement”) may, to the extent required by applicable and enforceable state law, be superseded as follows (the “Amendment”):

INDIANA LAW MODIFICATIONS

1. The Indiana Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with Indiana law, including the Indiana Franchises Act, Ind. Code Ann. " 1 - 51 (1994) and the Indiana Deceptive Franchise Practices Act, Inc. Code Ann. ' 23-2-2.7 (1985) (individually the “Act” and collectively the “Acts”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:
 - a. The Indiana Deceptive Franchise Practices Act provides rights to You concerning non-renewal and termination of this Agreement. To the extent the Agreement contains a provision that is inconsistent with the Act, the Act will control.
 - b. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Acts, or a rule or order under the Acts, such release shall exclude claims arising under the Acts, and such acknowledgments shall be void with respect to claims under the Acts.
 - c. If the Agreement contains covenants not to compete upon expiration or termination of the Agreement that are inconsistent with the Indiana Deceptive Franchise Practices Act, the requirements of the Act will control.
 - d. The Indiana Deceptive Franchises Practices Act provides that substantial modification of the Agreement by Pita Pit Inc. requires written consent of the Franchisee. If the Agreement contains provisions that are inconsistent with this requirement, the Act will control.
 - f. If the Agreement requires litigation to be conducted in a forum other than the State of Indiana, the requirement may be unenforceable as a limitation on litigation under the Indiana Deceptive Franchise Practices Act ' 23-2-2.7(10).
 - g. If the Agreement requires that it be governed by a state's law, other than the State of Indiana, to the extent that such law conflicts with the Acts, the Acts will control.

**AMENDMENT
STATE OF INDIANA**

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Acts, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. This Amendment supersedes any inconsistent provision in the Agreement, but only to the extent necessary to make the Agreement consistent with the then valid requirements of an applicable and enforceable state law and only for so long as such state law remains in effect.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Amendment and that it has had the opportunity to obtain the advice of counsel. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20__.

PITA PIT INC.

By: _____
Name: _____
Title: _____

FRANCHISEE

By: _____
Name: _____
Title: _____

**AMENDMENT TO
FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT ZONE
AGREEMENT FOR PITA PIT INC.
FOR THE STATE OF MARYLAND**

The Pita Pit Franchise Agreement between _____ (“Franchisee” or “You”) and Pita Pit Inc. dated _____, 20__ and, if applicable, the Multi-Unit Development Zone Agreement between You and **Pita Pit Inc.** dated _____, 20__ (the Franchise Agreement and, if applicable, the Multi-Unit Development Zone Agreement, being hereinafter collectively referred to as the “Agreement”) are amended as follows (the “Amendment”):

MARYLAND LAW MODIFICATIONS

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, MD. BUS. REG. CODE ANN. §14-201 et seq. (2010 Repl. Vol. and Supp. 2011) and the rules and regulations promulgated thereunder (the “Act”). To the extent that the Agreement contains provisions that are inconsistent with Maryland law, including the Act, such provisions are hereby amended by the following:

- a. Each provision in the Agreement requiring you to execute a release of claims as a condition of renewal, sale, assignment, transfer or upon termination and each release that you may be required to sign as a condition to entering into a Franchise Agreement for an additional Restaurant at a reduced Continuing Fee percentage that would negate or remove from judicial review any statement, misrepresentation or action that violates the Act will exclude claims arising under the Act.
- b. No representation or acknowledgement in the Agreement will act as a release, estoppel or waiver of any liability incurred under the Act.
- c. Any limitation of claims provisions in the Agreement will not act to reduce the 3 year statute of limitations afforded a franchisee for bringing a claim under the Act. Claims under the Act must be brought within 3 years after the grant of the franchise to the Franchisee.
- d. If the Agreement requires litigation to be conducted in a forum other than the State of Maryland, the requirement will not be interpreted to limit any rights Franchisee may have under the Act to bring suit in the State of Maryland.

2. The Maryland Securities Division requires that your payment of all franchise fees and deposits be deferred until we have met all of our material pre-opening obligations to you. The provisions in Section 3(1) of the Franchise Agreement and Section 5.1 of the Multi-Unit Development Zone Agreement that provide for payment of the Initial Franchisee Fee by you and the payment of the Development Fees by you before we have met all of our material pre-opening obligations to you, are hereby amended to state that the payment is deferred until you open the Restaurant or first Restaurant for Zone Franchisees. Upon meeting all of our pre-opening obligations to you, all deferred payments will become immediately due and payable by you.

**AMENDMENT
STATE OF MARYLAND**

3. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Amendment and that it has had the opportunity to obtain the advice of counsel. The parties as evidence of their intent, to be legally bound by this Amendment have duly executed and delivered this Amendment on _____, 20__.

PITA PIT INC.

FRANCHISEE

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

**AMENDMENT TO
FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT ZONE
AGREEMENT FOR PITA PIT INC.
FOR THE STATE OF MINNESOTA**

The Pita Pit Franchise Agreement between _____ (“Franchisee” or “You”) and Pita Pit Inc. (“Pita Pit”) dated _____, 20__ and, if applicable, the Multi-Unit Development Zone Agreement between You and **Pita Pit Inc.** dated _____, 20__ (the Franchise Agreement and, if applicable, the Multi-Unit Development Zone Agreement, being hereinafter collectively referred to as the “Agreement”) may, to the extent required by applicable and enforceable state law, be superseded as follows (the “Amendment”):

MINNESOTA LAW MODIFICATIONS

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Miss. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the “Act”). To the extent that the Agreement and disclosure document contains provisions that are inconsistent with the following, such provisions are hereby amended:

- (a) The Minnesota Department of Commerce requires that Pita Pit indemnify Minnesota licensees against liability to third parties resulting from claims by third parties that the Franchisee’s use of the Marks infringes trademark rights of the third party. Under Section 11(4) of the Agreement, Pita Pit does indemnify against the consequences of Franchisee’s use of the Marks but only to a maximum amount equal to the initial franchise fee paid by Franchisee. If this indemnification provision is inconsistent with Minnesota Department of Commerce requirements, it shall be superseded by these requirements and shall have no force or effect.
- (b) The Act, Sec. 80C.14, Subd. 4. requires, except in certain specified cases, that a franchisee be given written notice of a franchisor’s intention not to renew 180 days prior to expiration of the franchise and that the franchisee be given sufficient opportunity to operate the franchise in order to enable the franchisee the opportunity to recover the fair market value of the franchise as a going concern. If the Agreement contains a provision that is consistent with the Act, the provisions of the Agreement shall be superseded by the Act’s requirements and shall have no force or effect.
- (c) The Act, Sec. 80C.14, Subd. 3. requires, except in certain specified cases that a franchisee be given 90 days notice of termination (with 60 days to cure). If the Agreement contains a provision that is inconsistent with the Act, the provisions of the Agreement shall be superseded by the Act’s requirements and shall have no force or effect.
- (d) If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, such release

**AMENDMENT
STATE OF MINNESOTA**

shall exclude claims arising under the Act, and such acknowledgments shall be void with respect to claims under the Act.

- (e) If the Agreement requires it be governed by a state's law, other than the State of Minnesota or provides for arbitration or mediation, these provisions shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.
- (f) The Act, Sec. 80C17, Subd.5., states that no civil action may be commenced for violation of the Act more than 3 years after the cause of action accrues. Section 21(26)(f) of the Agreement also contains certain time limits on commencing actions under the Agreement. To the extent that these limitations are inconsistent with those under the Act, these provisions of the Agreement are superseded by the Act's requirements and shall have no force or effect.

2. Each provision of this Agreement shall be effective only to the extent that the jurisdictional requirements of the Minnesota law, applicable to the provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. This Amendment supersedes any inconsistent provision in the Agreement, but only to the extent necessary to make the Agreement consistent with the then valid requirements of an applicable and enforceable state law and only for so long as such state law remains in effect.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Amendment and that it has had the opportunity to obtain the advice of counsel. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20__.

PITA PIT INC.

FRANCHISEE

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

**AMENDMENT TO
FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT ZONE
AGREEMENT FOR PITA PIT INC.
FOR THE STATE OF NEW YORK**

The Pita Pit Inc. Franchise Agreement between _____ (“Franchisee” or “You”) and Pita Pit Inc. dated _____, 20__ and, if applicable, the Multi-Unit Development Zone Agreement between You and **Pita Pit Inc.** dated _____, 20__ (the Franchise Agreement and, if applicable, the Multi-Unit Development Zone Agreement, being hereinafter collectively referred to as the “Agreement”) may, to the extent required by applicable and enforceable state law, be superseded as follows (the “Amendment”):

NEW YORK LAW MODIFICATIONS

1. The New York Department of Law required that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989) (the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act or any regulation, rule or order under the Act, such release shall exclude claims arising under the Act or any regulation, rule or order under the Act, and such acknowledgement shall be void. It is the intent of this provision that the non-waiver provisions of Sections 687.4 and 687.5 of the Act be satisfied.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act. With respect to each such provision, are met independent of this Agreement. This Agreement shall have no force or effect if such jurisdictional requirements are not met.

3. This Amendment supersedes any inconsistent provision in the Agreement, but only to the extent necessary to make the Agreement consistent with the then valid requirements of an applicable and enforceable state law and only for so long as such state law remains in effect.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Amendment and that it has had the opportunity to obtain the advice of counsel. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20__.

PITA PIT INC.

By: _____
Name: _____
Title: _____

FRANCHISEE

By: _____
Name: _____
Title: _____

**AMENDMENT
STATE OF NEW YORK**

**AMENDMENT TO
FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT ZONE
AGREEMENT FOR PITA PIT INC.
FOR THE STATE OF NORTH DAKOTA**

The Pita Pit Franchise Agreement between _____ (“Franchisee” or “You”) and Pita Pit Inc. dated _____, 20__ and, if applicable, the Multi-Unit Development Zone Agreement between You and **Pita Pit Inc.** dated _____, 20__ (the Franchise Agreement and, if applicable, the Multi-Unit Development Zone Agreement, being hereinafter collectively referred to as the “Agreement”) may, to the extent required by applicable and enforceable state law, be superseded as follows (the “Amendment”):

NORTH DAKOTA LAW MODIFICATIONS

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51 19, Sections 51 19 01 through 51 19 17 (1993) (the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Covenants not to compete during the terms of and upon termination or expiration of the Agreement are enforceable only under certain conditions according to North Dakota law, if the Agreement contains a covenant not to compete which is inconsistent with North Dakota law, the covenant may be unenforceable.
- b. If the Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the Act. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or if the parties cannot agree on a location, the location will be determined by the arbitrator.
- c. If the Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under the Act.
- d. If the Agreement requires payment of liquidated damages or a termination penalty, the requirement may be unenforceable under the Act.
- e. If the Agreement requires that it be governed by a state’s law, other than the State of North Dakota, North Dakota law will control.
- f. If the Agreement requires the Franchisee to waive the Franchisee’s right to a jury trial, the requirement may be unenforceable under North Dakota law.
- g. If the Agreement requires the Franchisee to waive the Franchisee’s right to make a claim for exemplary or punitive damages, the requirement may be unenforceable under North Dakota law.

**AMENDMENT
STATE OF NORTH DAKOTA**

- h. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Act, and such acknowledgments shall be void with respect to claims under the Act.
- i. If the Agreement requires the Franchisee to consent to a limitation of claims that is shorter than the statute of limitations under North Dakota law, the statute of limitations under North Dakota law applies.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of North Dakota law, including the Act, applicable to the provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. This Amendment supersedes any inconsistent provision in the Agreement, but only to the extent necessary to make the Agreement consistent with the then valid requirements of an applicable and enforceable state law and only for so long as such state law remains in effect.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Amendment and that it has had the opportunity to obtain the advice of counsel. The parties have duly executed and delivered this the Agreement on _____, 20__.

PITA PIT INC.

FRANCHISEE

By: _____
 Name: _____
 Title: _____

By: _____
 Name: _____
 Title: _____

**AMENDMENT TO
FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT ZONE
AGREEMENT FOR PITA PIT INC.
FOR THE STATE OF RHODE ISLAND**

The Pita Pit Franchise Agreement between _____ (“Franchisee” or “You”) and Pita Pit Inc. dated _____, 20__ and, if applicable, the Multi-Unit Development Zone Agreement between You and **Pita Pit Inc.** dated _____, 20__ (the Franchise Agreement and, if applicable, the Multi-Unit Development Zone Agreement, being hereinafter collectively referred to as the “Agreement”) may, to the extent required by applicable and enforceable state law, be superseded as follows (the “Amendment”):

RHODE ISLAND LAW MODIFICATIONS

1. The Rhode Island Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R.I. Gen. Law. ch. 395 Sec. 19-28.1-1 - 19-28.1-34 (the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. If this Agreement requires litigation to be conducted in a forum other than the State of Rhode Island, the requirement may be void under the Act.
- b. If the Agreement requires that it be governed by a state's law, other than the State of Rhode Island, to the extent that such law conflicts with the Act it may be void under the Act.
- c. If the Franchisee is required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Act, and such acknowledgments shall be void with respect to claims under the Act.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. This Amendment supersedes any inconsistent provision in the Agreement, but only to the extent necessary to make the Agreement consistent with the then valid requirements of an applicable and enforceable state law and only for so long as such state law remains in effect.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Amendment and that it has had the opportunity to obtain the advice of counsel. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20__.

PITA PIT INC.

By: _____

Name: _____

Title: _____

FRANCHISEE

By: _____

Name: _____

Title: _____

**AMENDMENT TO
FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT ZONE
AGREEMENT FOR PITA PIT INC.
FOR THE STATE OF WASHINGTON**

The Pita Pit Franchise Agreement between _____ (“Franchisee” or “You”) and Pita Pit Inc. (“Pita Pit”) dated _____, 20__ and, if applicable, the Multi-Unit Development Zone Agreement between You and **Pita Pit Inc.** dated _____, 20__ (the Franchise Agreement and, if applicable, the Multi-Unit Development Zone Agreement, being hereinafter collectively referred to as the “Agreement”) may, to the extent required by applicable and enforceable state law, be superseded as follows (the “Amendment”):

WASHINGTON LAW MODIFICATIONS

1. The Director of the Washington Department of Financial Institutions requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment protection Act, WA Rev. Code §§19.100.010 to 19.100.940 (1991) (the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. The Act provides rights to You concerning non-renewal and termination of the Agreement. If the Agreement contains a provision that is inconsistent with the Act, the Act will control.
- b. If the Franchisee is required in the Agreement to execute a release of claims, such release shall exclude claims arising under the Act; except when the release is executed under a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. If there are provisions in the Agreement that unreasonably restrict or limit the statute of limitations period for claims brought under the Act, or other rights or remedies under the Act, those provisions may be unenforceable.
- c. If the Agreement requires litigation, arbitration, or mediation to be conducted in a forum other than the State of Washington, the requirement may be unenforceable under Washington law. Arbitration involving a franchise purchased in the State of Washington, must either be held in the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.
- d. If the Agreement requires that it be governed by a state’s law, other than the State of Washington, and there is a conflict between the law and the Act, the Act will control.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Washington law, applicable to the provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

**AMENDMENT
STATE OF WASHINGTON**

3. This Amendment supersedes any inconsistent provision in the Agreement, but only to the extent necessary to make the Agreement consistent with the then valid requirements of an applicable and enforceable state law and only for so long as such state law remains in effect.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Amendment and that it has had the opportunity to obtain the advice of counsel. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20__.

PITA PIT INC.

FRANCHISEE

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

**AMENDMENT TO
FRANCHISE AGREEMENT AND MULTI-UNIT DEVELOPMENT ZONE
AGREEMENT FOR PITA PIT INC.
FOR THE STATE OF WISCONSIN**

The Pita Pit Inc. Franchise Agreement between _____ (“Franchisee” or “You”) and Pita Pit Inc. dated _____, 20__ and, if applicable, the Multi-Unit Development Zone Agreement between You and **Pita Pit Inc.** dated _____, 20__ (the Franchise Agreement and, if applicable, the Multi-Unit Development Zone Agreement, being hereinafter collectively referred to as the “Agreement”) may, to the extent required by applicable and enforceable state law, be superseded as follows (the “Amendment”):

WISCONSIN LAW MODIFICATIONS

1. The Securities Commissioner of the State of Wisconsin requires that certain provisions contained in franchise documents be amended to be consistent with Wisconsin Fair Dealership Law, Wisconsin Statutes, Chapter 135 (the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- (a) The Act, among other things, grants You the right, in most circumstances, to 90 days’ prior written notice of non renewal and 60 days within which to remedy any claimed deficiencies. If the Agreement contains a provision that is inconsistent with the Act, the provisions of the Agreement shall be superseded by the Act’s requirements and shall have no force or effect.
- (b) If the Agreement requires that it be governed by a state’s law, other than the State of Wisconsin, to the extent that any provisions of the Agreement conflicts with the Act such provision shall be superseded by the Act’s requirements.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, applicable to the provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. This Amendment supersedes any inconsistent provision in the Agreement, but only to the extent necessary to make the Agreement consistent with the then valid requirements of an applicable and enforceable state law and only for so long as such state law remains in effect.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Amendment and that it has had the opportunity to obtain the advice of counsel. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20__.

**AMENDMENT
STATE OF WISCONSIN**

PITA PIT INC.

By: _____

Name: _____

Title: _____

FRANCHISEE

By: _____

Name: _____

Title: _____

EXHIBIT E

MULTI-UNIT DEVELOPMENT ZONE PROGRAM ADDENDUM TO DISCLOSURE DOCUMENT

This addendum amends the Pita Pit Inc. disclosure document to add the following information regarding the Multi-Unit Development Zone Program.

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

In order to be considered for our Multi-Unit Zone Development Program you must demonstrate to our satisfaction that you possess the necessary experience, skills, qualifications, and economic resources to successfully develop, operate, and maintain all Restaurants within the Development Zone (as defined in the next paragraph). You must also go through our application process and submit a detailed business plan fully outlining your expansion plans under our Multi-Unit Zone Development Program. We may approve or deny all such applications as we see fit in our sole discretion.

Under the Multi-Unit Zone Development Program, we assign a geographic area (the "Development Zone") within which you must develop and operate a specified minimum number of Restaurants within a specified period of time (the "Minimum Development Obligation"). The Minimum Development Obligation will consist of no less than three (3) Restaurants, but no more than seven (7) Restaurants. We may allow for a Minimum Development Obligation larger than seven (7) Restaurants under certain unusual circumstances, as determined by us in our sole discretion. The Development Zone may be part of a city or county, or some other defined area. If you participate in this program, you will execute a Multi-Unit Zone Development Agreement (the "Development Agreement") in the form attached as Exhibit "F" which will describe your Development Zone and Minimum Development Obligation. For each Restaurant you open under the Development Agreement, promptly after our approval of the Restaurant site, you will execute a separate Franchise Agreement in the form in use by us at that time, but with the special terms set out in your Development Agreement. We do not have to approve the Restaurant site or enter into a Franchise Agreement with you, if you are not in compliance with all of the terms of this Agreement, if you or your affiliates are not in compliance with all franchise and other agreements with us or our affiliates, or if the Restaurants opened under this Agreement are not being maintained and operated at acceptable standards as determined by us, from time to time, including any periodic franchise evaluation performance criteria.

You must acknowledge and agree that you or your Affiliate will enter each Franchise Agreement executed under the Development Agreement, and that if an Affiliate enters such a Franchise Agreement, the Affiliate must be comprised of at least 50% of the same ownership as you and must agree to be bound by the terms and conditions of this Development Agreement. You must also acknowledge and agree that before entering a Franchise Agreement under this Development Agreement, we will have the absolute right to reasonably screen and approve any proposed individual owners not previously approved by us to enter this Development Agreement. In the event such a proposed individual owner is not approved by us, that individual

will not be permitted to have any ownership interest in the Franchisee for such Franchise Agreement.

If you are permitted to open more than the total number of Restaurants required to be opened under your Minimum Development Obligation, each additional Restaurant will be subject to our then current terms for single unit new franchisees and not the special terms set out in your Development Agreement, unless we agree to different terms with you at that time.

ITEM 5
INITIAL FEES

Upon execution of your Development Agreement, the Development Fee you must pay will be determined based upon the number of Restaurants to be opened and operated under the Minimum Development Obligation. The Development Fee will be determined as follows:

Minimum Development Obligation	Cost Basis per Restaurant	Development Fee
3 Restaurants	\$18,000 per Restaurant	\$54,000
4 Restaurants	\$16,000 per Restaurant	\$64,000
5 Restaurants	\$14,000 per Restaurant	\$70,000
6 Restaurants	\$13,000 per Restaurant	\$78,000
7 Restaurants	\$12,000 per Restaurant	\$84,000

The Development Fee is not refundable under any circumstances, but you will not be obligated to pay an initial franchise fee for each Restaurant opened under the Minimum Development Obligation. We require you to pay us the Development Fee to compensate us for not being able to sell franchises in the Development Zone during the term of the Development Agreement. If you are permitted to open more than the required number of Restaurants under your Minimum Development Obligation, the initial franchise fee, unless otherwise agreed upon in writing, will be the then current initial franchise fee for single unit new franchisees.

Because of the special terms you receive under the Development Agreement, the Franchise Agreements entered pursuant to the Minimum Development Obligation will not be eligible for any other special incentives which are currently offered by us, such as the Vet Fran discount, a reduced or rebated Initial Franchise Fee, or any other special incentives offered by the Franchisor in this disclosure document or future disclosure documents.

Prior to signing your Development Agreement, you must pay us the full amount of the Development Fee as a deposit (the "Deposit"). Upon receipt of the Deposit, we will enter into a Deposit Agreement with you. The Deposit Agreement is Exhibit G-1A to this disclosure document.

If we do not approve you as a Zone Franchisee or if you notify us in writing that you withdraw your request to enter into a Development Agreement, the Deposit will be refunded less a fee equal to 15% of the Development Fee. This is for reviewing and processing your request. If our expenses exceeds that amount, we may also deduct those additional expenses from the Deposit.

MULTI-UNIT DEVELOPMENT ZONE PROGRAM ADDENDUM

Our expenses may include those reasonably incurred by us, for meeting with you, for a review of your prospective market and potential sites, for plans and specifications, document preparation, for reviewing a lease, and, if applicable, for negotiating a lease, including reasonable legal fees and expenses related to travel, meals, lodging and demographic and search profiles. The Deposit is not refundable under any other circumstances.

If we approve you as a Zone Franchisee and a Development Agreement and all other relevant documents are signed by you and us, the entire Deposit will be applied as payment towards the Development Fee.

The Development Fee is fully earned by us at the time we execute the Development Agreement.

ITEM 6
OTHER FEES

Type Of Fee	Amount	Due Date	Remarks
TRANSFER FEE	\$25,000 plus PPI's costs	On application for transfer	See Note 1
INDEMNIFICATION	All liability, damages and costs, including lawyer's fees, incurred by reason of third party claims or a breach of the Development Agreement. All lawyer's fees if you breach the Development Agreement	When incurred by PPI or other indemnified party	See Note 2 and Subsections 11.2 and 11.8 and (4) of the Development Agreement
RENEWAL FEE (for each Franchise Agreement)	\$25,000	On renewal of each Franchise Agreement	See Note 3
TAXES ON FEES	Varies by State	Payable when fee is due	See Note 4
LATE PAYMENTS	Interest at 5% above highest domestic prime rate	If you fail to pay us any amounts	See Note 5

CONTINUING FEE	<p>For a Minimum Development Obligation of 3 Restaurants, the Continuing Fee for each Restaurant is 5% of Gross</p> <p style="text-align: center;">or</p> <p>For a Minimum Development Obligation of between 4 and 6 Restaurants, the Continuing Fee for each Restaurant is 4.5% of Net Sales</p> <p style="text-align: center;">or</p> <p>For a Minimum Development Obligation of 7 or more Restaurants, the Continuing Fee for each Restaurant is 4% of Net Sales</p>	5th of each month	See Note 6
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PLEASE NOTE THAT THE TABLE ABOVE AND THE FOLLOWING NOTES PROVIDE A GENERAL SUMMARY ONLY. YOU CAN ONLY OBTAIN A FULL UNDERSTANDING OF OUR MULTI-UNIT DEVELOPMENT ZONE PROGRAM AND THE COSTS INVOLVED BY READING ALL FRANCHISE DOCUMENTATION COMPLETELY, AND OBTAINING INDEPENDENT LEGAL, ACCOUNTING, AND BUSINESS ADVICE IN RELATION TO YOUR PROPOSED INVESTMENT. ALSO, CERTAIN STATE OR FEDERAL LEGISLATION MAY AFFECT THE RESPECTIVE RIGHTS AND LIABILITIES UNDER THE VARIOUS AGREEMENTS TO WHICH YOU AND WE ARE BOTH PARTY.

Except as noted above or below, all fees are uniformly imposed and collected by and are payable to us and all fees are nonrefundable.

Note 1 - Transfer Fee

The Transfer Fee is refundable if we reject the transfer of your Development Zone rights, except we may deduct all fees and expenses incurred by us to review and assess the proposed transfer. We may waive the collection of the Transfer Fee, or reduce the amount to be collected, in certain circumstances.

Note 2 - Indemnification

You must reimburse us, if we or any other indemnified party are held liable for claims arising from the operation of the Restaurants. You must also pay our legal fees if you breach the Development Agreement.

Note 3 - Renewal Fee

This fee is paid to us upon renewal of each Franchise Agreement for an additional term of either ten years or until the expiry of the lease or sublease of the premises. This is the amount of the

renewal fee provided you are the franchisee. If you have assigned the Franchise Agreement, the renewal fee may be higher. You have no right to renew the Development Agreement.

Note 4 - Taxes on Fees

You must pay any sales tax, use tax, gross receipts tax, or any other tax on your fee payments. Taxes may be payable to your country, state, county or town. If we are required to collect any taxes on your fee payments, you will pay them to us and we will forward payment to the appropriate taxing authority.

Note 5 - Late Payments

Interest begins from the date of the underpayment. We may charge interest at an annual rate equal to 5% above the highest domestic prime rate published in The Wall Street Journal, adjusted daily, but not greater than the maximum rate allowed by law in the state where the Restaurant is located. We may waive collection of late payment charges in certain circumstances.

Note 6 – Continuing Fee

The Continuing Fee for the entire Initial Term will be a percentage of Net Sales as set forth in the Item 6 chart. Failing to meet the Minimum Development Obligation of your Development Agreement will result in the Continuing Fee for all Franchise Agreements for all Restaurants opened under your Development Agreement reverting to the higher of (i) a default rate of 5% of Net Sales, or (ii) our then current Continuing Fee, as determined by us in our sole discretion. Net Sales is defined as follows: the entire amount of the actual sales price of all sales of Products, (as defined hereinafter) including delivery fees, and all other receipts or receivables whatsoever from any and all business conducted upon or originating from the Premises, including Internet or telephone order sales, whether such sales or other receipts be by check, for cash, credit, charge accounts, barter or otherwise and whether such sales be made by means of mechanical or other vending devices in the Premises. There shall be no deductions allowed for uncollected or uncollectible credit accounts and no allowances shall be made for bad debts. Net Sales shall include the amount of all sales assumed to have been lost by the interruption of business at the Premises, to be determined on the basis upon which proceeds of any business interruption insurance are paid or are payable to the Franchisee or other occupiers of the Premises. Each charge or sale upon installment or credit shall be treated as a sale for the full price in the week during which the charge or sale is made, irrespective of the time when the Franchisee receives payment (whether full or partial). Net Sales does not include (i) the amount of any tax imposed by any federal, state, municipal or other governmental authority directly on sales and collected from customers if such tax is added to or included in the selling price and actually paid by the Franchisee to such governmental authority, (ii) the amount of the refund or credit given in respect of any products returned or exchanged by a customer for which a refund of the whole or a part of the purchase price is made or for which a credit is given, provided that the selling price was included in Net Sales, and (iii) the amount of any credit granted by the Franchisor to the Franchisee under any coupon redemption or similar promotion program. The percentage based Continuing Fee is due and payable to us on the 5th day of the month following the opening of the Restaurant. For example, if the Restaurant opens on the 15th of April, your first Continuing Fee payment is due on May 5th.

The Continuing Fee during the Renewal Term will be the Continuing Fee for the final year of the Initial Term of the then current form of Franchise Agreement for single unit new franchisees. It may continue as a percentage based Continuing Fee for the Renewal Term or it may change to a flat monthly continuing fee for the Renewal Term.

To facilitate payment of the Continuing Fee, you will allow us to make monthly ACH withdrawals or you will set up a direct deposit system, at our option.

You will be required to install an Electronic Point of Sale System (See Item 11). This system will allow us to collect a wide variety of data about your Restaurant.

We may negotiate a lower Continuing Fee with institutional franchisees. We may defer collection of the Continuing Fee for franchisees who need assistance, provided they meet our criteria for deferral.

If any federal, state, or local law prohibits us from retaining any rebate (See Item 11), regardless of whether or not you receive the rebate, we may increase your Continuing Fee by up to 1.5%. This increase will be effective on the first date that we are no longer able to retain the rebate.

Franchise Agreements containing the special terms set out in the Development Agreement, may be transferred and the transferee will receive the right to continue with the special terms for the balance of the Initial Term of the Franchise Agreement except that the Continuing Fee will automatically revert to the higher of (i) a default rate of 5% of Net Sales, or (ii) the Franchisor's then current Continuing Fee, as determined by the Franchisor in its sole discretion, for the remainder of the Initial Term; provided that, we in our sole discretion determine that the franchise was not purchased with an intent to flip it. If we determine that there was an intent to flip, we may deny the transfer. We may facilitate the transfer of existing Franchise Agreements with a flat monthly Continuing Fee to existing franchisees who have convincingly demonstrated an ability to successfully operate a Pita Pit franchise. Such franchisees will receive a copy of our Flat Monthly Continuing Fee Addendum and Flat Monthly Fee Amendment to Franchise Agreement as part of the disclosure document they receive.

If the Zone Franchisee is permitted to open additional Restaurants during the Term within the Development Zone, exceeding the total number of Restaurants required to be opened under the terms of this Agreement, the monthly Continuing Fee for each such location, unless otherwise agreed upon in writing, shall be the monthly Continuing Fee then being charged by us for franchises for single unit new franchisees.

ITEM 7
ESTIMATED INITIAL INVESTMENT

Your Estimated Initial Investment

As described in Item 5, upon execution of the Deposit Agreement or Development Agreement, whichever occurs first, you must pay us a Development Fee based upon the number of Restaurants to be opened and operated under the Minimum Development Obligation. The Development Fee will be determined as follows:

Minimum Development Obligation	Cost Basis per Restaurant	Development Fee
3 Restaurants	\$18,000 per Restaurant	\$54,000
4 Restaurants	\$16,000 per Restaurant	\$64,000
5 Restaurants	\$14,000 per Restaurant	\$70,000
6 Restaurants	\$13,000 per Restaurant	\$78,000
7 Restaurants	\$12,000 per Restaurant	\$84,000

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Sections in Development Agreement	Disclosure Document Items
a. Site selection and acquisition/lease	Article V	Item 11
b. Fees	Article V and Section 6.3	Item 5
c. Territorial development and sales quotas	Article II	Item 12
d. Indemnification	Section 11.2	Item 6
e. Transfer	Article VII	Item 17
f. Renewal	Section 4.2	Item 17
g. Post-termination obligations	Article VIII	Item 17
h. Dispute resolution	Article XI	Item 17

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

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

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If you have executed a Development Agreement, upon our approval of a site, we will give you a copy of our then-current disclosure document, if required by applicable law, together with 2 execution copies of our then current Franchise Agreement for the site. (Exhibit F, Section 6.1). You may open a Restaurant under a Development Agreement only by signing a Franchise Agreement for that Restaurant. Typically, you will sign a Franchise Agreement for the first Restaurant at the same time you sign the Development Agreement. We estimate that the length of time between signing each Franchise Agreement and the opening of the Restaurant will be approximately 60 to 120 days.

ITEM 12 **TERRITORY**

Under the Development Agreement, you are granted the right to develop and operate Restaurants solely in the Development Zone which will be specified in the Development Agreement. During the term of the Development Agreement, we may not own, operate, franchise or license any other PITA PIT Restaurant in the Development Zone, except at Institutions. Until the termination or expiration of the Development Agreement, you retain your right of exclusivity as long as you comply with your Minimum Development Obligation, other obligations under the Development Agreement and Franchise Agreements. If you fail to meet any of your obligations under the Development Agreement, including the Minimum Development Obligation, or breach any Franchise Agreement executed by you under the Development Agreement, we may terminate your right to develop, open and operate new Restaurants in the Development Zone. After the termination or expiration of your Development Agreement, we may own, operate, franchise or license others to operate additional Restaurants anywhere, without restriction, including in your Development Zone (excluding any protected territory under any Franchise Agreement which remains in effect, subject to our rights at Institutions).

We may acquire and continue to operate competing Restaurant systems, including within your Development Zone. We may be acquired by a competing Restaurant system and it may continue to operate in competition with you, including within your Development Zone. We may sell clothing and other merchandise bearing our trademarks to retail locations within your Development Zone. We may also distribute competitive products and services, including those bearing the PITA PIT mark, through grocery and specialty retail stores inside your Development Zone.

After you execute a Franchise Agreement and enter a lease, approved by us, for each Restaurant required to be opened under your Minimum Development Obligation, we will specify your protected territory as set out in the Franchise Agreement. It may be a ½ mile radius from the center of the Restaurant, but may vary depending on population density or market considerations, as determined by us in our sole discretion.

There is no exclusivity concerning the delivery of food and beverage products within the Development Zone. There may be other corporate or franchisee owned restaurants located just

MULTI-UNIT DEVELOPMENT ZONE PROGRAM ADDENDUM

outside the Development Zone which are closer to customers within the Development Zone than your Restaurants and they have no geographic restrictions on delivery.

ITEM 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE
RESTAURANT

We expect you to operate each Restaurant required to be opened by you under the Minimum Development Obligations. You may not execute any Franchise Agreement, or construct or equip any Restaurant, with a view to transfer or assign such Franchise Agreement or Restaurant. We may deny a request for transfer or assignment of any Franchise Agreement or Restaurant, if we reasonably believes that you executed the Franchise Agreement, or constructed or equipped the Restaurant, with a view to transfer or assignment.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists important provisions of the Development Agreement. You should read these provisions in the Development Agreement attached to this disclosure document as Exhibit “F.”

Provision	Section in Development Agreement	Summary
a. Length of the franchise term	Section 4.1	Term will depend on the number of Restaurants to be developed.
b. Renewal or extension of the term	Sections 4.2	You have no right to renew the Development Agreement.
c. Requirements for you to renew or extend	None	“Renew” means to renew the rights granted to you under the Development Agreement.
d. Termination by you	None	
e. Termination by PPI without cause	None	
f. Termination by PPI with cause	Sections 9.1	We may terminate the Development Agreement, upon a material breach under the Development Agreement or any other agreement you have entered with us or our affiliates, including any Franchise Agreement.
g. “Cause” defined - curable defaults	None	
h. “Cause” defined - non-curable defaults	Sections 9.1	We may terminate the Development Agreement, if you attempt any unauthorized sale, transfer or encumbrance of your rights or obligations under the Development Agreement, if you fail to meet the Minimum Development Obligations, if any of the Restaurants you open under the Development Agreement fail to meet our quality and operational standards, if you breach the confidentiality and non-compete provisions of the Development Agreement, or otherwise imitate the System, if we discover a misrepresentation by you, if you become insolvent or bankrupt, if a receiver is appointed, if there is a judgment against you in excess of \$10,000, if there is an attachment or execution against your assets, if you repeatedly breach any provision of the Development Agreement, if you are convicted of a felony or any other crime involving moral turpitude, if you fail to timely pay taxes, upon any other material breach under the Development Agreement, or upon material breach of any other agreement you have entered with us or our affiliates, including any Franchise Agreement.
i. Your obligations on termination/ nonrenewal	Sections 6.3 and 9.2	You may not develop any additional Restaurants. See also “r” below. If you fail to timely open all Restaurants required under the Development Agreement, the Continuing Fee for each restaurant opened under the Development

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		Agreement, will revert to a default rate of 5%.
j. Assignment of contract by PPI	Section 7.1	No restriction on our right to assign.
k. "Transfer" by you - defined	Section 7.3	Includes transfer of the Development Agreement or change in ownership of the entity that owns it.
l. PPI's approval of transfer by you	Section 7.3	Transfers require our prior written consent, which may be granted or withheld in our discretion.
m. Conditions for PPI's approval of transfer	Section 7.3	The Development Agreement is not assignable, except with our consent not to be unreasonably withheld. We may impose the following conditions to transfer: (i) the transferee must demonstrate the necessary skills qualifications and economic resources, (ii) assumption of all rights and obligations under the Development Agreement and each Franchise Agreement entered under it, (iii) assignee's satisfactory completion of training, (iv) you are in compliance with all obligations under the Development Agreement, every Franchise Agreement and any other agreement with us or our affiliates, (v) that assignee is then a franchisee under the PITA PIT SYSTEM and is not in default, and (vi) payment of a \$25,000 transfer fee and our costs of dealing with the transfer.
n. PPI's right of first refusal to acquire your business	Section 7.3	We can match any offer for your business.
o. PPI's option to purchase your business	None	
p. Your death or disability	Section 7.3	Upon your death or disability, we will not exercise our right of first refusal and will not unreasonably withhold our consent to a transfer to your spouse, heirs or other relatives provided the conditions in Section 7.3 are met.
q. Non-competition covenants during the term of the franchise	Section 8.2	No involvement in any quick service restaurant that features the sale of pita sandwiches or other food products featured by the PITA PIT restaurants.
r. Non-competition covenants after the franchise terminates or expires	Section 8.3	No involvement in any quick service restaurant that features the sale of pita sandwiches or other food products featured by the PITA PIT Restaurants for 2 years in the Development Zone or within 5 miles of the Development Zone or within 5 miles of any existing the PITA PIT restaurant, without our prior written consent.
s. Modification of the agreement	Sections 8.4 and 11.7	We may unilaterally reduce the scope of Sections 8.1 and 8.2. Any other change requires mutual written consent.
t. Integration/merger clause	Section 11.5	All agreements between the parties relating to the subject matter of the Development Agreement are in the Development Agreement and its exhibits. Any representations or promises outside the disclosure document and the Development Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 11.20	Except for certain claims, all disputes must be arbitrated in Coeur d'Alene, Idaho.
v. Choice of forum	Section 11.20	Except for certain claims, all disputes must be

MULTI-UNIT DEVELOPMENT ZONE PROGRAM ADDENDUM

		arbitrated in Coeur d'Alene, Idaho.
w. Choice of law	Section 11.14	Idaho law applies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

As of December 31, 2014, there were 24 Development Agreements. These agreements pertain to certain regions in the states of Alabama, Alaska, Arizona, Connecticut, Florida, Idaho, Iowa, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Nebraska, New York, Ohio, South Carolina, South Dakota, Tennessee, Texas, Virginia Washington, and Wisconsin. We anticipate that we will enter into 5 Development Agreements in 2015. We account for Restaurants that are opened and that we anticipate will be opened under Development Agreements in the Tables set forth in Item 20 of our regular disclosure document. Attached to this addendum as Exhibit A is a list of our multi-unit development zone franchisees as of December 31, 2014. We did not terminate any multi-unit development zone franchisee's Development Agreement in 2012. In 2013, we terminated two multi-unit development zone franchisee's Development Agreements and in 2014 we terminated one multi-unit development zone franchisee's Development Agreement. Exhibit A attached to this Addendum also lists the name, city, state and telephone number of every franchisee who has had their Development Agreement terminated, cancelled, not renewed, transferred or who otherwise voluntarily or involuntarily ceased to do business under the Development Zone Agreement during the fiscal year 2014 or who has not communicated with the franchisor within 10 weeks of the issuance date of this disclosure document.

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

ITEM 22
CONTRACTS

Attached as Exhibit F is a copy of our current form of Development Agreement. Attached as Exhibit G-1A is a copy of our current Deposit Agreement for the Development Agreement.

EXHIBIT A

ZONE FRANCHISEES AS OF DECEMBER 31, 2014

State	Address	Zip	Phone	Owner/Operator	Operating Name
AK	4207 Cope Street, Apt A, Anchorage	99503	907.575.4386	William St. Pierre Sr. and William St. Pierre Jr.	Les Deux Saints, LLC
AL	405 Firestone Drive E., Mobile	36609	504.701.2589	Carlos Serrano and Matthew LeMond	Pita City, LLC
AZ	2851 S Avenue B, Ste 201, Yuma	85364	928.246.3392	Todd Runyan and Blanca Runyan	Yuma Pita, LLC
AZ	969 W. Holstein Trail, Sun Tan Valley	85143	480.695.8626	Andrew Dean Archer, Janet Noreen Archer	RP Gleeson LLC
FL	221 McKenzie Avenue, Panama City	32401	407.516.8889	Eric Woliver	Eric Woliver Restaurants, LLC
FL	2600 E Gonzalez St, Pensacola	32503	850.324.1954	Scott Jeffrey Bell, Jr.	J. Bell Enterprises, LLC
FL	7967 Esta Lane, Orlando	32827	321.262.3167	Kristopher Rymer and Nadezda Rymer	Sarko Restaurant Group, Inc.
IA	4706 Chadwick Rd, #10, Cedar Falls	50613	319.404.1308	Michael A. Rink, Tony Rink and Sue Rink	Rinknation, Inc.
ID	11620 W. Giants Drive, Boise	83709	208.724.1517	Nick Epler	NCE, LLC
KY	112 Spruce Lane, Louisville	40207	502.894.8109	Ajit Nair, Sundeep Dronawat, Timothy Allen, Rashed Quddus	Thankyoucomeagain, Inc.
LA/MS	5800 Magazine Street, New Orleans	70115	504.470.9973	Jack-Julian Brighenti	Pita Way, Inc.

State	Address	Zip	Phone	Owner/Operator	Operating Name
MD	1 Raydan Way, North East	21901	910.987.5442	James L. Seward, James A. Seward	JS Pita, LLC
MO	1318 E. Battlefield, Springfield	65804	417.693.7549	Penny Inlow, David Inlow	DP Ventures Inc.
MS	91 Lakeview Drive, Clinton	39056	601.927.7145	Maulik Patel, Rakesh Patel, Jayesh Patel, Raj Patel, Jayaanti Patel	J & R Creative Foods LLC
NE	25817 169 th Street, Spirit Lake, IA	51360	712.898.9053	Matthew Mayer, Angela Mayer, John Sells, Timothy Aberson, Michelle Aberson & Chris Pohl	Grapes, LLC
NY/CT	5 Renaissance Squire, #15A, White Plains, NY	10601	914.765.8706	Matthew J. Stockel, Irwin H. Stockel	Stiggs Holding, LLC
OH	1279 East Dublin-Granville Road, Columbus	43229	614.448.1083	Chinedum Ndukwe	Kingsley Entertainment, LLC
SC	1251 Via Ponticello, Apt 2, Florence	29501	843.496.7954	Ramprasad Venkannagari, Ripa Venkannagari	Shriya LLC
SD	3381 Saratoga Court, Mason City, IA	50401	641.583.1004	Michael Edward, Jeralyn Gail Huisman, Timothy T. Aberson, Michelle R. Aberson, Darryl T. Cruse and Annette R. Cruse	Jabez, Inc.
TN	3621 W. End Ave, Nashville	37205	615.347.5809	Jeff Lynch and Jack Haynes	H & L Food Concepts, LLC
TX	2521 Natchez Tree, Denton	76210	940-484-7482	Turaj Raietparvar	TR'S Market, Inc.
VA	1032 1 st Street S #5, Jacksonville Beach	32250	757.348.2871	Samuel Crown & Alan Crown	CIH Food Service LLC
WA	16401 NE 36 th St., Vancouver	98682	360-892-7482	Dennis & Laura Sallee	D&L Pitas, Inc.
WI	149 Mainsail Drive, Grayslake, IL	60030	847.507.8748	Andrew C. Culp	Panther Pita, Inc.

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Zone Franchisees who had an outlet terminated, cancelled, not renewed, transferred or who otherwise Voluntarily or Involuntarily ceased to do business under the Multi-Unit Development Zone Agreement for 2014 or who have not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document:

Location	Name	Contact	Reason
FL	Robert C. Farenham, Kimberly L. Marcil	954.609.9068	Voluntarily Terminated

EXHIBIT F

PITA PIT INC.

MULTI-UNIT DEVELOPMENT ZONE AGREEMENT

THIS MULTI-UNIT DEVELOPMENT ZONE AGREEMENT (the “Agreement”), effective _____, 201__ (the “Effective Date”), is among PITA PIT INC., a Delaware corporation (“Company”) and _____, a _____ (“Zone Franchisee”) and _____, an individual residing in the City of _____ (“Guarantor”).

BACKGROUND:

A. Company is the owner and operator of certain proprietary and other property rights and interests in and to the “PITA PIT®” name and such other trademarks, trade names, service marks, logotypes, insignias, trade dress and designs used in connection with, and has developed a unique marketing plan and system (the “Pita Pit System”) for, the development, opening and operation of distinctive retail outlets specializing in the sale of pita sandwiches and such other menu items as Company may authorize from time to time (the Company’s business of franchising restaurants under the PITA PIT SYSTEM™, being the “Franchising Business”).

B. Company desires to expand and develop the Franchising Business, and seeks sophisticated and efficient multi-unit franchisees which will develop numerous restaurants for the Franchising Business within designated geographic zones.

C. Zone Franchisee desires to build and operate multiple PITA PIT restaurants (PITA PIT restaurants to be built and operated by Zone Franchisee being individually, a “Restaurant” and collectively, the “Restaurants”), and Company desires to grant to Zone Franchisee the right to build and operate the Restaurants in accordance with the terms and upon the conditions contained in this Agreement.

AGREEMENT:

The parties, intending to be legally bound, agree as follows:

ARTICLE I

GRANT OF SPECIAL RIGHTS FRANCHISE

1.1 Grant of Rights at Locations

Company grants to Zone Franchisee, and Zone Franchisee accepts, the right, during the term of this Agreement, to develop the Restaurants within the area described in Exhibit “A” (the “Development Zone”), upon the terms and subject to the conditions of this Agreement.

1.2 Zone Perimeter

Zone Franchisee will not develop any Restaurant within the Development Zone that encroaches upon the exclusive territory of any PITA PIT restaurant located within or immediately outside the Development Zone.

ARTICLE II

ZONE FRANCHISEE'S DEVELOPMENT OBLIGATION

2.1 Minimum Development Obligation

Zone Franchisee will construct, equip, open and thereafter continue to operate within the Development Zone the cumulative number of Restaurants set forth in Exhibit "B" within each of the time periods (the "Development Periods") specified in Exhibit "B" (the "Minimum Development Obligation").

2.2 Force Majeure

Should Zone Franchisee be unable to meet the Minimum Development Obligation solely as the result of Force Majeure, including, but not limited to strikes, material shortages, fires, floods, earthquakes, and other acts of God, or by force of law (including, but not limited to any legal disability of Company to deliver a Disclosure Document (as defined in Section 12.2) pursuant to Section 6.1), which result in the inability of Zone Franchisee to construct or operate the Restaurant(s) within the Development Zone, and which Zone Franchisee could not by the exercise of due diligence have avoided, the Development Periods will be extended by the amount of time during which such Force Majeure exists.

2.3 Additional Franchises

The Franchisor is under no obligation to grant the Zone Franchisee the right to construct, equip, open and operate more Restaurants in the Development Zone than required under the Minimum Development Obligation.

ARTICLE III

DEVELOPMENT ZONE RIGHTS

3.1 Exclusivity

During the Term, Company will not operate or grant a franchise to any other person to operate a PITA PIT restaurant within the Development Zone, except as specifically provided under this Agreement or under the Franchise Agreements.

3.2 Rights Maintained by the Company

Company may, directly or indirectly:

MULTI-UNIT DEVELOPMENT ZONE AGREEMENT

(a) operate, or grant franchises to operate, PITA PIT restaurants on any terms and conditions Company deems appropriate, at any locations other than within the Development Zone, except that the Company will not operate or grant a franchise to any other person to operate a PITA PIT restaurant where the exclusive territory of such restaurant comes within one-half mile of the Development Zone, unless expressly authorized in writing by the Zone Franchisee;

(b) operate, or grant franchises to operate, PITA PIT restaurants on any terms and conditions Company deems appropriate, at Institutions within the Development Zone;

(c) sell clothing and other merchandise bearing its trademarks to retail locations within the Development Zone;

(d) provide, or grant others the right to provide, products and services that are the same as, similar to, or competitive with, those provided at the Restaurants, whether identified by the **PITA PIT** mark or not, through grocery and specialty retail stores outside or within the Development Zone;

(e) acquire the assets or ownership interests of one or more businesses providing products and services similar to or competitive with those provided by the Franchising Business or the Restaurants, and operating or franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including within the Development Zone); and

(f) be acquired (regardless of the form of transaction) by a business providing products and services similar to or competitive with those provided by the Franchising Business, or the Restaurants, even if such business operates, franchises and/or licenses competitive businesses within the Development Zone.

3.3 “Institution” Defined

“Institution” means any facility where the owner or operator wants designated food services for those people who reside, work, attend and/or visit at the facility, including, without limitation, shopping centers, office complexes, universities, colleges, hospitals and other health care facilities, airports, military installations, sports complexes and venues (such as ski lodges and/or villages, etc.), museums, factories and corporate campuses and includes any land or building that is owned or leased by the owner or operator.

3.4 Delivery Overlap

This Agreement does not grant Zone Franchisee any exclusivity concerning the delivery of food and beverage products within the Development Zone. It is expressly understood by Zone Franchisee that there may be PITA PIT restaurants within or outside of the Development Zone which are closer to specific customers within the Development Zone and that those customers may call such restaurants for deliveries and such restaurants are permitted to deliver.

ARTICLE IV

TERM OF AGREEMENT

4.1 Term

The term of this Agreement (the “Term”) will commence on the Effective Date and, unless sooner terminated under the terms of this Agreement, or extended as provided in Section 2.2, will expire upon the earlier of XX months/years from the Effective Date or the date the last Restaurant required to be opened under the Minimum Development Obligation is opened to the public.

4.2 Renewal

Zone Franchisee will have no right to renew this Agreement.

ARTICLE V

PAYMENTS BY ZONE FRANCHISEE AND COMPANY

5.1 Development Fee

Zone Franchisee will pay to Company in cash, by certified check or by wire transfer of readily available funds concurrent with the execution of this Agreement a development fee based upon the total number of Restaurants to be opened and operated during the Term under the Minimum Development Obligation (the “Development Fee”). The Development Fee is as follows:

Minimum Development Obligation	Development Fee
[Number] Restaurants	\$00,000

5.2 Non-Refundable

The Development Fee will be non-refundable, but Zone Franchisee will not be obligated to pay an initial franchise fee for each Restaurant opened under the Minimum Development Obligation.

ARTICLE VI

EXECUTION OF INDIVIDUAL FRANCHISE AGREEMENTS

6.1 Site Approval, Submission of Disclosure Document, Execution of Franchise Agreement

Zone Franchisee will use its best efforts to work with the Company and a local real estate broker, approved by the Company, to locate a site for construction of a Restaurant and negotiate a lease as provided in the Franchise Agreement. After a site is located, Zone Franchisee will submit to Company such information regarding the proposed site as Company

MULTI-UNIT DEVELOPMENT ZONE AGREEMENT

may require, in the form which Company may from time to time require, together with the terms of any proposed lease relating to such site. Company may seek such additional information as it deems necessary within 30 days of receipt of all written site information customarily required by Company. Company will approve or reject the site in writing within 30 days of Company's receipt of the last requested information. Company will not unreasonably reject a proposed site. Promptly after approval of any site, Company will transmit to Zone Franchisee a Disclosure Document and an execution copy of the then current Franchise Agreement, with the special provisions set forth in Section 6.3 below, pertaining to the approved site. Immediately upon receipt of the Disclosure Document, Zone Franchisee will return to Company a signed copy of the Acknowledgment of Receipt of the Disclosure Document. After the passage of any applicable disclosure period, Zone Franchisee will execute and deliver to Company the Franchise Agreement and any ancillary documents required under the Franchise Agreement, the Disclosure Document or otherwise by Company. Company will, promptly upon receipt of said documents, execute and return to Zone Franchisee one copy of the Franchise Agreement. Zone Franchisee will then procure the site by purchase or lease (subject to the requirements in Section 6(2) of the Franchise Agreement), and return one copy of the executed lease or, if purchased, the deed evidencing Zone Franchisee's right to occupy the approved site. Zone Franchisee will then commence construction and operation of the Restaurant pursuant to the terms of the Franchise Agreement. Notwithstanding the foregoing, if Company is not legally able to deliver a Disclosure Document to Zone Franchisee by reason of any lapse or expiration of its franchise registration, or because Company is in the process of amending any such registration, or for any reason beyond Company's reasonable control, Company may delay approval of the site for Zone Franchisee's proposed Restaurant until such time as Company is legally able to deliver a Disclosure Document.

6.2 Zone Franchisee's Affiliates / Condition Precedent to Company's Obligations

It will be a condition precedent to Company's obligations pursuant to Section 6.1 and the other terms and provisions of this Agreement, that:

Zone Franchisee and Zone Franchisee's Affiliates (i) be in full compliance with all terms and conditions of this Agreement; (ii) be in full compliance with all franchise and other agreements with the Company or its Affiliates; and (iii) that all Restaurants opened by Zone Franchisee, under the Terms of this Agreement, be maintained and operated at acceptable standards as determined by the Company, from time to time, including, but not limited to, any required periodic franchise evaluation performance criteria. "Affiliate" means (i) any person controlling, controlled by or under common control with another person (with such terms having the meanings used in the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder), and with respect to Zone Franchisee also means (ii) any manager, officer or director of Zone Franchisee or any shareholder, member, partner or other equity holder owning 10% or more of Zone Franchisee, and (iii) any corporation, limited liability company, partnership or other entity in which the Zone Franchisee, or any manager, officer or director of Zone Franchisee, or any shareholder, member, or partner owning 10% or more of Zone Franchisee, has a 10% or more ownership interest.

Zone Franchisee acknowledges and agrees that it or an Affiliate will enter each Franchise Agreement executed under this Agreement, and that if an Affiliate enters such a

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Franchise Agreement, the Affiliate must be comprised of at least 50% of the same ownership as Zone Franchisee and must agree to be bound by the terms and conditions of this Agreement. Zone Franchisee also acknowledges and agrees that before entering a Franchise Agreement under this Agreement, the Franchisor has the absolute right to reasonably screen and approve any proposed individual owners not previously approved by the Franchisor to enter this Agreement. In the event such a proposed individual owner is not approved by the Franchisor, that individual will not be permitted to have any ownership interest in the Franchisee for such Franchise Agreement.

6.3 Minimum Development Obligation Franchise Agreements' Monthly Continuing Fee and Other Terms

The Franchise Agreement for each Restaurant opened under the Minimum Development Obligation will be the Company's then current version, but will have a monthly Continuing Fee of _____% of monthly Net Sales, as that term is defined in the Franchise Agreement. If the Minimum Development Obligation is not met within the Development Periods, then each Franchise Agreement for each Restaurant opened under the Minimum Development Obligation will revert to a default Continuing Fee rate of 5% of Net Sales.

The following language will be added to the Franchise Agreement for each Restaurant opened under this Agreement:

Franchisee acknowledges that its affiliate, **[Zone Franchisee Operating Company Name]**, is a party to a Multi Unit Development Zone Agreement ("MUZA"), under which this Agreement has been entered. The MUZA calls for development of **[# of restaurants]** new Pita Pit restaurants. This Agreement represents the **[1st, 5th, etc.]** restaurant under the MUZA. Franchisee acknowledges it has been provided a copy of the MUZA, and that it has reviewed and understands the MUZA. Among other things, Franchisee acknowledges and agrees that in the event **[Zone Franchisee Operating Company Name]** fails to meet its Minimum Development Obligation, as defined and set forth in the MUZA, or if this Agreement is sold, assigned, or transferred, pursuant to Section 15 of this Agreement, the Continuing Fee set forth in Part II of Schedule A herein, will automatically revert to the higher of (i) a default rate of 5% of Net Sales, or (ii) the Franchisor's then current Continuing Fee, as determined by the Franchisor in its sole discretion, for the remainder of the Initial Term.

6.4 Other Special Incentives Excluded

Zone Franchisee acknowledges and agrees that in exchange for the special terms it has received under this Agreement, the Franchise Agreements entered under this Agreement will not be eligible for any other special incentives which are currently offered by the Franchisor, such as the VetFran discount, a reduced or rebated Initial Franchise Fee, or any other special incentives offered by the Franchisor, now or in the future, in its Franchise Disclosure Document.

ARTICLE VII

ASSIGNABILITY AND SUBFRANCHISING

7.1 Assignability by Company

Company may assign this Agreement, or any of its rights and privileges under it without Zone Franchisee's consent; provided that, in respect to any assignment resulting in the subsequent performance by the assignee of the functions of Company, the assignee expressly assumes and agrees to perform such obligations. If the assignee expressly assumes and agrees to perform such obligations, the Company will no longer be liable for such obligations.

7.2 No Subfranchising by Zone Franchisee

Zone Franchisee will not offer, sell, or negotiate the sale of "PITA PIT" franchises to any third party, either in Zone Franchisee's own name or in the name and on behalf of Company, or otherwise subfranchise, share, divide or partition the Development Zone or any rights given to Zone Franchisee under this Agreement, and nothing in this Agreement will be construed as granting Zone Franchisee any right to do so.

7.3 Assignment by Zone Franchisee

(a) This Agreement has been entered into by Company in reliance upon and in consideration of the singular personal skill, qualifications and trust and confidence reposed in Zone Franchisee or, in the case of a corporate, limited liability company, or partnership franchisee, its principal officers, members, managers or partners who will actively and substantially participate in the ownership and operation of the Restaurants. Therefore, neither Zone Franchisee's interest in this Agreement nor any of its rights or privileges may be assigned or transferred, voluntarily or involuntarily, in whole or in part, by operation of law or otherwise, in any manner, without the prior written consent of Company and subject to Company's right of first refusal as provided for in Section 7.4.

(b) Should Company not elect to exercise its right of first refusal, or should its right of first refusal be inapplicable, as provided in this Agreement, Company's consent to such assignment, but not to the partition, sharing or dividing of rights under this Agreement, will not be unreasonably withheld; provided, however, that the Company may impose any reasonable condition(s) to the granting of its consent. Without limiting the generality of the foregoing, the imposition of any or all of the following conditions to its consent to any such assignment will be deemed to be reasonable:

- (i) that the assignee (or the principal officers, shareholders, directors, members, managers or general partners of the assignee in the case of a corporate, limited liability company or partnership assignee) undergo a satisfactory financial and criminal background check and demonstrate that they have the integrity, skills, qualifications and economic resources necessary, all of which shall be in Company's judgment, reasonably exercised, to own and operate the Restaurants contemplated by this

Agreement, and by all other agreements between the Company and such assignee, and all agreements proposed to be assigned to such assignee;

- (ii) that the assignee expressly assumes in writing for the benefit of Company all rights and obligations of Zone Franchisee under this Agreement and all Franchise Agreements executed pursuant to this Agreement;
- (iii) that the assignee will have completed the Company's training program to Company's satisfaction, exercised in good faith;
- (iv) that as of the date of any such assignment, the assignor will have fully complied with all of its obligations to Company or its Affiliates, whether under this Agreement or any other agreement, arrangement or understanding with Company or its Affiliates;
- (v) that assignee, if then a franchisee of Company, is not then in default of any of assignee's obligations to Company or its Affiliates; and
- (vi) that the assignor will pay to Company a transfer fee equal to \$25,000 and all fees and expenses incurred by Company in dealing with the assignment.

(c) If a proposed assignment by Zone Franchisee does not occur for any reason, Zone Franchisee will pay to Company all fees or expenses incurred by Company to review and assess the proposed assignment.

(d) If Zone Franchisee is a corporation, limited liability company or a limited or general partnership, each of the following will be deemed to be an assignment of this Agreement within the meaning of this Section, (i) if Zone Franchisee is a corporation, the death, disability, or legal incapacity of any shareholder owning 20% or more of the capital stock or voting power of Zone Franchisee; (ii) if Zone Franchisee is a limited liability company, general or limited partnership, the withdrawal, death, disability, or legal incapacity of a general partner, or a member or limited partner owning 20% or more of the voting power, property, profits or losses, of the limited liability company or partnership, or the admission of any additional general partner or transfer by any general partner of its interest in the property, management or profits and/or losses of the partnership; (iii) the issuance of any securities by Zone Franchisee which itself or in combination with any other transaction(s) results in the shareholders, members or partners existing as of the Effective Date, as applicable, owning less than 80% of the outstanding shares or voting power of a corporate Franchisee, or of the voting power or interests in the property, profits or losses of a limited liability company or limited partnership; (iv) the transfer of 20% or more in the aggregate of the membership interest, capital stock or voting power of Zone Franchisee, by operation of law or otherwise; and (v) any insolvency, receivership, bankruptcy, merger, stock redemption, consolidation, reorganization or recapitalization involving Zone Franchisee.

(e) Zone Franchisee will not in any event have the right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner

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whatsoever without the express prior written permission of Company, which permission may be withheld for any reason whatsoever in Company's sole subjective judgment.

(f) In the event of death, disability or legal incapacity of a Zone Franchisee, who is an individual rather than business entity, an assignment will be deemed to have occurred.

(g) Upon the occurrence of a death, disability or legal incapacity under Section 7.3(d)(i), (d)(ii) or (f), Company agrees not to exercise its right of first refusal and will not unreasonably withhold its consent to the transfer of all of the interest of such Zone Franchisee or equity owner of Zone Franchisee to Zone Franchisee's or equity owner of Zone Franchisee's spouse, heirs or relatives, by blood or marriage, whether such transfer is made by will or by operation of law, provided, however, that the requirements, prerequisites, and conditions imposed on an assignee under Section 7.3 shall first be met and complied with to the satisfaction of Company. Company's right of first refusal shall apply to any subsequent assignment of transferee, including but not limited to assignment occasioned by death, disability, or legal incapacity of transferee.

7.4 Right of First Refusal

Except as expressly provided in Section 7.3 to the contrary, any assignment of this Agreement, or any interest in this Agreement, will be subject to Company's right of first refusal with respect thereto. Company's said right of first refusal will be exercised in the following manner:

(a) Zone Franchisee will deliver to Company a written notice clearly and unambiguously setting forth all of the terms and conditions of the proposed assignment and all available information concerning the proposed assignee, including but not limited to, information concerning the employment history, financial condition, credit history, skill and qualifications of the proposed assignee and, in the case of a partnership or corporate assignee, of its partners and shareholders as applicable.

(b) Within 30 days after Company's receipt of such notice (or if Company requests additional information, within 30 days after receipt of such additional information), Company may either consent or withhold its consent to such assignment, in accordance with Section 7.3, or, at its option, accept the assignment to itself or to its nominee upon the terms and conditions specified in the notice. Company may substitute an equivalent sum of cash for any consideration other than cash specified in said notice.

(c) If Company elects not to exercise its said right of first refusal and consents to such assignment, Zone Franchisee will, subject to the provisions of Section 7.3, be free to assign this Agreement to such proposed assignee on the terms and conditions specified in said notice. If, however, Company does not elect to exercise its right of first refusal and said terms will be materially changed, or if more than 90 days passes without such assignment occurring, such changed terms or lapse of time will be deemed a new proposal and Company will again have such right of first refusal with respect thereto.

7.5 Transfer of Individual Franchise Agreements

Company expects the Zone Franchisee to operate each Restaurant opened by it in the Development Zone. Zone Franchisee will not execute any Franchise Agreement, or construct or equip any Restaurant with a view to transfer or assign such Franchise Agreement or Restaurant. Company may deny a request for transfer or assignment of any Franchise Agreement or Restaurant, if it reasonably believes that Zone Franchisee executed the Franchise Agreement, or constructed or equipped the Restaurant with a view to transfer or assignment in violation of the provisions of this Section 7.5. As set out in Section 15(2) of the Franchise Agreement, it is a condition precedent to Company's approval of a request for transfer or assignment of any Franchise Agreement or Restaurant that the transferee or assignor will have, at Company's option, entered into Company's then current form of franchise agreement and pay all applicable fees. If the Company approves any assignment or transfer of the Franchise Agreement and corresponding Restaurant by Zone Franchisee, the assignee or transferee will not be eligible to receive, and the Franchise Agreement to be signed will not contain, any of the special terms granted to Zone Franchisee under this Agreement. The assignee or transferee will only receive those terms then granted to single unit new franchisees.

ARTICLE VIII

CONFIDENTIALITY AND NON-COMPETE

8.1 Confidentiality

Zone Franchisee recognizes and acknowledges that Company's trade secrets, confidential and propriety information including but not limited to the terms of this Agreement or information generally considered confidential by Company are valuable, special and unique assets of Company. Zone Franchisee will not, during or after the Term, in whole or in part, directly or indirectly, use, or disclose such secrets or confidential or proprietary information to any person, firm, corporation, association or other entity, for any reason or purpose but for the benefit of Company or as necessary to enable Zone Franchisee to obtain financing pursuant to the rights and obligations contained herein. This provision shall continue in full force and effect in perpetuity.

8.2 In Term Non-Compete

During the term of this Agreement, neither Zone Franchisee, nor any officer, director, shareholder, member, manager or general partner or limited partner of a corporate, limited liability company or partnership franchisee, will either directly or indirectly, own, operate, advise, be employed by, or have any interest in any quick service restaurant that features the sale of pita sandwiches, sandwich wraps or other food products featured by "PITA PIT" restaurants whether within or outside the Development Zone, without Company's prior written consent.

8.3 Post-Term Non-Compete

During a 2 year period after the expiration or termination of this Agreement, for any reason, neither Zone Franchisee, nor any officer, director, shareholder, member, manager or

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general partner or limited partner of a corporate, limited liability company or partnership franchisee, will, either directly or indirectly, own, operate, advise, be employed by, or have any interest in any quick service restaurant that features the sale of pita sandwiches or other food products featured by "PITA PIT" restaurants, within the Development Zone or within 5 miles of the Development Zone, without Company's prior written consent. In applying for such consent, Zone Franchisee will have the burden of establishing that any such activity by it will not involve the use of benefits provided under this Agreement or constitute unfair competition with Company or other franchisees of Company.

8.4 Modification

The parties have attempted in Sections 8.2 and 8.3 above to limit the Zone Franchisee's right to compete only to the extent necessary to protect Company and other franchisees from unfair competition. The parties hereby expressly agree that if the scope or enforceability of Section 8.2 or 8.3 is disputed at any time by Zone Franchisee, a court or arbitrator, as the case may be, may modify either or both of such provisions to the extent that it deems necessary to make such provision(s) enforceable under applicable law. In addition, the Company reserves the right to reduce the scope of either, or both, of said provisions without Zone Franchisee's consent, at any time or times, effective immediately upon notice to Zone Franchisee.

ARTICLE IX

TERMINATION

9.1 Termination Pursuant to a Material Breach

This Agreement may be terminated by Company for cause without notice or opportunity to cure, except for such notice or opportunity to cure as may be required by law, in the event of any material breach by Zone Franchisee of this Agreement. Material breach, as used herein, will specifically include, among other things, the following:

(a) Any attempt by Zone Franchisee to sell, assign, transfer or encumber in whole or in part any or all rights and obligations under this Agreement, in violation of the terms of this Agreement, or without the written consents required, pursuant to this Agreement.

(b) Failure of Zone Franchisee to meet the Minimum Development Obligation within the Development Periods.

(c) If Zone Franchisee or an Affiliate commits an event of termination under a Franchise Agreement with the Company that is not cured within any applicable cure period, whether or not the Franchise Agreement is subsequently terminated by the Company.

(d) Failure of any Restaurant owned by Zone Franchisee which has been opened under this Agreement to meet all quality and operational standards as determined by Company, from time to time, including but not limited to any required periodic franchise evaluation performance standards.

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- (e) If Zone Franchisee or an Affiliate breaches any provision of Article 8 of this Agreement.
- (f) If Zone Franchisee or an Affiliate has any involvement with a restaurant that in any way serves pita sandwiches, or operates like or looks like any PITA PIT restaurant, except pursuant to, and in accordance with, a valid and effective Franchise Agreement with Company.
- (g) If Zone Franchisee uses the PITA PIT SYSTEM or any other names, marks, systems, logos, symbols or rights which are the property of Company, except pursuant to, and in accordance with, a valid and effective Franchise Agreement with Company.
- (h) If Zone Franchisee makes, or has made, any misrepresentations to Company in connection with obtaining this Agreement, any Pita Pit Franchise Agreement or in acquiring, developing or constructing any Restaurant.
- (i) If Zone Franchisee defaults in the performance of any other material obligation under this Agreement.
- (j) If Zone Franchisee or an Affiliate (A) becomes insolvent by reason of, or admits its inability to pay its debts as they mature, (B) is adjudicated a bankrupt, or (C) files or has filed against it a petition in bankruptcy, reorganization or similar proceedings.
- (k) If a receiver, permanent or temporary, of the business, assets or property of Zone Franchisee or an Affiliate, or any part thereof, is appointed by a court of competent jurisdiction.
- (l) If Zone Franchisee or an Affiliate requests the appointment of a receiver or makes a general assignment for the appointment of a receiver or makes a general assignment for the benefit of creditors.
- (m) If a final judgment against the Zone Franchisee or an Affiliate in the amount of \$10,000 or more remains unsatisfied or of record for thirty (30) days or longer.
- (n) If the bank accounts, property or receivables of Zone Franchisee or an Affiliate are attached and such attachment proceedings are not dismissed within a thirty (30) day period.
- (o) If execution is levied against the business or property of Zone Franchisee or an Affiliate which is not discharged within five (5) days.
- (p) If Zone Franchisee repeatedly fails to comply with one or more requirements of this Agreement or any other agreement with Company or an Affiliate, whether or not corrected after notice.
- (q) If Zone Franchisee or an Affiliate is convicted of any felony or any other crime involving moral turpitude.
- (r) If Zone Franchisee or an Affiliate does not pay when due, and in a timely fashion, any tax levied or owing to any taxing authority.

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9.2 Effect of Termination

Upon the expiration or termination of this Agreement, Zone Franchisee will have no further right to construct, equip, own, open or operate additional PITA PIT restaurants which are not, at the time of such expiration or termination, the subject of a then existing Franchise Agreement between Zone Franchisee or Affiliate, and Company which is in full force and effect. In the event this Agreement is terminated prior to its natural expiration or the Minimum Development Obligation is not met, the Continuing Fee for all then existing Franchise Agreements that are subject to this Agreement will revert to a default rate of 5% of Net Sales, and Company may itself construct, equip, open, own or operate, or license others to construct, equip, open, own or operate PITA PIT restaurants within the Development Zone, except as provided in any Franchise Agreement executed pursuant to this Agreement.

ARTICLE X

CORPORATE, LIMITED LIABILITY COMPANY OR PARTNERSHIP FRANCHISEE

10.1 Corporate, Limited Liability Company or Partnership Franchisee

(a) If Zone Franchisee is a corporation, limited liability company or limited partnership, set forth below is the name and address of each shareholder, member or partner in Zone Franchisee:

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST

(b) If Zone Franchisee is a corporation, limited liability company or limited partnership, set forth below is the name and address of each director, manager or general partner, as applicable, of Zone Franchisee:

NAME	ADDRESS

(c) The address where Zone Franchisee's financial Records, and corporate, limited liability company or partnership records, as applicable, are maintained is:

(d) If Zone Franchisee is a corporation, limited liability company or partnership, set forth below are the names, and addresses and titles of Zone Franchisee's principal officers, members, managers or partners who will be devoting their full time to the Franchised Business of Zone Franchisee:

NAME

ADDRESS

(e) If Zone Franchisee is a corporation, limited liability company or partnership, set forth below is the jurisdiction under which it was incorporated or formed, together with the registered agent's name and address:

STATE

REGISTERED AGENT'S NAME AND ADDRESS

(f) Zone Franchisee will notify Company in writing within 10 days of any change in the information set forth in subparagraphs (a) through (e) above.

(g) Zone Franchisee promptly will provide such additional information as Company may from time to time request concerning all persons who may have any direct or indirect financial interest in Zone Franchisee.

(h) If Zone Franchisee is a corporation, limited liability company or partnership, each of the shareholders, members or partners, as applicable, of Zone Franchisee will, by executing this Agreement, fully, unconditionally and irrevocably guarantee the performance by Zone

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Franchisee of all of its obligations hereunder. In addition, Zone Franchisee will upon Company's request cause all of its current and future shareholders, members and partners to execute the Company's standard form of Guarantee, a copy of which is attached as Exhibit "C".

ARTICLE XI

GENERAL CONDITIONS AND PROVISIONS

11.1 Relationship of Zone Franchisee to Company

It is expressly agreed that the parties intend by this Agreement to establish between Company and Zone Franchisee the relationship of franchisor and franchisee. It is further agreed that Zone Franchisee has no authority to create or assume in Company's name or on behalf of Company, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Company for any purpose whatsoever. Neither Company nor Zone Franchisee is the employer, employee, agent, partner or co-venturer of or with the other, each being independent. Zone Franchisee agrees that it will not hold itself out as the agent, employee, partner or co-venturer of Company. All employees hired by or working for Zone Franchisee will be the employees of Zone Franchisee and will not, for any purpose, be deemed employees of Company or subject to Company control. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party to this Agreement of and from any related liability of any nature whatsoever.

11.2 Indemnity by Zone Franchisee

Zone Franchisee hereby agrees to protect, defend and indemnify Company, and all of its past, present and future shareholders, and Affiliates, and each of their officers, directors, employees, attorneys and designees and hold them harmless from and against any and all costs and expenses, including attorneys' fees, accountants and expert witness fees, costs of investigation, travel and living expenses, court costs, losses, liabilities, damages, claims and demands of every kind or nature suffered by them on account of (i) any actual or alleged loss, injury or damage to any person, partnership, limited liability company, corporation, or any other private or public entity or authority or to any property arising out of, or in connection with, Zone Franchisee's or one of its Affiliate's operation of the Restaurants, and (ii) any breach by Zone Franchisee of its obligations under this Agreement.

11.3 No Consequential Damages For Legal Incapacity

Company will not be liable to Zone Franchisee for any consequential damages, including but not limited to lost profits, interest expense, increased construction or occupancy costs, or other costs and expenses incurred by Zone Franchisee by reason of any delay in the delivery of Company's Disclosure Document or otherwise.

11.4 No Liability

Company will not be responsible or otherwise liable for any injury, loss, or damage resulting from, occasioned to or suffered by any person or persons or to any property because of any products sold or services provided by it to Zone Franchisee.

11.5 Entire Agreement

This Agreement and the Exhibits attached to it constitute the entire agreement between the parties and supersedes all previous agreements and understandings between the parties in any way relating to the subject matters of this Agreement.

11.6 Overdue Amounts

All fees and any other amounts owed to Company or its Affiliates by Zone Franchisee pursuant to this Agreement or otherwise will bear interest after the due date at the Interest Rate, calculated and payable weekly, not in advance, both before and after default, with interest on overdue interest at the aforesaid rate. The acceptance of any interest payment may not be construed as a waiver by Company of its respective rights in respect of the default giving rise to such payment and will be without prejudice to Company's right to terminate this Agreement in respect of such default. "Interest Rate" means an annual rate of interest equal to the lower of (i) the highest domestic prime rate published in The Wall Street Journal (if no longer published, then a similar publication designated by Company) from time to time, plus 5%, adjusted daily, and (ii) the maximum rate of interest permitted by law in the state where Zone Franchisee's principal office is located, each calculated and payable monthly, not in advance, with interest on overdue interest at the aforesaid rate, before as well as after default or judgment, from the time such sums became due until paid in full.

11.7 Modification of Agreement

No modification of the Agreement will be binding unless same is agreed to in writing by both parties.

11.8 Legal Fees

If it is established that Zone Franchisee has breached any of the terms and conditions of this Agreement, the Zone Franchisee hereby agrees to pay all costs and expenses including legal fees that may be incurred or paid by Company in enforcing its rights and remedies under this Agreement.

11.9 Joint and Severable

If two or more individuals, corporations, limited liability companies, partnerships or other entities (or any combination of two or more of them) signs or is subject to the terms and conditions of this Agreement as Zone Franchisee, the liability of each of them under this Agreement will be deemed to be joint and several.

11.10 Severability

If for any reason whatsoever, any term or condition of this Agreement or its application to any party or circumstances is to any extent found to be invalid or unenforceable, all other terms and conditions of this Agreement and/or the application of such terms and conditions to parties or circumstances, other than those as to which it is held invalid or unenforceable, will not be affected thereby and each term and condition of this Agreement s will be separately valid and enforceable to the fullest extent permitted by law.

11.11 Zone Franchisee May Not Withhold Payments Due To Company

Zone Franchisee agrees not to, on grounds of the alleged non-performance by Company of its obligations hereunder, withhold payment of any Development Fee or other amounts due to Company, or its Affiliates, whether on account of goods purchased by Zone Franchisee or otherwise.

11.12 Notices.

All notices, consents, approvals, statements, authorizations, documents, or other communications (collectively “notices”) required or permitted to be given hereunder will be in writing, and will be delivered personally, sent by nationally recognized overnight courier, sent by email, or mailed by certified mail return receipt requested, postage prepaid, to the said parties at their respective addresses set forth hereunder, namely:

To the Company 105 North 4th Street, Suite 208
Coeur d’Alene, ID 83814
Telephone: (208) 765-3326
Facsimile: (208) 667-7694
Email: lee.strait@pitapitusa.com and brenda.zosel@pitapitusa.com

With a Copy to: George J. Eydt
Hodgson Russ LLP
150 King St. West
P.O. Box 30, Suite 2309
Toronto, Ontario M5H 1J9 Canada
Telephone: (416) 595-2671
Facsimile: (416) 595-5021
Email: geydt@hodgsonruss.com

To Zone Franchisee at: _____

Or at any such other address or addresses as may be given by any of them to the other in writing from time to time. Such notices, if mailed, will be deemed to have been received on the fifth business day following such mailing, or, if delivered personally, will be

deemed to have been received on the day delivered, if a business day, or if not a business day, on the next business day following the day delivered, or, if sent by courier, will be deemed to have been received on the day delivered as indicated by the courier company, or, if sent by email, will be deemed to have been received on the day of electronic delivery; provided that if such notice has been mailed and if mail service is interrupted by strike or other irregularity before the deemed receipt of such Notice, as aforesaid, then such Notice will not be effective unless delivered.

11.13 Headings, Article Numbers

The headings, article numbers and table of contents appearing in this Agreement or any schedule hereto are inserted for convenience of reference only and will not in any way affect the construction or interpretation of this Agreement.

11.14 Applicable Laws

Notwithstanding the location of the Restaurants and the location of Zone Franchisee's principal office, it is specifically agreed that this Agreement and all collateral agreements will be construed and governed in accordance with the substantive laws of the State of Idaho without reference to its conflicts of law, except as may otherwise be provided in this Agreement. The parties agree that any franchise law or business opportunity law of the State of Idaho, now in effect, or adopted or amended after the date of this Agreement, will not apply to franchises located outside of the State of Idaho.

11.15 Time of the Essence

Time will be of the essence concerning every obligation, covenant, and commitment of Zone Franchisee under this Agreement and of each and every part of it.

11.16 Waiver of Obligations

Company may by written instrument unilaterally waive any obligation of or restriction upon Zone Franchisee under this Agreement. No acceptance by Company of any payment by Zone Franchisee and no failure, refusal or neglect of either of them to exercise any right under this Agreement or to insist upon full compliance by Zone Franchisee with Zone Franchisee's obligations hereunder, including without limitation, any mandatory specification, standard or operating procedure, will constitute a waiver of any provision of this Agreement.

11.17 Further Assurances

Each of the parties hereto hereby covenants and agrees to execute and deliver such further and other agreements, assurances, undertakings, acknowledgments or documents, cause such meetings to be held, resolutions passed and by-laws enacted, exercise their vote and influence and do and perform and cause to be done and performed any further and other acts and things as may be necessary or desirable in order to give full effect to this Agreement and every part of it.

11.18 Binding Agreement

Subject to the restrictions on assignment in this Agreement, it will enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

11.19 Rights of Company are Cumulative

The rights of Company under this Agreement are cumulative and no exercise of enforcement by Company of any right or remedy under this Agreement will preclude the exercise or enforcement by it of any other right or remedy under this Agreement, of which they are otherwise entitled by law to enforce.

11.20 Dispute Resolution

Company and Zone Franchisee want to settle all issues quickly, amicably, and in the most cost effective fashion. To accomplish these goals, Company and Zone Franchisee agree to the following provisions for resolution of any dispute or claim arising out of or relating to this Agreement (a "Dispute"):

(a) Company and Zone Franchisee agree to first notify each other in writing of any Dispute. The written notification will specify, to the fullest extent possible, the notifying party's version of facts and all elements of the Dispute. Zone Franchisee agrees to use its best efforts to communicate with Company to attempt to resolve the Dispute. If Company and Zone Franchisee do not resolve the Dispute within 30 days after receipt of the notice of the Dispute, Company and Zone Franchisee may commence arbitration as provided in this Section 11.20. Both Company and Zone Franchisee will be responsible for its own costs, including attorney's fees, in any arbitration or court proceeding, except as otherwise provided in this Agreement.

(b) Company and Zone Franchisee agree that except as otherwise provided in this Agreement, the Federal Arbitration Act will apply to all Disputes, including the breach of this Agreement and any alleged precontractual representations or conduct, violations of the Racketeering Influenced or Corrupt Organizations Act (RICO), applicable federal or state franchise disclosure or franchise relationship laws, unfair trade practice laws, or similar laws, and that the business that is the subject of this Agreement is engaged in interstate commerce.

(c) Company and Zone Franchisee will arbitrate any Dispute that they do not settle under the discussion procedure above, except as provided in this Agreement. The arbitration will be held in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "AAA") at a hearing administered by the AAA to be held at Coeur d'Alene, Idaho. It is agreed that this venue is the most convenient and reasonable location for these purposes and that it best meets the needs of all the parties. If no disclosed claim or counterclaim exceeds \$75,000 exclusive of interest and arbitration costs, Sections e1 through e10 of the AAA's Commercial Dispute Resolution Procedures (Expedited Procedures) will be applied to the arbitration. Unless Company and Zone Franchisee agree otherwise, all Disputes will be heard by a single arbitrator. If the parties cannot agree on a single arbitrator, one will be appointed by the AAA. At the request of Company or Zone Franchisee, the arbitrator will have the discretion to order examination by deposition of witnesses to the extent the arbitrator deems

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such additional discovery relevant and appropriate. If ordered, the deposition must be held within 30 days of the order, and will be limited to a maximum of seven hours duration. All objections are reserved for the arbitration hearing except for objections based on privilege and proprietary or confidential information. In the event of any conflict between the rules and procedures of the AAA and the provisions of this Section, the provisions of this Section will prevail. The arbitrator may not modify the terms of this Agreement. Any court having jurisdiction may enter judgment on the arbitration award. Unless otherwise agreed to by Company and Zone Franchisee, or required by applicable law, they, the arbitrator and the administrator will keep confidential all matters relating to the arbitration or the arbitration award. Except as provided in this Agreement, Company and Zone Franchisee must commence and pursue arbitration to resolve Disputes before commencing legal action.

(d) If a court of competent jurisdiction decides the requirement to arbitrate a Dispute is unenforceable because applicable law does not permit the type of claim involved to be resolved by arbitration, or because this Agreement limits Company's and Zone Franchisee's rights or remedies in a manner applicable law does not permit, or for any other reasons, then the entire arbitration clause is not void. It is specifically agreed herein that only the portions of the arbitration clause with respect to such claim or claims as are necessary to comply with applicable law will be invalid and considered severable, but the remainder will be enforced.

(e) Zone Franchisee recognizes that if it breaches the provisions of this Agreement that prohibit it from using or disclosing confidential information or from competing, it may cause irreparable harm to Company, its Affiliates, other franchisees, and the PITA PIT SYSTEM as a whole. Company or an Affiliate may bring an action in any court having jurisdiction in connection with any such breach, and may seek damages, injunctive relief, or both. Notwithstanding any other provision of this Agreement, the discussion and arbitration procedures above will not apply to any such breach.

(f) Zone Franchisee agrees that the only person or entity from which it may seek damages or any remedy for any Dispute, including the breach of this Agreement, is Company, or its successors or assigns. Zone Franchisee agrees that it will not name the Company's equity interest holders, directors, officers, employees, agents, or Affiliates, in any arbitration or legal action. Zone Franchisee agrees that none of these other entities or individuals will be liable to it; only Company will. Zone Franchisee acknowledges that Company has relied on this representation in signing this Agreement.

(g) Notwithstanding any other provision in this Agreement, Company may send default notices to Zone Franchisee and terminate this Agreement without first giving notice of a Dispute or pursuing arbitration. Zone Franchisee may dispute the termination by filing a demand for arbitration within 30 days after the effective date of the termination, without first giving notice of a Dispute. Zone Franchisee may only demand a declaratory judgment in the arbitration to determine if the termination was invalid and only request an award reinstating this Agreement. The arbitrator may only rule on the validity of the termination and the award may only grant or deny the request for reinstatement. Zone Franchisee will waive the remedy of reinstatement if it does not file for arbitration within the time allowed. Company may file a demand for arbitration requesting validation of the termination of this Agreement and appropriate relief and may seek court confirmation of any arbitration award without first giving notice of a Dispute.

MULTI-UNIT DEVELOPMENT ZONE AGREEMENT

(h) If Company or Zone Franchisee (i) commences action in any court, except to compel arbitration, or except as specifically permitted under this Agreement, prior to an arbitrator's final decision, or (ii) commences any arbitration or litigation in any forum except where permitted under this Section 11.20, then that party is in default of this Agreement. The defaulting party must commence arbitration (or litigation, if permitted under this Section 11.20), in a permitted forum prior to any award or final judgment. The defaulting party will be responsible for all expenses incurred by the other party, including lawyers' fees. If a party defaults under any other provision of this Section 11.20, or Zone Franchisee names anyone in any arbitration, or legal proceedings other than Company, the defaulting party must correct its claim. The defaulting party will be responsible for all expenses incurred by the other party, or the improperly named parties, including lawyers' fees, and will be liable for abuse of process.

(i) Any arbitration award will have a binding effect only on the actual Dispute arbitrated, and will not have any collateral effect on any other Dispute whatsoever, whether in litigation, arbitration or other dispute resolution proceeding. Zone Franchisee will arbitrate, or litigate each Dispute with Company on an individual basis. Zone Franchisee will not consolidate its Dispute in any arbitration or litigation action, with a claim by any other franchisee, individual, or entity.

(j) If a court of competent jurisdiction decides the arbitration clause in this Section 11.20 is unenforceable, and after any and all final appeals the decision is upheld, the parties agree to litigate the Dispute in District Court of the First Judicial District, State of Idaho, County of Kootenai, which is located in Coeur d'Alene, Idaho. The parties agree that this is the most convenient venue for these purposes. Zone Franchisee further acknowledges and agrees that this location for venue is reasonable and the most beneficial to the needs of and best meets the interests of all parties. **THE PARTIES WAIVE ANY RIGHT TO TRIAL BY JURY, EXCEPT WHERE WAIVER IS PROHIBITED BY APPLICABLE FEDERAL OR STATE LAW.**

(k) If applicable, Company may bring an action to evict Zone Franchisee in any court having jurisdiction.

(l) The parties submit to the jurisdiction of any tribunal or court in accordance with this Section 11.20, for arbitration or litigation of any Dispute, and waive any right to object to the location being inconvenient. Such jurisdiction will be exclusive, except for Company's right to bring an action in any court having jurisdiction to enforce confidentiality or non-compete provisions or for eviction.

11.21 Counterparts and Electronic Signature

This Agreement may be executed in counterparts and by facsimile transmission or other electronic signature; each of which will be deemed an original and all of which together will constitute one and the same instrument.

11.22 Capacity

Zone Franchisee represents and warrants that Zone Franchisee has full and legal capacity to enter into this Agreement and into the Franchise Agreements and that Zone

Franchisee will not violate any provision or restriction in any contractual relationship Zone Franchisee has with any third party.

11.23 Survival

Notwithstanding the expiration or termination of this Agreement for any reason whatsoever, all covenants and agreements to be performed or observed by Zone Franchisee or Guarantor under this Agreement which by their nature survive the expiration or termination of this Agreement, including, without limitation, those set out in Sections 7. 5, 8.1, 8.3, 8.4, 9.2, 11.2, 11.4, 11.6, 11.8, 11.9, 11.11, 11.14, 11.16, 11.17, 11.18, 11.19 and 11.20, will survive the expiration or termination of this Agreement.

ARTICLE XII

ACKNOWLEDGEMENTS

12.1 Independent Investigation

Zone Franchisee acknowledges that it has conducted an independent investigation of the Franchising Business and the PITA PIT SYSTEM and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of Zone Franchisee and its principals as independent business people. Company expressly disclaims the making of, and Zone Franchisee expressly acknowledges that it has not received, any warranty or guarantee, expressed or implied, as to the potential volume, profits or success of the Restaurants or Zone Franchisee's business. Zone Franchisee acknowledges that it has received, has had an ample time to read and has read this Agreement and fully understands its provisions. Zone Franchisee further acknowledges that it has had an adequate opportunity to be advised by legal counsel and accounting professionals of its own choosing regarding all pertinent aspects of the Franchising Business, the PITA PIT SYSTEM, this Agreement, the current form of Franchise Agreement and the nature of the franchise relationship.

12.2 Franchise Disclosure Document

Zone Franchisee acknowledges that Company's Franchise Disclosure Document and its exhibits, including this Agreement (the "Disclosure Document") were received, at or prior to the first personal meeting with the employee, agent or representative of Company and at least 14 days before it signed this Agreement, and it signed a Receipt for the Disclosure Document. Zone Franchisee represents that it carefully reviewed the Disclosure Document and had enough time to consult with any professional advisers with respect to its contents. Zone Franchisee acknowledges that it received copies of all franchise related agreements at least 7 days before it signed them.

ARTICLE XIII

SUBMISSION OF AGREEMENT

13.1 General

The submission of this Agreement does not constitute an offer and this Agreement will become effective only upon its execution by Company and Zone Franchisee. THIS AGREEMENT WILL NOT BE BINDING ON COMPANY UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY THE C.E.O. OF COMPANY. THIS AGREEMENT WILL NOT BECOME EFFECTIVE UNTIL AND UNLESS ZONE FRANCHISEE HAS BEEN FURNISHED BY COMPANY WITH ALL DISCLOSURE DOCUMENTS, IN WRITTEN FORM, AS MAY BE REQUIRED UNDER OR PURSUANT TO APPLICABLE LAW, FOR REQUISITE TIME PERIODS.

ARTICLE XIV

ACKNOWLEDGMENT

14.1 General

Zone Franchisee, and its shareholders, members and partners, as applicable, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution of this Agreement, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply with this Agreement and be bound by it.

IN WITNESS WHEREOF, the parties to this Agreement have caused it to be executed as of the first date set forth above.

ACCEPTED on this ___ day of _____, 20__

COMPANY:

PITA PIT INC.

By: _____

Its _____

ZONE FRANCHISEE:

OPERATING CO. NAME

By: _____

Its _____

GUARANTOR:

_____ an Individual

_____ an Individual

MULTI-UNIT DEVELOPMENT ZONE AGREEMENT

EXHIBIT A
DEVELOPMENT ZONE

[Attach map]

EXHIBIT A to
MULTI-UNIT DEVELOPMENT ZONE AGREEMENT

EXHIBIT B

MINIMUM DEVELOPMENT OBLIGATIONS

TIME PERIOD	NEW RESTAURANTS OPENED (in the time period)	TOTAL RESTAURANTS OPENED (in the time period and all preceding time periods)	TOTAL RESTAURANTS REMAINING OPENED
Year 1			
Year 2			
Year 3			
Year 4			
Year 5			

**EXHIBIT B to
MULTI-UNIT DEVELOPMENT ZONE AGREEMENT**

EXHIBIT C

GUARANTY OF ZONE FRANCHISEE'S OBLIGATIONS

1. Guarantee

In consideration of, and as an inducement to, the execution of the Multi-Unit Development Zone Agreement (the "Agreement"), dated _____, 201__, by Pita Pit Inc. (the "Franchisor") and _____ (the "Zone Franchisee") and other good and valuable consideration, the receipt and sufficiency whereof is hereby acknowledged by the undersigned (the "Guarantor"), the Guarantor hereby unconditionally guarantees to the Franchisor that (i) the Zone Franchisee will pay all amounts to be paid, (ii) the Zone Franchisee will otherwise observe and perform all terms and conditions to be observed and performed under the Agreement, and (iii) the Zone Franchisee's representations and warranties in the Agreement are true and correct. If the Zone Franchisee defaults in making any such obligations or breaches any representation or warranty, the Guarantor hereby covenants and agrees to pay to the Franchisor, forthwith upon demand, without any setoff or other deduction, all amounts not so paid by the Zone Franchisee and all damages that may arise in consequence of any non-observance or non-performance of any obligation or breach of any representation or warranty.

2. Indemnity

Without in any way restricting or limiting the guaranty given by the Guarantor in Section 1 or any other rights and remedies to which the Franchisor may be entitled, the Guarantor hereby covenants and agrees to indemnify and save the Franchisor harmless against any and all liabilities, losses, suits, claims, demands, costs, fines and actions of any kind or nature whatsoever to which the Franchisor shall or may become liable for, or suffer, arising from the Zone Franchisee's operation of the Franchised Business or by reason of any breach, violation or non-performance by the Zone Franchisee of any term or condition of the Agreement.

3. Waiver of Right to Proceed

In the enforcement of any of its rights against the Guarantor, the Franchisor may in its sole discretion proceed as if the Guarantor was the primary obligor under the Agreement. The Guarantor hereby waives any right to require the Franchisor to proceed against the Zone Franchisee or to proceed against or to exhaust any security (if any) held from the Zone Franchisee, or to pursue any other remedy whatsoever which may be available to the Franchisor before proceeding against the Guarantor.

4. Any Dealings Binding on Guarantor

No dealings of whatsoever kind between the Franchisor or its affiliates and the Zone Franchisee and/or any other persons as the Franchisor or its affiliates may see fit, whether with or without notice to the Guarantor, shall exonerate, release, discharge or in any way reduce the obligations of the Guarantor in whole or in part, and in particular, and without limiting the generality of the foregoing, the Franchisor may modify or amend the Agreement, grant any indulgence, release, postponement or extension of time, waive any term or condition of the Agreement or any

**EXHIBIT C to
MULTI-UNIT DEVELOPMENT ZONE AGREEMENT**

obligation of the Zone Franchisee, take or release any securities or other guarantees for the performance by the Zone Franchisee of its obligations and otherwise deal with the Zone Franchisee and/or any other persons as the Franchisor may see fit without affecting, lessening or limiting in any way the liability of the Guarantor. The Guarantor hereby expressly waives all acts and other things upon which, but for such waiver, such guaranty would or might be conditioned, including, but not limited to, any demand, presentment or protest, any notice of non-payment or other default or of protest, acceptance and notice of acceptance by the Franchisor of the foregoing guaranty and indemnity, and any and all other notices and legal or equitable defenses to which he or she may be entitled.

5. Settlement Binding on Guarantor

Any settlement made between the Franchisor and/or any other persons as the Franchisor may see fit to deal with, or any determination made pursuant to the Agreement which is expressed to be binding upon the Zone Franchisee, shall be binding upon the Guarantor.

6. Bankruptcy of the Zone Franchisee

Notwithstanding any assignment for the general benefit of creditors, any bankruptcy or any other act of insolvency by the Zone Franchisee and notwithstanding any rejection, disaffirmation or disclaimer of the Agreement, the Guarantor shall continue to be fully liable hereunder.

7. Guarantor's Covenants Binding

The covenants and agreement of the Guarantor contained in this Guaranty are continuing, absolute, unconditional and irrevocable and shall enure to the benefit of and be binding upon the Guarantor and the heirs, executors, administrators, successors and assigns of the Guarantor.

8. Guarantor to be Bound

The Guarantor acknowledges reviewing all of the provisions of the Agreement and agrees to be bound by all of the provisions thereof to the same extent as and for the same period of time as the Zone Franchisee is required, including without limitation, the confidentiality and non-compete provisions under Article 8, which, by his or her execution of this Guaranty, he or she covenants and agrees to abide by and be bound by. The confidentiality and non-compete obligations of the Guarantor shall survive any expiration or termination of the Agreement or this Guaranty.

9. Expenses

The Guarantor agrees to pay all expenses paid or incurred by Franchisor in enforcing the Agreement and this Guaranty against Zone Franchisee and against the Guarantor and in collecting or attempting to collect any amounts due thereunder and hereunder, including reasonable attorneys' fees if such enforcement or collection is by or through an attorney-at-law.

10. Multiple Guarantors

If more than one person has executed this Guaranty, the terms the “undersigned” and the “Guarantor” as used herein shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature effective on the same day and year as the Agreement was executed.

WITNESS

GUARANTOR (Zone Franchisee)

EXHIBIT D
SPOUSAL CONSENT

Each of the undersigned, each being the spouse of an individual who executed this Agreement as Zone Franchisee or Guarantor or if Franchisee or Guarantor is a partnership, a spouse of a general partner, consents to all of the terms of this Agreement and its execution.

Dated: _____

By: _____

By: _____

EXHIBIT G-1

DEPOSIT AGREEMENT – FRANCHISE AGREEMENT

[Pita Pit Inc. Letterhead]

[Month] [Day], [Year]

[Potential Franchisee]

[Address]

[City], [State]

[Zip Code]

Re: Deposit Agreement for Potential Franchise at [Location of Franchise]

Dear _____ :

This letter sets out our understanding of the proposed purchase by you or an entity to be designated by you of a PITA PIT® franchise located at [Location of Franchise].

You have been provided a copy of our Franchise disclosure document (“FDD”) and have been given at least 14 calendar days to review it. If this letter contains material differences from the form of Deposit Agreement attached as Exhibit G-1 to our FDD, required by us, you also have been given an execution copy of this letter at least 7 calendar days before signing it.

We are a Delaware corporation and own the PITA PIT trade-marks and grant PITA PIT franchises in the United States.

We are accepting a deposit of US\$[Insert Amount] from you pending the execution of a Franchise Agreement setting out the terms that will govern our relationship (the “Deposit”). The terms and form of the Franchise Agreement will substantially be as set out in Exhibit C of the FDD and will contain, among other things:

- a) the obligation to pay an Initial Franchise Fee of US\$[Insert Amount] and a Continuing Fee equal to [Insert Continuing Fee], along with other applicable fees;
- b) a term of 10 years, beginning on a date to be agreed upon;
- c) a description of a protected territory consisting of a radius of [X] mile(s) from the location of the franchise, subject to some exceptions relating to population density or market considerations, and institutional PITA PIT franchises, which will be added to the Franchise Agreement after it is signed and after you lease space for the location; and

- d) a number of specific provisions relating to the restaurant concept.

Acceptance of the Deposit does not obligate us to make final approval of you as a franchisee and does not obligate you to enter a Franchise Agreement. If we do not make final approval of you as a franchisee or if you notify us in writing that you withdraw your request to enter into a Franchise Agreement, the Deposit will be refunded less a \$5,000 fee for reviewing and processing your request. We may also deduct from the Deposit our expenses in excess of \$5,000. Our expenses may include expenses reasonably incurred by us or our affiliate for meeting with you, for a review of your prospective market and potential sites, for plans and specifications, drafting documents, and for reviewing and negotiating a lease, including reasonable legal fees and expenses related to travel, meals, lodging and demographic and search profiles. The Deposit is not refundable under any other circumstances. If the Franchise Agreement and all other relevant documents are signed by you, the deposit will be applied as payment toward the initial Franchise Fee required in the Franchise Agreement and no deduction will be made for our reasonable expenses, in other words, your Deposit will be used as a credit against your initial Franchise Fee.

Upon our final approval of you as a franchisee, you will be asked to execute the Franchise Agreement and relevant ancillary documents and return them to us. At that time you will also pay the balance of the Franchise Fee, if any, and any other fees applicable. Before opening, we may require you to successfully complete the PITA PIT New Franchisee Training Program to our satisfaction. We will provide you with all relevant legal and business documentation within a reasonable period prior to opening your franchise.

Our final approval of you as a franchisee in this instance does not obligate us to sell you additional restaurants. We may determine, for example, that you do not have the management or financial capability to acquire or operate an additional location.

If a location has not been identified, you will work with us and a local real estate broker, approved by us, to find a suitable location. If you locate a site, which you intend to pursue as a potential PITA PIT restaurant location, you must first obtain our prior written approval of (i) the site to ensure it is appropriate for a PITA PIT restaurant, and (ii) the lease to ensure it meets our requirements. At our discretion, we may choose to negotiate and enter a lease in our name. In such an event, we will then sublet the site to you. We do not warrant the success of a particular location.

We remind you that the Franchise Agreement states that you will construct the franchised restaurant in strict compliance with our requirements and that you will be responsible for the costs of all engineering drawings required at the site.

Before you sign the Franchise Agreement, we may give you information and material relating to the PITA PIT franchise system including documentation, trade secrets, and operational information. You confirm your agreement to keep all such information completely confidential. You agree not to disclose such information to any other person without our express written consent. In no event will you be permitted to use such information for your own benefit either directly or indirectly. This confirms your agreement and acknowledgement that any breach of confidentiality by you shall entitle us to seek and obtain an immediate injunction

DEPOSIT AGREEMENT

against such action. In addition, we shall be entitled to pursue all other legal remedies such as damages incurred by virtue of your breach of this confidentiality obligation.

You agree to promptly provide us with any personal or business information and documents that we may reasonably request. By signing this letter, you consent to our obtaining from any credit reporting agency, financial institution or other party with whom you have had financial dealings, any information about you that may be required in relation to the franchise that you have applied for.

We strongly recommend that you seek independent legal advice and that your lawyer advise you of your rights and obligations upon signing this letter.

Before signing the Franchise Agreement, we urge you to prepare your own cost studies and market analyses, at your expense.

This letter is not a commitment to enter into the Franchise Agreement with you. We have relied upon the oral and written representations and warranties, which you have provided to us, including those regarding your financial position, knowledge, and experience. If our credit checks or other investigation convince us that you are not a suitable candidate to obtain a PITA PIT franchise, we will not enter into a Franchise Agreement and you will not obtain PITA PIT franchise. In such an event, we will refund you your deposit, after deducting our \$5,000 fee and reasonable business expenses as described above.

Please acknowledge that the foregoing accurately reflects our mutual understanding of the preconditions to meet before you may become a franchisee of PITA PIT.

This Agreement may be executed in counterparts and by facsimile transmission or other electronic signature, each of which will be deemed to be an original and all of which will constitute one and the same document.

Yours very truly,

PITA PIT INC.

By: _____

Date

Name of Potential Franchisee

Name of Potential Franchisee

DEPOSIT AGREEMENT

EXHIBIT G-1A

DEPOSIT AGREEMENT – MULTI-UNIT DEVELOPMENT ZONE AGREEMENT

[Pita Pit Inc. Letterhead]

[Month] [Day], [Year]

[Potential Zone Franchisee]

[Address]

[City], [State]

[Zip Code]

Re: Deposit Agreement for Potential Multi-Unit Development Zone Agreement

Dear _____ :

This letter sets out our understanding of the proposed purchase by you or an entity to be designated by you of a PITA PIT® Multi-Unit Development Zone Agreement (“MUZA”) with a development zone located at [Zone Location].

You have been provided a copy of our Franchise disclosure document (“FDD”) and have been given at least 14 calendar days to review it. If this letter contains material differences from the form of Deposit Agreement attached as Exhibit G-1A to our FDD, required by us, you also have been given an execution copy of this letter at least 7 calendar days before signing it.

We are a Delaware corporation and own the PITA PIT trade-marks and grant MUZAs for the development of franchises in specified Zones within the United States.

We are accepting a deposit of US\$[Insert Amount of Development Fee] from you pending the execution of a Multi-Unit Development Zone Agreement setting out the terms that will govern our relationship (the “Deposit”). The terms and form of the MUZA will substantially be as set out in Exhibit F of the FDD and will contain, among other things:

- a) the obligation to pay a Development Fee of US\$[Insert Amount]:
- b) a Minimum Development Obligation of franchised Restaurants as follows:

TIME PERIOD	NEW RESTAURANTS OPENED (in the time period)	TOTAL RESTAURANTS OPENED (in the time period and all preceding time periods)	TOTAL RESTAURANTS REMAINING OPENED
Year 1			

DEPOSIT AGREEMENT

Year 2			
Year 3			
Year 4			
Year 5			

- c) a Continuing Fee equal to [Insert Continuing Fee] for each franchised Restaurant to be developed under the Minimum Development Obligation, along with other applicable fees;
- d) a term of [Insert Term], beginning on a date to be agreed upon; and
- e) a description of a Development Zone consisting of [Insert Development Zone]; and

Acceptance of the Deposit does not obligate us to make final approval of you as a Zone Franchisee and does not obligate you to enter a MUZA. If we do not make final approval of you as a Zone Franchisee or if you notify us in writing that you withdraw your request to enter into a MUZA, the Deposit will be refunded less a [Insert Fee Amount] fee for reviewing and processing your request, as well as halting development in the proposed Development Zone during that time. The amount of this fee is 15% of the Development Fee. We may also deduct from the Deposit our expenses in excess of [Insert Fee Amount]. Our expenses may include expenses reasonably incurred by us or our affiliate for meeting with you, review of your prospective Development Zone, market and potential sites, plans and specifications, drafting documents, and reviewing and negotiating a lease, including reasonable legal fees; expenses related to travel, meals, lodging; and demographic and search profiles. The Deposit is not refundable under any other circumstances. If the MUZA and all other relevant documents are signed by you, the deposit will be applied as payment toward the Development Fee required in the MUZA and no deduction will be made for our reasonable expenses, in other words, your Deposit will be used as a credit against your Development Fee due under the MUZA.

Upon our final approval of you as a Zone Franchisee, you will be asked to execute the MUZA and relevant ancillary documents and return them to us. At that time you will also pay the balance of the Development Fee, if any, and any other fees applicable. Before opening any franchised Restaurants under the Minimum Development Obligation, we may require you to successfully complete the PITA PIT New Franchisee Training Program to our satisfaction.

Our final approval of you as a Zone Franchisee in this instance does not obligate us to sell you additional MUZAs or franchised Restaurants. We may determine, for example, that you do not have the management or financial capability to acquire an additional MUZA or operate additional locations.

You will work with us and a local real estate broker, approved by us, to find suitable locations for your franchised Restaurants to be opened under the Minimum

DEPOSIT AGREEMENT

Development Obligation of your MUZA. If you locate a site, which you intend to pursue as a potential PITA PIT restaurant location, you must first obtain our prior written approval of (i) the site to ensure it is appropriate for a PITA PIT restaurant, and (ii) the lease to ensure it meets our requirements. At our discretion, we may choose to negotiate and enter a lease in our name. In such an event, we will then sublet the site to you. We do not warrant the success of a particular location.

We remind you that the Franchise Agreements to be entered under the Minimum Development Obligation of your MUZA state that you will construct the franchised Restaurant in strict compliance with our requirements and that you will be responsible for the costs of all engineering drawings required at each site.

Before you sign the MUZA, we may give you information and material relating to the PITA PIT franchise system including documentation, trade secrets, and operational information. You confirm your agreement to keep all such information completely confidential. You agree not to disclose such information to any other person without our express written consent. In no event will you be permitted to use such information for your own benefit either directly or indirectly. This confirms your agreement and acknowledgement that any breach of confidentiality by you shall entitle us to seek and obtain an immediate injunction against such action. In addition, we shall be entitled to pursue all other legal remedies such as damages incurred by virtue of your breach of this confidentiality obligation.

You agree to promptly provide us with any personal or business information and documents that we may reasonably request. By signing this letter, you consent to our obtaining from any credit reporting agency, financial institution or other party with whom you have had financial dealings, any information about you that may be required in relation to the MUZA that you have applied for.

We strongly recommend that you seek independent legal advice and that your lawyer advise you of your rights and obligations upon signing this letter.

Before signing the MUZA, we urge you to prepare your own cost studies and market analyses, at your expense.

This letter is not a commitment to enter into the MUZA with you. We have relied upon the oral and written representations and warranties, which you have provided to us, including those regarding your financial position, knowledge, and experience. If our credit checks or other investigation convince us that you are not a suitable candidate to obtain a MUZA, we will not enter into a MUZA and you will not obtain the right to develop PITA PIT franchises. In such an event, we will refund you your deposit, after deducting our [Insert Amount] fee and reasonable business expenses as described above.

Please acknowledge that the foregoing accurately reflects our mutual understanding of the preconditions to be met before you may become a Zone Franchisee of PITA PIT.

DEPOSIT AGREEMENT

This Agreement may be executed in counterparts and by facsimile transmission or other electronic signature, each of which will be deemed to be an original and all of which will constitute one and the same document.

Yours very truly,

PITA PIT INC.

By: _____

_____ Date

Name of Potential Zone Franchisee

Name of Potential Zone Franchisee

DEPOSIT AGREEMENT

EXHIBIT G-2

**AMENDMENT TO PITA PIT INC. DEPOSIT AGREEMENT FOR FRANCHISE
AGREEMENT AND MULTI-UNIT DEVELOPMENT ZONE AGREEMENT
FOR THE STATE OF MARYLAND**

The Deposit Agreement between _____ (“Franchisee” or “You”) and Pita Pit Inc. dated _____, 20__ (the “Deposit Agreement”) is amended as follows (the “Amendment”):

The Maryland Securities Division requires that your payment of all franchise fees and deposits be deferred until we have met all of our material pre-opening obligations to you. To the extent that the Deposit Agreement provides for any payments by you to us or our affiliates before we have met all of our material pre-opening obligations to you, all of these payments are deferred. More specifically, the name “Deposit Agreement” is changed simply to “Agreement” and the following provisions are deleted:

- (a) the 1st sentence of the 4th paragraph;
- (b) the 5th paragraph;
- (c) the 2nd sentence of the 6th paragraph; and
- (d) the last sentence of the 14th paragraph.

Upon meeting all of our pre-opening obligations to you, all deferred payments will become immediately due and payable by you.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its equity owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound by it. The parties have duly executed and delivered this Amendment to the Agreement on _____, 20__.

PITA PIT INC.

By: _____

Its:

I have read and understand this amendment
this ___ day of _____, 20__.

[INSERT FRANCHISEE’S NAME]

**ADDENDUM
STATE OF MARYLAND**

EXHIBIT H

FRANCHISE AGREEMENT AMENDMENT FOR QUALIFYING RESTAURANTS

Address
City, State

THIS FRANCHISE AGREEMENT AMENDMENT FOR QUALIFYING RESTAURANTS (“Amendment”), is made this XX day of Month, 2013 (“Effective Date”), by and between PITA PIT INC. (“Franchisor”) and FRANCHISEE OPERATING COMPANY (“Franchisee”).

WHEREAS, the Franchisor and Franchisee are parties to a DATE franchise agreement (“Franchise Agreement”), relating to the Franchised Pita Pit restaurant located at ADDRESS (“Franchised Business”);

WHEREAS, under the Franchisor’s current Franchise Disclosure Document, the Continuing Fee rate in the Franchise Agreement may qualify for a reduction based upon the total number of qualifying franchised Pita Pit restaurants that the Franchisee has an ownership interest in, that also meet the requisite conditions set forth herein (“Qualifying Restaurants”).

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Franchisor and Franchisee agree as follows:

1. **Recitals.** The parties affirm that the foregoing recitals are accurate and they are incorporated herein.
2. **Self Implementing Document.** This Amendment is self implementing under its terms, without a need for any further written agreement or notification.
3. **Qualifying Restaurant.** Subject to the requirements set forth in Section 4, a franchised Pita Pit restaurant may become and remain a Qualifying Restaurant, so long as the following conditions are and remain satisfied:
 - 3.1 The Qualifying Restaurant’s franchisee is not in default of its franchise agreement, any other agreement with the Franchisor or any of its affiliates, or any agreement with any of the Franchisor’s approved or designated suppliers.
 - 3.2 The Qualifying Restaurant’s franchisee has at least a 50% common ownership with all other Qualifying Restaurants’ franchisees.
 - 3.3 The Qualifying Restaurant has achieved an evaluation score of 90% or higher on its two most recent evaluations.
 - 3.4 Neither the Qualifying Restaurant’s franchisee nor its owners may have been party to a franchise agreement or owner of an operating company that was party to a franchise agreement that has been terminated by the Franchisor for a material franchise agreement default.
 - 3.5 The Qualifying Restaurant was not acquired through a transfer from another franchisee after December 31, 2011.

**FRANCHISE AGREEMENT AMENDMENT
FOR QUALIFYING RESTAURANTS**

3.6 The Franchisor has not terminated its offer of reduced Continuing Fees for Qualified Restaurants.

4. **Corporately Transferred Qualifying Restaurant.** A franchised Pita Pit restaurant acquired through a transfer from the Franchisor or one of its affiliates is only eligible to become and remain a Qualifying Restaurant provided that, in addition to the requirements in Section 3, the following conditions are satisfied:

4.1 A point of sale (“POS”) system, as described in the Franchisor’s then current Franchise Disclosure Document is timely installed and operational.

4.2 The franchisee has entered a lease for the restaurant’s location directly with the landlord, such that the Franchisor has no obligation thereunder.

4.3 The restaurant is upgraded to the Franchisor’s then current standards for design and construction, no later than the franchisee’s fifth anniversary of ownership.

5. **Continuing Fee.** The Continuing Fee, under Schedule A of the Franchise Agreement, will be amended as follows, based upon the total number of Qualifying Restaurants.

5.1

Number of Qualifying Restaurants	Continuing Fee
2 – 3	5.0% of Net Sales
4 – 6	4.5% of Net Sales
7 +	4.0% of Net Sales

5.2 Any reduction of the Franchise Agreement’s Continuing Fee will become effective on the first day of the month following the date the Qualifying Restaurant triggering the reduction, opens for business to the public.

5.2.1 Any increase in the Franchise Agreement’s Continuing Fee will become effective on the first day of the month following the date the aggregate number of Qualifying Restaurants has been reduced.

5.3 Any Qualifying Restaurant with a flat rate Continuing Fee has the option, at the time it becomes a Qualifying Restaurant, to either keep the flat rate Continuing Fee, or change to a percentage Continuing Fee, as set forth in the table under Subsection 5.1. Thereafter, that Qualifying Restaurant’s Continuing Fee will either remain a flat rate or percentage, as indicated below:

[X] The Continuing Fee under the Franchise Agreement will remain at a flat rate and will not be subject to further change based upon the total number of Qualifying Restaurants.

[X] The Continuing Fee under the Franchise Agreement is hereby amended to a percentage Continuing Fee, as set forth in the table in Subsection 5.1, and will remain eligible for further change based upon the total number of Qualifying Restaurants.

[X] Subsection 5.3 does not apply because the Continuing Fee under the Franchise Agreement is not a flat rate.

5.4 The Franchisor may terminate its offer of reduced Continuing Fees for Qualified Restaurants, at any time, in its sole discretion. If the Franchisor terminates its offer of reduced Continuing Fees for Qualified Restaurants, the reduced Continuing Fees for existing Qualified Restaurants will remain at their then current levels for the balance of the Initial Term but any new Restaurants opened by the Franchisee after termination will not receive the reduced Continuing Fees.

6. **Term and Early Termination.** This Amendment is exclusive to the Franchisee and, unless earlier terminated, will remain effective for the duration of the Franchise Agreement's Initial Term only, unless the Franchise Agreement is sold, assigned, or transferred, as set forth in Section 15 of the Franchise Agreement or the Franchised Business no longer qualifies as a Qualifying Restaurant. Then in such event, this Amendment will become null and void and thereafter, the Franchise Agreement will operate under its un-amended terms.

7. **No Other Changes.** subject to the foregoing, all terms and conditions of the Franchise Agreement will remain in full force and unmodified.

8. **Further Assurances.** All parties will sign any other agreement or document as reasonably required by any other party from time to time after the execution of this Amendment to give further, formal effect or evidence of this Amendment.

IN WITNESS WHEREOF the parties hereto have duly executed this Amendment as of the date set forth above.

FRANCHISOR: **PITA PIT INC.**

By: _____

FRANCHISEE: **FRANCHISEE OPERATING COMPANY**

By: _____

It's Authorized Representative

**FRANCHISE AGREEMENT AMENDMENT
FOR QUALIFYING RESTAURANTS**

EXHIBIT I
PROMISSORY NOTE

**PROMISSORY NOTE
Secured**

\$XXX,XXX.00 (U.S.)

Coeur d'Alene, Idaho
Effective Date: Date

THIS PROMISSORY NOTE ("Note") is made this ____ day of Month, 20__ and becomes effective Date, by BUYER OP CO, entity state and type ("MAKER"), in favor of PITA PIT SELLER OP CO, entity state and type ("HOLDER").

For value received, MAKER promises to pay to the order of HOLDER, or bearer, the sum of AMOUNT Dollars and 00/100 (\$XXX,XXX.00), together with interest ("Debt") upon the following terms and conditions:

1. Interest. All sums due and owing hereunder shall bear interest at the rate of XXXX percent (XX.00%) per annum, simple interest, beginning Date and shall be paid as specified below.

2. Payment. Principal and interest shall be payable amortized over Note Term in monthly installments of AMOUNT Dollars and 00/100 (\$X,XXX.00) or more, per month commencing on Date. Payments shall thereafter continue to be made on the first day of each and every calendar month until Maturity Date, at which time any remaining unpaid interest and principal shall be due and owing. The Note may be prepaid without penalty upon providing HOLDER twenty (20) days advance written notice.

3. Security. This Note, and the sums evidenced hereby, is secured by a UCC-1 Financing Statement filed with the State locale of secured assets Secretary of State on or about the effective date of this Note.

4. Remedies on Default. The remedies on default are set forth in the attached Security Agreement.

5. Miscellaneous and Procedural.

5.1. Application of Payments. All payments under this Note shall be applied as follows: (i) first, to the payment of any attorneys' fees and costs due to HOLDER under this Note; (ii) second, to any penalties which accrue under this Note in favor of HOLDER; (iii) third, to interest and other costs and charges due in connection with this Note or the Debt, as reasonably incurred by the HOLDER; and (iv) fourth, the balance of such payment shall be applied toward the reduction of the principal sum.

5.2. Late Fee. In the event that any payment is not received by HOLDER on or before the 10th of any month for which it is due, a late fee shall be due and payable without notice to MAKER. This late fee shall be XXXX percent (XX%) of the payment due. This late fee shall be treated as part of the principal of this Note.

5.3. Notice. All notices and other communications under this Note will be in writing and will be deemed given (a) the same day if delivered personally against receipt, (b) the next business day if sent by overnight delivery via a reliable express delivery service which confirms delivery, or (c) after 5 business days if sent by certified mail, return receipt requested, postage prepaid. All notices will be delivered to the at the following addresses (or at any other address specified by written notice, *provided* that notice of change of address will be effective only upon receipt of the notice):

If to HOLDER:

PROMISSORY NOTE

Seller Op Co
c/o Pita Pit Inc.
105 N. 4th Street, Suite 208
Coeur d'Alene, ID 83814
(208) 765-3326
Fax – (208) 667-7694

If to MAKER:

Buyer Op Co
Address

Phone
Fax –

5.4. Delay Not Waiver. No delay or omission in the exercise of any right or remedy of HOLDER under this Note on any default by MAKER shall impair such a right or remedy, or be construed as a waiver. The receipt and acceptance by HOLDER of delinquent installments of principal or interest shall not constitute a waiver of any other default; it shall constitute only a waiver of timely payment for the particular installment payment involved.

5.5. Waiver of Defenses. Presentment, notice, protest and right to off-set are hereby waived by the undersigned MAKER.

5.6. Form and Place of Payment; Escrow. All payments coming due hereunder shall be made in lawful money of the United States, and shall be delivered to Kootenai County Title Company, Coeur d'Alene, Idaho, as escrow agent for the benefit of HOLDER and MAKER.

5.7. Governing Law; Forum. This Note will be governed by the laws of the state of Idaho, without giving effect to conflict of laws principles thereof. All actions brought to interpret or enforce this Agreement shall be brought in the courts located in Kootenai County, Idaho, and each Party waives any defenses relating thereto including without limitation defenses regarding lack of personal jurisdiction, lack of venue or *forum non conveniens*.

5.8. No Modification. This Note cannot be changed, modified, amended or terminated except in writing signed by all parties.

5.9. Attorney's Fees. In the event of any legal action to enforce the terms of this Note, the prevailing party shall be entitled to receive their reasonable attorney's fees and costs from the non-prevailing party.

5.10. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be effective as original agreements of the Parties. Original signatures transmitted by facsimile or email transmission will be effective to create counterparts.

IN WITNESS WHEREOF, the Parties have duly executed this Note this ___ day of Month, 20___.

HOLDER:

MAKER:

OPERATING COMPANY

OPERATING COMPANY

By: _____
Authorized Signor
Title

By: _____
Authorized Signor
Title

EXHIBIT J
SECURITY AGREEMENT

SECURITY AGREEMENT

This Security Agreement (this "Agreement") is dated effective this ___ day of Month, 20___, by and between **BUYER OP CO**, a state entity type (hereafter referred as "Debtor"), and **SELLER OP CO**, a state entity type company ("Secured Party"), in consideration of a loan evidenced by a Secured Promissory Note, of even date herewith, in the original principal amount of Note Amount and 00/100 Dollars (\$XXX,XXX), and further evidenced by or secured by the collateral hereinafter described.

NOW, THEREFORE, in consideration of the benefits accruing to Debtor, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Grant of Security Interest / Collateral. As collateral and security for the prompt payment and performance, in full when due (whether at stated maturity, by acceleration or otherwise), of the Secured Obligations (defined below), Debtor hereby pledges, grants, assigns, transfers, conveys and sets over to Secured Party a first position lien on and security interest in the furniture, fixtures, equipment, and personal property located at: Address and the Franchise Agreement authorizing operation of Pita Pit restaurant at the location (hereafter "Collateral"). All terms used within this Agreement to describe the Collateral which are defined in the Uniform Commercial Code of the state of State as in effect from time to time ("UCC") shall have the same meanings herein as such terms are defined in the UCC, unless this Agreement shall otherwise specifically provide.

2. The Secured Obligations. The lien and security interest herein granted and provided for is made and given to secure, and shall secure, the payment and performance of (i) any and all indebtedness, obligations, and liabilities of whatsoever kind and nature of Debtor to Secured Party (whether arising before or after the filing of a petition in bankruptcy) under the Secured Promissory Note referenced above whether direct or indirect, absolute or contingent, due or to become due, and whether now existing or hereafter arising and howsoever held, evidenced, or acquired, and whether several, joint, or joint and several, and (ii) any and all expenses and charges, legal or otherwise, suffered or incurred by Secured Party in collecting or enforcing any of such indebtedness, obligations, or liabilities or in realizing on or protecting or preserving any security thereof, including, without limitation, the lien and security interest granted hereby (all of the foregoing being hereinafter referred to as the "Secured Obligations").

3. Debtor's Covenants. The Debtor represents, covenants, and warrants that:

(a) Debtor is duly organized and validly existing in good standing under the laws of the state of State. Debtor shall not change its state of organization without Secured Party's prior written consent. Debtor is the sole and lawful owner of the Collateral, and has full right, power, and authority to enter into and perform this Agreement. The execution and delivery of this Agreement, and the observance and performance of each of the matters and things herein set forth, will not (i) contravene or constitute a default under any provision of law or any judgment, injunction, order, or decree binding upon Debtor or any provision of Debtor's organizational documents (e.g., charter, articles of incorporation and bylaws or similar organizational documents) or any covenant, indenture, or agreement of or affecting Debtor or any of its property or (ii) result in the creation or imposition of any lien or encumbrance on any property of Debtor except for the lien and security interest granted to Secured Party hereunder.

(b) Individual(s) executing this Agreement on behalf of Debtor represents and covenants that such individual is duly authorized to execute and deliver this Agreement on behalf of said entity in accordance with duly adopted organizational documents or agreements and if appropriate a resolution of the entity, and that this Agreement is binding upon said entity in accordance with its terms.

(c) Debtor has not granted and will not grant any security interest in any of the Collateral except to Secured Party, and will keep the Collateral free of all liens, claims, security interests and encumbrances of

SECURITY AGREEMENT

any kind or nature except the security interest of Secured Party.

(d) Debtor shall pay all costs necessary to preserve, defend, enforce and collect the Collateral, and any costs to perfect Secured Party's security interest. Without waiving Debtor's default for failure to make any such payment, Secured Party at its option may pay any such costs and expenses, discharge encumbrances on the Collateral, and pay for insurance on the Collateral, and such payments shall be a part of the Obligations and bear interest at the Default Rate, as hereinafter defined. Debtor agrees to reimburse Secured Party on demand for any costs so incurred.

(e) Debtor shall promptly pay when due all taxes, assessments, and governmental charges and levies upon or against Debtor or any of its Collateral, in each case before the same become delinquent and before penalties accrue thereon, unless and to the extent that the same are being contested in good faith by appropriate proceedings which prevent foreclosure or other realization upon any of the Collateral and preclude interference with the operation of Debtor's business in the ordinary course, and Debtor shall have established adequate reserves therefore.

(f) Debtor shall not, without Secured Party's prior written consent, sell or borrow against, agree to sell or borrow against, assign, mortgage, lease, or otherwise dispose of the Collateral or any interest therein.

(g) Debtor agrees to execute and deliver to Secured Party such further agreements, assignments, instruments, and documents and to do all such other things as Secured Party may reasonably deem necessary or appropriate to protect Secured Party's lien and security interest hereunder, including, without limitation, such financing statements, and amendments thereof or supplements thereto, and such other instruments and documents as Secured Party may from time to time reasonably require in order to comply with the UCC and any other applicable law.

(h) Debtor agrees to keep accurate books and records on the Collateral and any proceeds of the Collateral.

4. Defaults. Any one or more of the following shall constitute an "Event of Default" hereunder:

(a) Any Secured Obligations are not paid when due (whether by demand, lapse of time, acceleration or otherwise), or any default occurs under any agreement relating to the Secured Obligations including but not limited to the Secured Promissory Note.

(b) The Debtor breaches any term, provision, warranty or representation under this Agreement or the Secured Promissory Note.

(c) Debtor (i) becomes insolvent or admits in writing Debtor's inability to pay Debtor's debts as they mature, (ii) makes any assignment for the benefit of creditors, or (iii) applies for or consents to the appointment of a receiver or trustee for Debtor or for a substantial part of Debtor's property or business, or a receiver or trustee otherwise is appointed and is not discharged within thirty (30) days after such appointment.

(d) Any bankruptcy, insolvency, reorganization or liquidation proceeding or other proceeding for relief under any bankruptcy law or any law for the relief of debtors is instituted by or against Debtor and is not dismissed within thirty (30) days.

(e) Any involuntary lien of any kind or character attaches to any Collateral, if not removed after thirty (30) days of written notice to Debtor.

(f) If Debtor is dissolved or if ownership of more than 30% of Debtor is transferred or conveyed to any party.

(g) Any default of the Franchise Agreement governing the operation of the franchised Pita Pit restaurant located at: Address (hereafter "Pita Pit US-XXX"), which results in a notice of termination of Franchise Agreement being served upon the Debtor, regardless of whether such default is subsequently cured or whether the Franchise Agreement for Pita Pit US- XXX is actually terminated.

(h) Any default by Debtor of the any lease or sublease governing the leased premises located at: Address.

(i) If Debtor attempts to sell, transfer, or convey Pita Pit US- XXX without the prior written consent of the Secured Party.

5. Secured Parties Remedies after Default. Upon the occurrence of an Event of Default, the Secured Party may do one or more of the following:

(a) Declare any and all Secured Obligations immediately due and payable in full, without notice or demand.

(b) Demand a full and unconditional assignment of the Franchise Agreement for Pita Pit US-XXX from Debtor to Secured Party.

(c) Enforce the security interest given hereunder pursuant to the Uniform Commercial Code and any other applicable law.

(d) Repossess all items of equipment and collateral secured by this Security Agreement and offset the fair market value of said equipment against any debt owed. Upon such offset, ownership of the equipment shall pass to Secured Party with any net proceeds (that value above the appraisal) being paid to Debtor. Secured Party may repossess all or some of the equipment at its discretion.

(e) Review the books and records of Debtor.

(f) Exercise any or all rights provided or permitted by law or granted pursuant to this Agreement or the Secured Promissory Note.

(g) Require the Debtor to pay interest on the entire unpaid principal sum of the Secured Obligation at the rate equal to the lesser of the maximum rate permitted by applicable law, or ten percent (10%) above the Rate (as set forth in the Secured Promissory Note), in effect at the time of the occurrence of the Event of Default (the "Default Rate"). The Default Rate shall be computed from the occurrence of the Event of Default until the actual receipt and collection of a sum of money determined by Debtor to be sufficient to cure the Event of Default. Amounts of interest accrued at the Default Rate shall constitute a portion of the Secured Obligation, and shall be deemed secured by this Agreement. This clause, however, shall not be construed as an agreement or privilege to extend the date of the payment of the Secured Obligation, or as a waiver of any other right or remedy accruing to Secured Party by reason of the occurrence of any Event of Default.

(h) The rights and remedies of Secured Party under this Agreement shall be cumulative and not exclusive of any other right or remedy which Secured Party may have. For purposes of this Agreement, an Event of Default shall be construed as continuing after its occurrence until the same is waived in writing by Secured Party.

6. No Waiver. Failure by Secured Party to exercise any right, remedy, power or privilege provided by law or under this Agreement or any other agreement between Debtor and Secured Party, or delay by Secured Party in exercising the same, shall not operate as a waiver of such right, remedy, power or privilege; and no waiver by Secured Party shall be effective unless it is in writing and then only to the extent specifically stated. No single or partial exercise of any such right, remedy, power or privilege will preclude any other or further exercise of such right, remedy, power or privilege or the exercise of any other right, remedy, power or privilege.

7. Continuing Agreement. This Agreement shall be a continuing agreement in every respect and shall remain in full force and effect until all of the Secured Obligations, both for principal and interest, have been fully paid and satisfied.

8. Authorization, Additional Acts and Power of Attorney. The Debtor authorizes the Secured Party to prepare, execute and file a financing statement, and any amendments thereto, without Debtor's signature, for the Collateral and its proceeds. The Debtor shall, at the request of the Secured Party, execute such other agreements, documents, instruments, or financing statements in connection with this Agreement as the Secured Party may reasonably deem necessary. The Debtor hereby irrevocably constitutes and appoints the Secured Party as the Debtor's attorney-in-fact to sign any and all financing statements covering the Collateral or other documents which must be executed or filed to perfect or continue perfected, maintain the priority of or provide notice of the Secured Party's security interest in the Collateral and file any such financing statements and other documents by electronic means with or without a signature as authorized or required by applicable law or filing procedures. In the event for any reason the law of any jurisdiction other than State becomes or is applicable to the Collateral or any part thereof, or to any of the Obligations, Debtor agrees to execute and deliver all such instruments and documents and to do all such other things as Secured Party in its sole discretion deems necessary or appropriate to preserve, protect, and enforce the lien and security interest of Secured Party under the law of such other jurisdiction. Debtor agrees to mark its books and records to reflect the lien and security interest of Secured Party in the Collateral.

9. Notice. All notices and other communications under this Note will be in writing and will be deemed given (a) the same day if delivered personally against receipt, (b) the next business day if sent by overnight delivery via a reliable express delivery service which confirms delivery, or (c) after 5 business days if sent by certified mail, return receipt requested, postage prepaid. All notices will be delivered to the at the following addresses (or at any other address specified by written notice, *provided* that notice of change of address will be effective only upon receipt of the notice):

IF TO SECURED PARTY:

Seller Op Co
105 N. Fourth Street, Suite 208
Coeur d'Alene, ID 83814
Attn: Legal Department
(208) 765-3326
Fax – (208) 667-7694

IF TO DEBTOR:

Buyer Op Co
Address

Phone
Fax –

10. Entire Agreement; Amendment. This Agreement embodies the entire agreement between the

parties hereto with respect to the subject matter hereof. No extension, change, modification or amendment to or of this Agreement of any kind whatsoever shall be made or claimed by Secured Party or Debtor, and no notice of any extension, change, modification or amendment made or claimed by Secured Party or Debtor shall have any force or effect whatsoever unless the same shall be endorsed in writing and be signed by the party against which the enforcement of such extension, change, modification or amendment is sought, and then only to the extent set forth in such instrument.

11. Binding Effect and Assignment. All of the rights, privileges, remedies, and options given to Secured Party hereunder shall inure to the benefit of its successors and assigns, and all the terms, conditions, covenants, agreements, representations, and warranties of and in this Agreement shall bind Debtor and its legal representatives, successors and assigns, provided that Debtor may not assign its rights or delegate its duties hereunder without Secured Party's prior written consent.

12. Severability. In the event and to the extent that any provision hereof shall be deemed to be invalid or unenforceable by reason of the operation of any law or by reason of the interpretation placed thereon by any court, this Agreement shall to such extent be construed as not containing such provision, but only as to such locations where such law or interpretation is operative, and the invalidity or unenforceability of such provision shall not affect the validity of any remaining provisions hereof, and any and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect.

13. Absolute and Unconditional Lien; No Waiver. The lien and security interest herein created and provided for stand as security for the Secured Obligations arising under or otherwise relating to the Promissory Note as well as for any other obligations secured hereby. No application of any sums received by Secured Party in respect of the Collateral or any disposition thereof to the reduction of the Secured Obligations or any part thereof shall in any manner entitle Debtor to any right, title or interest in or to the Secured Obligations or any collateral or security therefore, whether by subrogation or otherwise, unless and until all Secured Obligations have been fully paid and satisfied. Debtor acknowledges that the lien and security interest hereby created and provided are absolute and unconditional and shall not in any manner be affected or impaired by any acts of omission whatsoever of Secured Party, and without limiting the generality of the foregoing, the lien and security interest hereof shall not be impaired by any acceptance by Secured Party of any other security for or guarantors upon any of the Secured Obligations or by any failure, neglect or omission on the part of Secured Party to realize upon or protect any of the Secured Obligations or any collateral or security therefore. The lien and security interest hereof shall not in any manner be impaired or affected by (and Secured Party, without notice to anyone, is hereby authorized to make from time to time) any sale, pledge, surrender, compromise, settlement, release, renewal, extension, indulgence, alteration, substitution, exchange, change in, modification or disposition of any of the Secured Obligations or of any collateral or security therefore, or of any guaranty thereof, or of any instrument or agreement setting forth the terms and conditions pertaining to any of the foregoing. In order to realize hereon and to exercise the rights granted Secured Party hereunder and under applicable law, there shall be no obligation on the part of Secured Party at any time to first resort for payment to any guaranty of the Secured Obligations or any portion thereof or to resort to any other collateral, security, property, liens or any other rights or remedies whatsoever, and the Secured Parties shall have the right to enforce this Agreement against Debtor or any of the Collateral irrespective of whether or not other proceedings or steps seeking resort to or realization upon or from any of the foregoing are pending.

14. Attorney's Fees. In the event of any legal action to enforce the terms of this Agreement, the prevailing party shall be entitled to receive their reasonable attorney's fees and costs from the non-prevailing party.

15. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be effective as original agreements of the Parties. Original signatures transmitted by facsimile or email transmission will be effective to create counterparts.

16. Governing Law; Forum. This Note will be governed by the laws of the state of Idaho, without giving

effect to conflict of laws principles thereof. All actions brought to interpret or enforce this Agreement shall be brought in the courts located in Kootenai County, Idaho, and each Party waives any defenses relating thereto including without limitation defenses regarding lack of personal jurisdiction, lack of venue or *forum non conveniens*.

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

Debtor:

Secured Party:

BUYER OP CO

SELLER OP CO

By _____
Name
Its: Title

By _____
Name
Its: Title

STATE OF _____)
County of _____) ss.

On this ____ day of _____, 20__ before me, _____, the undersigned, a notary public in and for said state, personally appeared **NAME**, known or identified to me to be the Title of BUYER OP CO, the entity type whose name is subscribed in the within and foregoing instrument, and acknowledged to me that he executed the same on behalf of said limited liability company.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Notary Public for _____
Commission Expires: _____
Residing at _____

EXHIBIT K

UNCONDITIONAL GUARANTY

UNCONDITIONAL GUARANTY

THIS UNCONDITIONAL GUARANTY AGREEMENT (the “**Agreement**” or “**Guaranty**”), dated this _____ day of Month, 20____, is made by **NAME** and **NAME** (collectively “**Guarantor**” or “**Guarantors**”) in favor of **SELLER OP CO**, a state and entity type (“**Lender**”), to induce Lender to provide financing to **BUYER OP CO**, a state and entity type (“**Debtor**”), with reference to the following facts:

1. Concurrently herewith, Debtor is executing a Secured Promissory Note in favor of Lender (the “**Note**”) in the principal amount of Amount and 00/100 Dollars (\$XXX,XXX).
2. Concurrently herewith, Debtor and Lender are executing a Security Agreement (the “**Security Agreement**”) securing the repayment of monies owed under the Note.
3. Debtor and Lender have requested that Guarantor will guarantee the obligations created by the Note and the Security Agreement, as defined in the Security Agreement (the “**Obligations**”), and Guarantor accepts such request to guarantee the Obligations.

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged, Guarantor undertakes and agrees for the benefit of Lender as follows:

1. Consideration. As a material inducement for Lender to enter into the Note and Security Agreement, Guarantor hereby enters into this Agreement.
2. Guaranty of Payment. Guarantors jointly and severally guarantee to Lender the full and punctual payment and satisfaction of the Obligations. If there is an Event of Default, as defined in the Security Agreement, Debtor shall have the right to exercise its rights pursuant to the Security Agreement in addition to any and all rights hereunder. This Unconditional Guaranty is and shall be construed to be an absolute, unlimited and continuing guarantee of payment and not a guarantee of collections, and the liability of the Guarantor hereunder shall not be affected, impaired, or discharged, in whole or in part, by reason of (i) the fact that the money, payment of which is guaranteed hereunder, may become due or payable under, or in connection with, or by reason of, any agreement or other transaction which may be illegal, invalid, irregular, or unenforceable for any other reason, or (ii) the failure by Lender to take any steps to perfect and/or maintain perfected its security interest in, or to preserve its rights to, any security or collateral for the Obligations, or (iii) Lender’s election, in any proceeding instituted under Chapter 11 of Title 11 of the United States Code (11 U.S.C. §101 et seq.) (the “**Bankruptcy Code**”), of the application of Section 1111(b)(2) of the Bankruptcy Code, or (iv) any borrowing or grant of a security interest under Section 364 of the Bankruptcy Code. The liability of Guarantor hereunder is direct and unconditional, and Lender shall have the right to proceed against the Guarantor immediately upon any default by Debtor and shall not be required to take any action or proceedings of any kind against Debtor or any other party liable for Debtor’s debts or obligations or any accounts, collateral or security which Lender may have, either under the Note or otherwise, before proceeding against the Guarantor hereunder. The books and records of Lender showing the account between it and Debtor shall be admissible in any action or proceeding, shall be binding upon Guarantor for the purpose of establishing the items therein set forth, and shall constitute prima facie proof thereof.
3. Amendments. This Guaranty may be amended only by written agreement signed by the parties hereto.
4. Governing Law; Forum. This Agreement will be governed by the laws of the state of Idaho, without giving effect to conflict of laws principles thereof. All actions brought to interpret or enforce this Agreement shall be brought in the courts located in Kootenai County, Idaho, and each Party waives any defenses relating thereto including without limitation defenses regarding lack of personal jurisdiction, lack of venue or *forum non conveniens*.
5. Attorney's Fees. In the event of any legal action to enforce the terms of this Agreement, the prevailing party

UNCONDITIONAL GUARANTY

shall be entitled to receive their reasonable attorney's fees and costs from the non-prevailing party.

6. Injunctive Relief. If Guarantor breaches this Agreement, Lender may recover all legal and equitable remedies afforded to Lender by law.

7. Severability. In the event and to the extent that any provision hereof shall be deemed to be invalid or unenforceable by reason of the operation of any law or by reason of the interpretation placed thereon by any court, this Agreement shall to such extent be construed as not containing such provision, but only as to such locations where such law or interpretation is operative, and the invalidity or unenforceability of such provision shall not affect the validity of any remaining provisions hereof, and any and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect.

8. Notice. All notices and other communications under this Note will be in writing and will be deemed given (a) the same day if delivered personally against receipt, (b) the next business day if sent by overnight delivery via a reliable express delivery service which confirms delivery, or (c) after 5 business days if sent by certified mail, return receipt requested, postage prepaid. All notices will be delivered to the at the following addresses (or at any other address specified by written notice, *provided* that notice of change of address will be effective only upon receipt of the notice):

If to Lender: Seller Op Co
105 N. Fourth Street, Suite 208
Coeur d'Alene, ID 83814
Attn: Legal Department
(208) 765-3326
Fax – (208) 667-7694

If to Debtor: Buyer Op Co
Address

Phone
Fax –

If to Guarantor: Individual Name(s)
Address

Phone

Any party may change its address by giving notice as provided in this Section.

9. Entire Agreement. This Agreement supersedes all other agreements between the parties hereto, verbal or written, express or implied, relating to the subject matter hereof.

10. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be effective as original agreements of the Parties. Original signatures transmitted by facsimile or email transmission will be effective to create counterparts.

[Signature Page to Follow

UNCONDITIONAL GUARANTY

IN WITNESS WHEREOF, Guarantor have executed this Agreement as of the date first above written.

Debtor:

Lender:

BUYER OP CO

SELLER OP CO

By _____
Name
Its Title

By _____
Name
Its Title

Guarantor:

NAME

EXHIBIT L

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EXHIBIT M**FRANCHISEES AS OF DECEMBER 31, 2014**

State	City	Address	Zip	Phone	Owner/Operator	Operating Name
AL	Auburn	157 N. College St.	36830	(334) 887-1010	Benjamin Bromberg	R2W2, LLC
AL	Mobile	211 Dauphin Street	36602	(251) 690-7482	Carlos Serrano, Matthew Lemond	Pita City, LLC
AL	Tuscaloosa	1207 University Blvd	35401	(205) 409-8889	Jack Brighenti	Roll Pitas, Inc
AK	Anchorage	600 E. 36 th Avenue, Unit 200	99503	(907) 563-7482	William St. Pierre, Jr.	Les Deux Saints, LLC
AK	Anchorage	11108 Old Seward Highway	99515	(907) 344-7482	William St. Pierre, Jr.	Les Deux Saints, LLC
AR	Little Rock	12911 Cantrell Road, Unit 6	72201	(501) 227-7482	Jason Colby Ruple, Joy Ellen Ruple	JZ Enterprises, LLC
AZ	Flagstaff	23 East Aspen Ave.	86001	(928) 213-1330	Erik Gerharter	Putty Bred, LLC
AZ	Gilbert	4972 S Power Road Suite 103	85234	(480) 988-6362	Todd K Runyan / Blanca Runyan	Tempe Pita, LLC
AZ	Tempe	690 South Mill Ave., Building C, Unit 105	85181	(480) 967-2322	Todd K. Runyan / Blanca Runyan	Tempe Pita, LLC
AZ	Yuma	1525 Yuma Palms Pkwy, Suite 102	85365	(928) 783-5712	Todd Runyan, Blanca Runyan	Yuma Pita, LLC
CA	Chico	240 Broadway St.	95928	(530) 899-2847	Jay Dakof, Pamela Dakof	Pita Power, LLC
CA	Fresno	6929 North Willow Avenue, Unit 105	93720	(559) 298-6777	Mario Esquivel	Santillan S. Management
CA	Fresno	7967 N. Blackstone	93720	(559) 439-7482	Sam Brar	Pita Pit Fresno
CA	Hermosa Beach	1112 Hermosa Ave.	90254	(310) 374-3663	Mukhjit Pannu / Scott Frasnelly	Two Kigns Pita, Inc.
CA	Mammoth Lakes	Suite 149, 6201 Minaret Rd.	93546	(760) 924-7482	Juan Hernandez, Jesus Hernandez	Roosters Team

LIST OF FRANCHISEES

State	City	Address	Zip	Phone	Owner/Operator	Operating Name
CA	Roseville	1485 Eureka Road, #160, Building E	95661	(916) 783-7482	Debbie Gonzalez and Jesse Gonzalez	Folsom Pita, LLC
CA	Sacramento	105-1420 65 th St.	95819	(916) 737-7482	Debbie Gonzalez and Jesse Gonzalez	Folsom Pita, LLC
CA	San Diego	5131 College Ave., Suite D	92115	(619) 265-7482	Eduardo Espinoza, Mathew Shaffer	La Mesa Pita, Inc.
CA	San Jose	151 South 2 nd Street	95113	(408) 694-3200	Doug Shon	N/A
CA	San Luis Obispo	858 Foothill Blvd	93405	(805) 543-7488	Andrew Cook	2C Pitas, LLC
CA	Valencia	28253 Newhall Ranch Rd.	91355	(661) 702-9977	Arthur Aridjian, Marina Divtyan	Beyond Enterprises, Inc.
CO	Colorado Springs	8 East Bijou Street	80903	(719) 634-1748	Chris Murphy, Jill Murphy	Murphy & Murphy, Inc.
CO	Colorado Springs	6445 Source Center Pt	80923	(719) 434-5203	Mark Whitmoyer	Jumar, Inc.
CO	Colorado Springs	773 W. Garden of the Gods Road	80907	(719) 277-7482	Julie Whitmoyer, Mark Whitmoyer	Garden of the Gods Pita, Inc.,
CO	Fort Collins	1232 West Elizabeth St., Unit C9	80525	(970) 416-7600	Greg Krasnodedski & Amber Wood	Absolute Investments, Inc.
CT	Stamford	211 Main Street	06901	(203) 504-8587	Matthew J. Stockel, Irwin H. Stockel	Stiggs Pit, LLC
FL	Apopka	3030 E. Semoran Blvd, #212	32703	(407)637-2900	Kristopher Rymer	Sarko Bear Lake, LLC
FL	Boca Raton	2200 Glades Road	33431	(561) 544-0810	Robert Farenhem, Kimberly Marcil	BCPP II, LLC
FL	Coral Springs	6192 West Sample Rd	33067	(954) 227-0936	Bayview Captial Partners, LLC	BCPPI, LLC
FL	Fort Lauderdale	200 SW First Avenue, Suite 102E	33301	(954) 617-7482	Robert Farenhem, Kimberly Marcil	BCPP III, LLC
FL	Fort Myers	M-7 – 10093 Gulf Center Drive, Suite 7	33913	(239) 274-7482	Timothy Goff, Justin O'Brien	The Pita Pro's, Inc

LIST OF FRANCHISEES

State	City	Address	Zip	Phone	Owner/Operator	Operating Name
FL	Fort Myers	4464 Fowler Avenue	33901	(239) 275-7482	Timothy Goff, Justin O'Brien	Pita Pros 2, LLC
FL	Fort Myers	7091 College Parkway, Ste 8	33907	(239) 274-7488	Wesley A. Navarro, Santos Navarro	Navarro Restaurant LLC
FL	Fort Myers	9390 Ben C. Pratt Parkway	33966	(239) 275-4884	Khoshaba Khosho	KSGM4 LLC
FL	Gainesville	3841 SW Archer Rd, Unit F	32607	(352) 692-4460	Keith Crutcher, Ryan Wise	CW Ventures, I, LLC
FL	Gainesville	C-1702 West University Ave.	32603	(352) 692-4400	Rob Roche	Pita Pit Gainesville Inc.
FL	Jacksonville	500 3 rd Street N.	32250	(904) 658-4567	Robert Whitkop	River City Pita, LLC
FL	Jacksonville	491 Forsyth Street West	32202	(904) 699-7482	Annd Patel	Alesha LLC
FL	Jacksonville	The Osprey Clubhouse 1 University of N Florida Drive	32224	(914) 882-7689	Teresa Feldman	Companss Group USA, Inc.
FL	Lake Mary	4235 W. Lake Mary Boulevard	32746	(407) 876-2727	Kristopher Rymer	Sarko Lake Mary, LLC
FL	Melbourne	2270 Town Centre Ave., Suite 101	32940	(321) 205-1222	Samir Patel	Viera Pita, LLC
FL	Miami	Bay 12 – 16323 SW 88 th St.	33196	(305) 388-7740	Charles Burt, Luis Serrato	P & T Enterprise LLC
FL	Niceville	1552 John Sims Parkway, Suite C2	32578	(850) 389-8400	Steven T. Hendrix, Michelle L. Hendrix	Hendrix Healthy Eating LLC
FL	Orange Park	5 – 1810 Town Center Blvd.	32003	(904) 579-4930	Efrain DeLeon, Daniel DeLeon	DeLeon & Company, LLC
FL	Orlando	101-1 South Orange Ave.	32801	(407) 447-7482	Kristopher Rymer	Sarko Downtown Orlando, LLC
FL	Orlando	105 – 12140 Collegiate	32817	(407) 380-2333	Kristopher Rymer	Sarko Collegiate, LLC

LIST OF FRANCHISEES

State	City	Address	Zip	Phone	Owner/Operator	Operating Name
		Way				
FL	Orlando	11798 E. Colonial Dr.	32817	(407) 608-7482	Kristopher Rymer	Sarko Alafaya, LLC
FL	Orlando	409 S. Chickasaw Trail, #417	32825	(407) 630-6585	Kristopher Rymer	Sarko Rio Pinar LLC
FL	Oviedo	3635 Aloma Avenue, Suite 1017	32765	(321) 262-3167	Kristopher Rymer	Sarko Trinity LLC
FL	Panama City	101 Blue Fish Drive, Suite 145	32401	(407) 516-8889	Eric Woliver	Eric Woliver Restaurants, LLC
FL	Pensacola	1741 E. Nine Mile Road, Suite 1	32514	(850) 471-0910	S. Jeffrey Bell, Jr.	J. Bell Eateries, LLC
FL	Pensacola	1 S. Palafox Place	32502	(850) 542-4290	Scott J. Bell, Jr.	J. Bell Eateries Downtown, LLC
FL	Pensacola	5100 N. 9 th Avenue, Space J932	32504	(850) 696-2052	S. Jeffrey Bell, Jr.	J Bell Eateries Cordova LLC
FL	Port Orange	5537 S. Williamson Blvd., Space 662	32128	(386) 761-1819	Robert Monroe	Eatin' It Fresh LLC
FL	Tampa	2309 East Fowler Ave.	33612	(813) 910-1669	Haitham Khalil, Rania Abdel Malek	HR Egy Group Inc.
FL	Tampa	500 S. Howard Ave., Suite A&B	33606	(813) 254-7482	Brandon Berlinrut, Andrew Turek, Geoffrey Gluck	BG & T Enterprises, Inc.
FL	Tampa	514 Franklin St., #105	33606	(813) 226-7482	Andrew Turek, Thomas Turek	Turek Bros, Inc.
FL	Winter Park	140 W. Fairbanks Ave.	32789	(407) 478-8688	Kristopher Rymer	Sarko Winter Park, LLC
GA	Athens	123 North Jackson St.	30601	(706) 552-0052	Manhal Jijika / Janan Jijika	4M.S.Corporation
GA	Evans	4336 Washington Road	30809	(706) 364-0142	Sam Oshana / Manhal Jijika	Costless4u, LLC
GA	Statesboro	609 Brannen Street	30458	(912) 681-7482	Wesley Gilbert, Thomas Nasworthy	Griffin Newton, LLC
IA	Ankeny	1805 SE Delaware	50021	(515) 965-6913	Michael Rink, Tony Rink,	Rinknation, Inc.

LIST OF FRANCHISEES

State	City	Address	Zip	Phone	Owner/Operator	Operating Name
		Ave, #1100			Sue Rink	
IA	Cedar Falls	1700 West 1 st Street, Suite C	50613	(319) 266-5554	Mike Rink, Tony Rink and Sue Rink	Rinknation, Inc.
IA	Coralville	#1 – 517 2 nd Street	52241-2613	(319) 351-7482	Todd Morrow	Morrowco, LLC
IA	Iowa City	113 Iowa Avenue	52240	(319) 351-7482	Todd Morrow	Morrowco, LLC
IA	Mason City	616 S. Monroe	50401	(641) 424-3370	Randy J. Cink / Diana J. Cink	Cruse5, Ltd.
IA	Ottumwa	1147 N. Jefferson	52501	(641) 682-4377	Randal Woodard, Cynthia Woodard	Elliott Oil Company
IA	Sioux City	2927 Hamilton Blvd., Unit 7A	51104	(712) 255-1748	Mark Lennon	Mmat, Inc.
IA	Waterloo	1503 Flammang Drive	50702	(319) 287-5905	Michael Rink	Rinknation, Inc.
ID	Boise	746 West Main St.	83702	(208) 388-1900	Nicholas Epler	NCE, LLC
ID	Boise	1007 Broadway Ave	83706	(208) 955-7482	Nicholas Epler	Broadway Pitas, LLC
ID	Caldwell	2110 Blaine Street	83605	(208) 949-0965	Zachary Kiebel	Caldwell Pitas LLC
ID	Meridian	103 – 3030 E. Overland Rd.	83642	(208) 888-3525	Nicholas Epler	Meridian Pitas, LLC
ID	Moscow	102 – 317 W. 6 th Street	83843	(208) 882-7482	Nicholas Epler	Moscow Pitas, LLC
ID	Nampa	2306 12 th Avenue Road	83686	(208) 467-7482	Zachary Kiebel	Nampa Pitas LLC
ID	Pocatello	1799 Hurley Dr., Ste.A	83201	(208) 478-7482	Brian Christensen	Pita Achieva, LLC
IL	Aurora	156 Fox Valley Center Drive, Space FC4	60504	(630) 340-3691	Zaid Sbeih / Zeyad Sbeih	FZS, Inc.
IL	Brookfield	9200 Ogden Avenue	60513	(708) 255-5731	Roshan Patel	Vijeta Inc.
IL	Chicago	2404 North Lincoln Ave.	60614	(773) 935-7482	Zeyad Sbeih, Zaid Sbeih	FZS Inc.
IN	Evansville	1211 Tudor Lane, Unit E2	47715	(812) 402-6205	Michael Conati, Piper Conati	Conati Enterprise LLC

LIST OF FRANCHISEES

State	City	Address	Zip	Phone	Owner/Operator	Operating Name
IN	Indianapolis	2902 W. 86 th St., Suite 70	46268	(317) 872-7482	Addison Lusby	Lusby Investments, LLC
IN	Indianapolis	1 N. Pennsylvania St, Unit 120	46204	(317) 829-7482	Devon Everhart, Travis Sealls	Vontra Foods, LLC
IN	Muncie	509 North Martin St.	47303	(765) 288-7700	Randy Martin, Gregory B. Martin	HUBZ, LLC
KS	Lawrence	1011 Massachusetts St.	66044	(785) 856-2500	Tom Cruse, Annette Cruse, Jacob Cruse	Crusemissile, Inc.
KS	Manhattan	1131 Moro St.	66502	(785) 537-3995	Randy Martin, Susan Dysart	Dys-Mart Foods, Inc.
KS	Wichita	3242 N Rock Road, Unit 118	67226	(316) 201-4748	Tim Aberson, Michelle Aberson, Lowell Aberson, Marti Aberson, W. Antonio Palomino, Debra L. Palomino	Abersonek LLC
KY	Louisville	9816 Linn Station Road, Unit 166B	40223	(502) 565-1220	Timothy E. Allen, Sundeep Dronawat and Rashed Quddus	ThankYouComeAgain, Inc.
KY	Louisville	12501 Shelbyville Rd.	40243	(502) 894-8109	Timothy E. Allen, Sundeep Dronawat, Rashed Quddus, Ajit Nair	Thankyoucomeagain, Inc.
LA	Baton Rouge	3260 Highland Road, Unit 4	70802	(225) 343-1200	Jack Brighenti	Geaux Pitas, Inc.
LA	Hammond	118 N. Cate Street	70401	(985) 345-8969	Jack Brighenti	Ragin Pitas Inc.
LA	New Orleans	5800 Magazine St.	70115	(504) 899-4141	Barbra-Renee Brighenti, Jack Brighenti	The Pita Way, Inc.
MA	Amherst	UMASS – Hatch	01003	(413) 687-1725	David Eichstedt	University of Massachusetts
MA	Amherst	UMASS – Worcester	01003	(413) 687-1725	David Eichstedt	University of Massachusetts
MA	Amherst	UMASS – Hampden	01003	(413) 687-1725	David Eichstedt	University of Massachusetts
MD	Baltimore	413 W. Baltimore St.,	20201	410) 685-0170	James A. Seward, James L.	JS Pita Baltimore, LLC

LIST OF FRANCHISEES

State	City	Address	Zip	Phone	Owner/Operator	Operating Name
		#100			Seward	
MD	Bel Aire	5 Bel Air South Parkway, Ste #P1635	21015	(410) 569-5805	James L. Seward, James A. Seward	JS Pita, LLC
MI	Ann Arbor	615 E. University Ave.	48104	(734) 213-7482	Doug Peterson	UNO, LLC
MI	Hudson	4938 S. Meridian Road	49247	(517) 448-4355	Sukhbir Singh	Sukhman, Inc.
MI	Kalamazoo	2913 Howard St.	49006	(269) 343-7482	Joshua Nagy, Donald Sak & Robert Sak	Nagsak Company of Kalamazoo
MI	Macomb	50966 Romeo Plank Road	48042	(586) 846-3236	Tamara L. King, James C. King, r	Pit Crew LLC
MI	Shelby Township	55118 Van Dyke	48317	(586) 992-6917	Braden J. Martyniuk	BMTA Michigan Inc.
MN	Brooklyn Park	9656 Colorado Lane N., Suite A101	55445	(763) 600-6375	Christopher Volk, Timothy Volk, Linda Volk	Brooklyn Park Pita LLC
MN	Mankato	530 South Front St.	56001	(507) 345-4444	Jorae Galli	Kato Pita, Inc.
MS	Oxford	309 N. Lamar Blvd.	38655	(662) 238-3535	Jack Brighenti	Rebel Pitas Inc.
MS	Pearl	200 Bass Pro Drive, Suite 109	39208	(601) 939-3031	Maulik Patel / Rakesh APatel	J & R Creative Roods LLC
MS	Starkville	104 West Main Street	39759	(662) 324-7482	Jack Brighenti	Bulldog Pitas, Inc.
MO	Columbia	1105 Grindstone Parkway, Suite 101	65039	(573) 499-5099	Jeremy chad Bryson, Daniel Jay Robar	Bryson & Robar Enterprises, LLC
MO	St. Louis	6120 Delmar Street	63112	(314) 261-4884	Jordan Martin	J-Mart productions L.L.C.
MO	St. Louis	206 North Ninth Street	63101	(314) 436-1840	Ketan Patel	Pragati Management, LLC
MO	Springfield	1318 E. Battlefield	65804	(417) 883-1565	David Inlow, Penny Inlow	DP Ventures, Inc.
MO	Springfield	2113 W. Republic Rd	65810	(417) 883-1565	David Inlow / Penny Inlow	DP Ventures, Inc.
MT	Billings	2228 Grand Ave.	59102	(406) 652-9261	Kristi Grob	BMT Pita, LLC
MT	Bozeman	246 E. Main St.	59715	(406) 586-7482	Ken Behler, Don Rogers	BR, Inc.
MT	Dillon	613 S. Atlantic Street	59725	(406) 683-3494	Trent A. Cottom, Ashly L.	T&A Ventures LLC

LIST OF FRANCHISEES

State	City	Address	Zip	Phone	Owner/Operator	Operating Name
					Cottom	
MT	Great Falls	2325 10 th Avenue South	59405	(406) 761-7482	James Talley	Pita Full Ventures, LLC
MT	Helena	101 E. Sixth	59601	(406) 443-7482	James Talley	Pita Full Ventures, LLC
MT	Missoula	130 North Higgins Ave.	59807	(406) 541-7482	Chris Butz & Nancy Butz	Butz Enterprises, Inc.
MT	Butte	1 N. Montana Street	59701	(406) 299-3658	Buddy A. Fisher, Carrie Rupert-Fisher	B.C. Pita, LLC
NC	Charlotte	120-214 N. Tryon St.	28202	(704) 333-5856	Kamlesh Jagani / Toral Jagani	RAD Investmetn Partners
ND	Bismarck	2930 N. 14 th Street, Unit 100	58503	(701) 751-4202	Christopher Volk, Steven Volk	Volk Investments Inc.
ND	Dickinson	1785 1 st Street West	58601	(701) 483-0606	Christopher Volk	Volk Investments Inc.
ND	Grand Forks	3221 32 nd Avenue South, Suite 300	58201	(701) 738-8008	Keith Streyle, Patrick Streyle, Roscoe Streyle	Spica, Inc.
ND	Minot	1500 South Broadway	58701	(701) 852-7482	Christopher E. Volk	Minot Pita LLC
NE	Omaha	12252 K Plaza, Suite 101	68137	(402) 934-4100	Matthew Mayer, Angela Mayer, John Sells, Timothy Aberson, Michel Aberson, Chris Pohl	Grapes Fresh & Healthy LLC
NH	New Hampshire	Philbrook Hall, Philbrook Café, University of New Hampshire			University of New Hampshire	University of New Hampshire
NM	Albuquerque	2106 Central Ave. SE	87106	(505) 242-7482	Leticia Bernal	Daddy's Dollar, Inc.
NV	Las Vegas	1263 Silverado Ranch Blvd, suite 105B	89183	(702) 778-7482	Paul D. Sergi, Jr.	Main Course Management, Inc
NY	Rochester	1100 Jefferson Rd.	14623	(585) 475-1040	Dave Pennington, Judy	Pennimizer Pita's Inc.

LIST OF FRANCHISEES

State	City	Address	Zip	Phone	Owner/Operator	Operating Name
					Pennington	
NY	Rochester	100-311 Alexander St.	14604	(585) 454-2510	Dave Pennington, Judy Pennington	Pennimizer Pita's Inc.
NY	Syracuse	107 Marshall St	13210	(315) 479-0460	Zachary Zuckerman	Empire Pitas, Inc.
OH	Akron	325 S. Main Street	44308	(330) 434-7482	John Cavileer and Matthew Mayo	Akron Pita, LLC
OH	Athens	8 North Court St.	45701	(740) 593-8600	Patrick L. Parker	Athens Ohio PP LLC
OH	Bowling Green	522 E. Wooster St	43402	(419) 725-2739	Thomas Dake, II	Piece of PI, Inc.
OH	Columbus	1988 North High St	43201	(614) 421-7482	Kraig McHenry	Enjoy Every Pita, LLC
OH	Fairlawn	3750 W. Market St.	44333	(330) 670-7482	John W. Cavileer, Matthew F. Mayo	Fairlawn Pita, L.L.C.
OH	Holland	6504 Airport Highway	43528	(419) 865-5933	Raj Lealh	Fuel Pit, Inc.
OH	Kent	154 E Main St., Unit B	44240	(330) 346-0334	Jan Walther, Tana Walther	Pulano's, Inc.
OH	North Canton	1102 N. Main Street	44720	(330) 966-7482	Jan D. Walther, Terra Walther, Tana Walther	Tanterr Incorporated
OH	Toledo	2903 Dorr Street	43614	(419) 725-2748	Thomas Dake, II	Piece of PI, Inc.
OH	Toledo	30 S. St. Clair	43604	(419) 214-0980	Thomas Dake, II	Piece of PI, Inc.
OK	Norman	311 West Boyd	73069	(405) 573-7482	Ramon Santiago Reyes-Ferguson	Reyco Pita, LLC
OK	Edmond	3217 S. Broadway	73013	(405) 372-7482	Ramon Santiago Reyes-Ferguson	Pita Slingers, LLC
OR	Ashland	145 East Main Street	97520	(541) 482-7482	Robert Kendrick / Trevor Kendrick	D & L Pitas III, Inc.
OR	Beaverton	3270 SW Cedar Hills Blvd., Unit 102	97005	(503) 748-2748	Christopher McCall, Patrick Peralta	McAlta, LLC
OR	Beaverton	18033 NW Evergreen Pkwy, Unit 22 B	97006	(503) 690-7482	Chris McCall, Patrick Peralta	Flip Teuchter LLC

LIST OF FRANCHISEES

State	City	Address	Zip	Phone	Owner/Operator	Operating Name
OR	Corvallis	B-1425 N.W. Monroe Ave	97330	(541) 738-7482	Chad R. Ferschweiler	CRF LLC
OR	Eugene	1087 Willamette St	97401	(541) 485-5595	John Dowell	Java Johns Inc.
OR	Grant's Pass	330 NE Beacon Dr., Unit A	97526	(541) 955-4525	Ben Anderson, Bridget Anderson	Miles Left LLC
OR	Hood River	1769 12 th Street	97031	(541) 386-1396	Cheramy Blais-Rovianek, Douglas Rovianek	
OR	Medford	1740 Delta Waters Road, Unit 104	97504	(541) 770-7482	Benjamin Anderson, Bridget Hughes	Miles Left, LLC
OR	Oregon City	423 Beavercreek Road	97219	(503) 518-7482	Drew Boyer	Boyer Pitas, LLC
OR	Portland	1811 SW 5 th Avenue	97201	(503) 222-7482	Morgan Tigli	PSU Pitas Inc.
OR	Portland	4121 SE Hawthorne Blvd.	97214	(503) 232-7482	Dennis Sallee, Laura Sallee	D & L Pitas VI Inc.
OR	Roseburg	1122 NW Garden Valley Blvd, Bldg C202	97471	(541) 672-4810	Joseph C. Stinnett, Sherry Stinnett	One05 Properties, LLC
OR	Salem	524 State Street	97330	(503) 588-7482	Aaron Deen	Deen Enterprises, Inc.
PA	Center Valley	3045 Center Valley Parkway, Unit 112	18034	(610) 841-7482	Richard Gross	RLRMCG LLC
PA	Elizabethtown	28 S Market Street	17022	(717) 689-3493	Alan R. Alexander, Bradley M. Alexander, Nathan E. Groff, Benjamin J. Sugarwala, Marco Sardi	PRG, LLC
PA	Harrisburg	100 North Second Street	17101	(717) 238-0100	Bradley M. Alexander, Alan R. Alexander, Nathan E. Groff, Benjamin J. Sugarwala	PRG, LLC
PA	Lancaster	398 Harrisburg Ave., Unit 500	17603	(717) 517-7111	Bradley M. Alexander, Alan R. Alexander, Nathan E. Groff and Benjamin J.	PRG, LLC

LIST OF FRANCHISEES

State	City	Address	Zip	Phone	Owner/Operator	Operating Name
					Sugarwala	
PA	Pittsburgh	2763 E. Carson St. #C105	15203	(412) 481-7482	Dennis Manning / Carol Manning / Jedediah Manning	DCM Holdings, Incorporated
PA	State College	218 E. Calder Way	16801	(814) 234-1228	Adam Green & Adam Palmer	Green Palm, LLC
PA	West Chester	139 West Gay St.	19380-2914	(610) 918-7482	Jeffrey Gillman & Robert Gillman	The Gillman Brothers, LLC
PA	Wyomissing	1665 State Hill Road, Unit 920	19610	(484) 772-3121	Biral D. Patel, Ronak H. Patel, Honey M. Patel, Mithunkumar K. Patel	Om Shri Sai Inc.
PA	York	1911 Springwood Rd	17403	(717) 650-1813	Alan R. Alexander, Bradley M. Alexander, Nathan E. Groff, Benjamin J. Sugarwala, Marco Sardi	PRG, LLC
SC	Clemson	383 College Ave.	29631	(864) 653-7482	Justin Kopelman	Clemson Pita LLC
SC	Columbia	2002 Green St., Unit A	29205	(803) 799-4557	John E. Thrash, III, John E. Thrash, Jr.	Little Fire Restaurants, LLC
SC	Florence	300 W. Palmetto St., Suite C	29501	(843) 667-4820	Rampreasad Venkannagari Ripa Venkannagari	Shriya LLC
SC	Greenville	21 S. Main Street	29601	(864)239-0192	Justin Kopelman	Greenville Pita, LLC
SC	Sumpter	1029 Broad Street	29150	(803) 773-4820	Ramprasad Venkannagari, Ripa Venkannagari	EESHA LLC
SD	Rapid City	725 Main Street	57701	(605) 718-7482	Steve Smith, Timothy Smith, Justin Henrichsen	Black Hills Pita Company, Inc.
SD	Sioux Falls	927 South Minnesota Ave	57104	(605) 336-7482	Michael Huisman, Timothy T. Aberson, Darryl T. Cruse	Jabez, Inc.
SD	Sioux Falls	2401 E. 10 th St. Plaza	57103	(605) 275-4755	Michael Edward Huisman, Geralyn Gail Huisman, Timothy T. Aberson,	Jabez, Inc.

LIST OF FRANCHISEES

State	City	Address	Zip	Phone	Owner/Operator	Operating Name
					Michelle R. Aberson, Darryl T. Cruse, Annette R. Cruse	
SD	Sioux Falls	2312 W. 69 th St., #100	57101	(605) 275-5779	Michael Edward Huisman, Geralyn Gail Huisman, Timothy T. Aberson, Michelle R. Aberson, Darryl T. Cruse, Annette R. Cruse	Jabez, Inc.
TN	Memphis	2105 Union Avenue, #101	38104	(901) 207-1541	Jatin N. Patel / Tajal D. Patel	LAXMI JT, LLC
TN	Murfreesboro	2943 S. Rutherford Blvd, Unit A	37129	(615) 900-4556	Jeff Lynch, Jack Haynes	H & L Food Concepts, LLC
TN	Nashville	121 2 nd Ave North	37201	(615) 255-7482	Jack Haynes, Jeff Lynch	H & L Food Concepts, LLC
TX	Austin	2350 Guadalupe St.	78705	(512) 474-7482	Elizabeth Florer, Carlos Garcia	Pita on the Drag, LLC
TX	Beaumont	3939 Dowlen Rd, #8	77706	(409) 761-1170	Robert Y. Chang Chukwuma B. Anumudu Charles F. Wesley	The Langham Pita 1, LLC
TX	College Station	403 W. University Dr.	77840	(979) 260-5084	Jody R. Putman, Lindsay B. Putman, Randall R. Adams	Adaput, LLC
TX	College Station	2008 South Texas Ave	77840	(979) 694-5300	Jody R. Putman, Lindsay B. Putman, Randall R. Adams	Adaput, LLC
TX	Denton	105-1/2 Avenue A	76201	(940) 484-7482	Turaj (Tim) Raietparvar	N/A
TX	Huntsville	2100 Sam Houston Ave., Suite A	77340	(936) 439-5230	Elizabeth Florer, Lance McLean	E' Beth, Inc.
TX	Lubbock	5707 4 th Street, Unit 150	79416	(806) 687-7482	Udaya Bhakta, Mehul Bhakta, Jitendrakumar Bhakta, Tushar Bhakta	JJB Investments, LLC
UT	Ogden	309 W. 12 th Street	84404	(801) 393-2460	Ralph Oman	Sman, LLC
UT	Provo	B-1240 North University Ave.	84604	(801) 356-7482	Devendu Dharni, Trina Tippetts	Aagamom, LLC

LIST OF FRANCHISEES

State	City	Address	Zip	Phone	Owner/Operator	Operating Name
VA	Norfolk	1501 Colley Avenue	23517	(757) 446-8575	Samuel T. Crown, Alan F. Crown	CIH Ghent 2, LLC
VA	Virginia Beach	300 Constitution Drive	23464	(757) 333-7482	Anthony B. Rivera, Tamara K. Rivera	Tahitian Freeze, Inc.
VA	Williamsburg	249 Richmond Road, #101	23185	(757)565-7482	Marilyn Twine, Brandon Charles Twine	Twine Enterprises, Inc.
WA	Battleground	11 N.W. 12 th Avenue, Suite 104	98604	(360) 687-7482	Dennis G. Sallee, Laura L. Sallee, Daniel H. Sallee	D & L Pitas VII, Inc.
WA	Bellingham	201 East Holly St.	98225	(360) 778-3657	Navtej Singh	Connect Business Corp.
WA	Ephrata	26 Basin Street NW	98823	(509) 398-2369	Pamala J. Leseman	PJL Company, LLC
WA	Ellensburg	111 W 3 rd Ave	98926	(509) 925-7482	Joshua Friedman	JWII Inv.
WA	Oak Harbor	32650 State Route 20, Bldg. B., Unit 104	98277	(360) 675-5111	Lisa Koetje Flitcroft, Edward George Flitcroft	PLF Incorporated
WA	Pasco	4525 Road 68 th N Unit B	99301	(509) 543-7482	John Clapper, Kathy J. Clapper	Tri-City Pita, LLC
WA	Pullman	600 NE Colorado St.	99163	(509) 338-4900	Nicholas Epler	Pullman Pitas, LLC
WA	Puyallup	4301 S. Meridian	98373	(253) 446-6592	Alexander Gonzalez	Grinch, LLC
WA	Spokane	818 Sharpe Street	99202	(509) 483-1629	Erik Morris	Erik Morris, Inc.
WA	Spokane	2916 S. Regal Street, Suite E	99223	(509) 474-9440	Erik Morris / Jonathon D. Winn	Pita Prestige Worldwide, LLC
WA	Tacoma	921 Pacific Ave	98402	(253) 572-7482	Gurpreet Rai	RaviRai Enterprises Inc.
WA	Tacoma	101 – 212 Garfield St.	98444	(253) 539-2797	Erica Nation	Koiez LLC
WA	Vancouver	7710 NE 5 th Ave., Unit 120	98665	(360) 992-7482	Dennis G. Sallee, Laura L. Sallee, Daniel H. Sallee	D & L Pitas II, Inc.
WA	Vancouver	16415 SE 15 th Street	98682	(360) 892-7482	Dennis G. Sallee, Laura L. Sallee	D & L Pitas, Inc.
WA	Vancouver	11211 NE Fourth Plain	98662	(360) 604-6000	Dennis Sallee, Laura Sallee	D & L Pitas IV, Inc.

LIST OF FRANCHISEES

State	City	Address	Zip	Phone	Owner/Operator	Operating Name
		Boulevard, Suite 101				
WA	Vancouver	8700 NE Vancouver Mall Dr., #281	98662	(360) 882-2922	Dennis Sallee, Laura Sallee	D & L Pitas V, Inc.
WI	Madison	449 State St., Unit B/L3	53703	(608) 819-6722	Andrew Culp, Marian Culp	Badger Pita , LLC
WI	Milwaukee	2222-2224 Norht Farwell Avenue	53202	(414) 727-2720	Andrew C. Culp	Panther Pita, Inc.
WV	Charleston	4222 MacCorkle Ave SE	25304	(304) 925-2848	Todd Branham	Almost Heaven Operations LLC
WV	Huntington	1216 4 th Avenue	25701	(304-781-7482	R. Douglas Meyers, Nathan Myers, Stetson David Myers, Donna Stoner Myers	NSDD, LLC
WV	Morgantown	387 High Street	26505	(304) 284-0027	Dennis Manning, Jedediah Manning, Zachary Arquette	JDZ Investments, Inc.
WY	Laramie	University of Wyoming – Food Court	82071		University of Wyoming	University of Wyoming

LIST OF FRANCHISEES

FRANCHISE AGREEMENTS EXECUTED IN 2014 BUT NOT OPENED AS OF DECEMBER 31, 2014.

<u>Franchisee(s)</u>	<u>Company Name</u>	<u>City/State</u>	<u>Email Address</u>
Saurin A. Patel Malay Patel	Krishno Inc.	Atlanta, GA	Mkp0193@hotmail.com
Mathew C. Dodaro Marites N. Dodaro	Abcandus, Inc.	Rockford, IL	m.dodaro@comcast.net
Michael Rink, Tony Rink , Sue Rink	Rinknation, Inc.	Urbandale, IA	rinknation@hotmail.com
Andrew Culp	Red Raider Pita, LLC	Milwaukee, WI	Aculp67@gmail.com
Robert Kendrick Trevor Kendrick Nicole Spencer	D&L Pitas III, Inc.	Ashland, OR	goldendragon66@yahoo.com
Brandon Stevenson Sarah Stevenson	Gotcha Healthy Food, LLC	Houston, TX	Sdstevnson626@gmail.com
Christopher Volk, Timothy Volk, Linda Volk	Stanley Pita LLC	Stanley, ND	chrsvolk1@hotmail.com
Peter Hartley	St. Pete Pitas LLC	St. Petersburg, FL	Hartleyp38@gmail.com
Andrew Bagnall	Peppita, LLC	Indian Trail, NC	Andrew.bagnall@yahoo.com
Kristi Grob	BMT Pita Inc.	Billings, MT	kmgrob@hotmail.com
Jitendra Patel Rajesh Patel Durgesh Patel Amrish Mehta Kamlesh Mehta	JK UTSA Investments, LLC	San Antonio, TX	kam@a1tech.biz
Joseph Warhurst	Webhurst, LLC	San Diego, CA	Joseph.warhurst@siemens.com

<u>Franchisee(s)</u>	<u>Company Name</u>	<u>City/State</u>	<u>Email Address</u>
Miles Kirchmeier	Puget Sound Pita, LLC	Olympia, WA	mkirchmeier@gmail.com
Tony Palomino Debbie Palomino Tim Aberson Michele Aberson Lowell Aberson Marti Aberson	Pit Boss LLC	Derby, KS	tpalominopp@att.net
Robert King, Lexi King	VeeKay Management, LLC	Clive, IA	bobjking6@yahoo.com
Chintin Javia, Rajdip Vachhani	Yeshnee, LLC	Atlanta, GA	rajkvachhani@gmail.com
Maulik Patel, Rakesh Patel	J & R Creative Foods LLC	Ridgeland, MS	Mapatel11@gmail.com
Chinedum Kndukwe	Kingsley Entertainment, LLC	Cincinnati, OH	ckndukwe@gmail.com
Andrew Archer	RP Gleeson LLC	Queen Creek, AZ	dtaosoccer@yahoo.com
Ankit Patel, Maunaukumara Patel	Tri Pita Incorporated	Hoboken, NJ	sunny@dezihost.com
Todd Runyan, Blanca Runyan	Mesa Pita, LLC	Mesa, AZ	yumaroadkill@yahoo.com
Michael P. Fischer, Gihad Sayed, Basem Sayed	Gateway QSR Operations, LLC	Toledo, OH	mfischercpa@aol.com
Brandy Rapp, George L. Lemon, II	Lemon-Rapp Company, Inc.	Roanoke, VA	brapp@wtplaw.com
Todd Runyan, Blanca Runyan	Mesa Banner Pita, LLC	Mesa, AZ	yumaroadkill@yahoo.com
Milan Patel	Lala LLC	Cleveland, TN	nalimpatel@yahoo.com

LIST OF FRANCHISEES

Franchisees who had an outlet terminated, cancelled, not renewed, transferred or who otherwise Voluntarily or Involuntarily cease to do business under the Franchise Agreement for 2014 or who have not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document:

Voluntary Transfers/Terminations (Left the System)

Location	Name	Contact Information	Reason
SC	John Sam Vastis Michael Athanas	8820 Provence Village Charlotte NC 28226 jvastis@bellsouth.net mathanas@comporium.net	Voluntarily Transferred - Columbia
WI	Cortney Palm	1632 Grace Avenue Lakewood, WI 44107 palm.cortney@gmail.com	Voluntarily Transferred location
IN	Lucas Smelzer	1224 Winesay Way, Apt H Anderson, IN runningmanllc@hotmail.com	Voluntarily Transferred location
FL	Paul Burnett Terra Burnett Paul C. Burnett	401 Tenth Street Huntington WV burnett83@comcast.net burnett4@aol.com	Voluntarily Transferred location
DC	Inseon Choi	4615 Demby Drive Fairfax, VA Isc_090106@yahoo.com	Volunarily Transferred location
MI	Brandon D. Brown Kristen Brown Nicholas Hurst	255 Skyline Drive Milford, MI 48380 1741 Grandview Drive Rochester Hills, MI nick@pitapitmsu.com	Terminated – location in East Lansing
FL	Warren Mallory	warrenmallory@gmail.com	Voluntarily Transferred location
MD	Drin Kaziaj	1777 Reisterstown Rd, #204 Baltimore, MD 21208 baltimorepita@gmail.com	Voluntarily Transferred location
GA	Alexander Rykman	420 S York Rd, Unit 10 Hatboro, PA 19040 koryrykman@hotmail.com	Voluntarily Transferred location

NY	Chris Anagnostopoulos	christos85@hotmail.com	Voluntarily Transferred location
TX	Gregory Scott Posey	(512) 565- 2336gresposey@gmail.com	Voluntarily Transferred location
CA	Doug Hanna	(208) 819-5381 doug.hanna@pitapitusa.com	Voluntarily Transferred location
SC	Charles E. Lee Linda L. Lee	Chucklee777@aol.com Lindalee777@aol.com	Terminated
WA	Jonathan Sorrentino Ryan Simpson	Scott.simpson@paineambly.com	Terminated
AZ	Ryan Luby Melanie Wyman-Luby	ryanluby@hotmail.com	Terminated
NC	Kimit K. Shah Pritesh J. Patel Bhavin S. Patel	aajkaromeo@gmail.com	Voluntary Termination
NC	Joshua Wayne Sanders	staytheyear@hotmail.com	Voluntary Termination
FL	Ghawan Yonan	ghawan-yanon@hotmail.com	Terminated – vacated premises
CO	Scott Hazlett	scotthazlett82@aol.com	Terminated
NV	Nathan Sinclair	sinc3055@yahoo.com	Terminated – vacated premises
CA	Susan Pearson Chelsea M. Finley	susan@thebathworkshop.com	Voluntary Termination
UT	Zachary Zurn	zaczurn@gmail.com	Terminated
CA	Nicholas A. Jacobson	Njacobson44@gmail.com	Voluntary Termination
SC	Justin Wright Mildred Thompson	Justright02@hotmail.com Msthoma2687@gmail.com	Voluntary Termination
FL	Maitte Van Arsdel	Maitte.pitapitsrq@gmail.com	Terminated

LIST OF FRANCHISEES

Voluntary Transfers/Terminations (Remained in the System)

Location	Name	Contact Information	Reason
ND	Patrick Streyle Dustin LodoenRoscoe Streyle	(701) 420-5704 pstreyle@ucbnd.com	Terminated location in Grand Forks Transferred location in Minot, ND – continue to operate location in Grand Forks, ND
FL	Andrew Cook	calpolypita@gmail.com	Voluntarily transferred location in Tallahassee to Corporate – continues to operate restaurant in San Luis Obispo, CA
WV	Patrick Parker	134 Woodbridge Drive Charleston, WV 25311 patparkergreenbrier@gmail.com	Voluntarily Transferred location in Charleston – continues to operate restaurant in Athens, Ohio
FL	Khoshaba Khosho Gabriela Gatea	14 Panama Place Brampton ON Canada gabriela gatea@gmail.com	Voluntarily Transferred location in Fort Myers – Continue to operate location in Fort Myers
IN	Travis Sealls Devon Everhart	8328 Mockingbird Lane Indianapolis, IN 46256 tsealls@gmail.com	Voluntarily Transferred location in Indianapolis – continues to operate a location in Indianapolis
DC	Anthony Rivera Micaela Y. Edgerton	(718) 213-8097 Riverab007@aol.com Micaela.edgerton@gmail.com	Voluntarily transferred to Corporate - retains location in Virginia Beach, VA
ID	Patrick Peralta Chris McCall	pper@epiqsystems.com cemccall@gmail.com	Voluntary Termination – retain a location in Beaverton OR
PA	Richard Gross	Rgross1883@msn.com	Termnated – lease expiration – continues to operate another location in Pennsylvania

EXHIBIT N
FINANCIAL STATEMENTS

See attached

Pita Pit Inc.

**Financial Statements and
Independent Auditors' Report**

December 31, 2014 and 2013



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pita Pit Inc.
Coeur d'Alene, Idaho

We have audited the accompanying financial statements of Pita Pit Inc. (a Delaware corporation), which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of income and retained earnings and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pita Pit Inc. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Spokane, Washington
March 23, 2015

Pita Pit Inc.

Balance Sheets

	December 31,	
	2014	2013
<i>Assets</i>		
<i>CURRENT ASSETS:</i>		
Cash	\$ 775,877	\$ 487,845
Receivables:		
Accounts receivable, less allowance for doubtful accounts of \$25,000 at each date	1,207,024	1,084,660
Interest receivable	-	5,546
Prepaid income taxes	11,945	15,244
Prepaid expenses	71,340	98,471
Total current assets	<u>2,066,186</u>	<u>1,691,766</u>
<i>PROPERTY AND EQUIPMENT:</i>		
Office equipment	396,275	374,031
Furniture and fixtures	43,982	35,661
Computer software	90,814	69,414
Leasehold improvements	211,845	185,673
	<u>742,916</u>	<u>664,779</u>
Less accumulated depreciation	<u>449,385</u>	<u>375,304</u>
	<u>293,531</u>	<u>289,475</u>
<i>OTHER ASSETS:</i>		
License fees, less accumulated amortization of \$81,174 and \$77,841, respectively	32,217	35,550
Note receivable from franchisees	-	45,467
Advances due from related parties	16,191,932	14,395,363
	<u>16,224,149</u>	<u>14,476,380</u>
	<u>\$ 18,583,866</u>	<u>\$ 16,457,621</u>

See accompanying notes to financial statements.

	December 31,	
	2014	2013
<i>Liabilities and Stockholders' Equity</i>		
<i>CURRENT LIABILITIES:</i>		
Accounts payable and accrued expenses	\$ 665,349	\$ 694,262
Franchise deposits	191,000	403,000
Deferred advertising	621,451	510,228
Total current liabilities	<u>1,477,800</u>	<u>1,607,490</u>
<i>STOCKHOLDERS' EQUITY:</i>		
Common stock, no par value, 1,000 shares authorized; 12 shares issued and outstanding	480,001	480,001
Retained earnings	16,626,065	14,370,130
Total stockholders' equity	<u>17,106,066</u>	<u>14,850,131</u>
	<u>\$ 18,583,866</u>	<u>\$ 16,457,621</u>

Pita Pit Inc.

Statements of Income and Retained Earnings

	Years Ended December 31,	
	2014	2013
<i>REVENUES:</i>		
Franchise fees	\$ 1,056,000	\$ 917,000
Royalties	4,132,428	3,905,593
Rebates	1,720,094	1,707,504
Other	65,957	52,897
	<u>6,974,479</u>	<u>6,582,994</u>
<i>OPERATING EXPENSES:</i>		
Advertising	327,311	255,416
Amortization	3,333	3,330
Bad debts, less recoveries	64,777	222,141
Bank charges	6,570	5,989
Depreciation	74,081	56,570
Donations	29,506	25,843
Dues and subscriptions	77,562	64,734
Equipment rental	28,836	12,544
Freight and shipping	21,187	23,048
Franchise/trade show	94,787	45,561
Insurance	277,119	256,239
Consulting, legal, and accounting fees	398,085	715,903
Meals and entertainment	60,334	44,759
Miscellaneous	9,232	3,946
Office and general	61,386	78,486
Registration fees	1,399	3,802
Payroll and related taxes	185,371	127,622
Other taxes and licenses	8,671	4,608
Rent	236,102	305,867
Repairs and maintenance	14,753	8,401
Salaries and wages	2,164,470	1,366,167
Training	58,912	38,008
Travel	329,653	251,250
Telephone	88,626	89,552
Utilities	47,538	26,570
Website and technology	22,288	22,120
	<u>4,691,889</u>	<u>4,058,476</u>
<i>OPERATING INCOME (balances carried forward)</i>	2,282,590	2,524,518

See accompanying notes to financial statements.

Pita Pit Inc.

Statements of Income and Retained Earnings (Continued)

	Years Ended December 31,	
	2014	2013
<i>OPERATING INCOME (balances brought forward)</i>	\$ 2,282,590	\$ 2,524,518
<i>NONOPERATING INCOME:</i>		
Interest income	<u>-</u>	<u>1,953</u>
<i>INCOME BEFORE INCOME TAXES</i>	2,282,590	2,526,471
<i>INCOME TAX PROVISION</i>	<u>(26,655)</u>	<u>(24,186)</u>
<i>NET INCOME</i>	2,255,935	2,502,285
<i>RETAINED EARNINGS, BEGINNING OF YEAR</i>	<u>14,370,130</u>	<u>11,867,845</u>
<i>RETAINED EARNINGS, END OF YEAR</i>	<u>\$ 16,626,065</u>	<u>\$ 14,370,130</u>

See accompanying notes to financial statements.

Pita Pit Inc.

Statements of Cash Flows

	Years Ended December 31,	
	2014	2013
<i>Increase (Decrease) in Cash</i>		
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Net income	\$ 2,255,935	\$ 2,502,285
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	77,414	59,900
Uncollectible note receivable from franchisee	15,000	38,300
(Increase) decrease in assets:		
Accounts receivable	(122,364)	11,429
Interest receivable	5,546	(1,202)
Prepaid income taxes	3,299	(4,802)
Prepaid expenses	27,131	(22,898)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(28,913)	252,072
Unearned franchise fees	(367,000)	(184,000)
Deferred advertising	111,223	39,708
Net cash provided by operating activities	<u>1,977,271</u>	<u>2,690,792</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Purchases of property and equipment	(78,137)	(125,526)
Payments received from note receivable from franchisees	30,467	-
Net advances to parent company (Pita Pit USA, Inc.) and affiliates	(1,796,569)	(2,623,136)
Deposits received from franchisees	155,000	328,000
Net cash used in investing activities	<u>(1,689,239)</u>	<u>(2,420,662)</u>
<i>CASH FLOWS FROM FINANCING ACTIVITIES:</i>		
Payments on notes payable	<u>-</u>	<u>(200,000)</u>
<i>NET INCREASE IN CASH</i>	288,032	70,130
<i>CASH, BEGINNING OF YEAR</i>	487,845	417,715
<i>CASH, END OF YEAR</i>	\$ 775,877	\$ 487,845
<i>Supplemental Disclosure of Cash Flows Information</i>		
State income taxes paid	<u>\$ 23,041</u>	<u>\$ 19,503</u>

See accompanying notes to financial statements.

Pita Pit Inc.

Notes to Financial Statements

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization:

Pita Pit Inc. (the Company) was incorporated in the state of Delaware on December 20, 2001, and is a franchisor of Pita Pit restaurants located throughout the United States. Substantially all of its revenues are generated from the business activities of its franchise locations. The Company is a wholly owned subsidiary of Pita Pit USA, Inc.

Summary of Significant Accounting Policies:

- a. *Cash* – Cash includes cash on hand and cash in bank. The Company deposits its cash with high quality financial institutions. At times, such deposits may be in excess of the insurance limits provided by the Federal Deposit Insurance Corporation.
- b. *Accounts and notes receivable* – Receivables from advances to franchisees, various franchise fees, and royalties are carried at original invoice amount less an estimate made for doubtful receivables. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, current economic conditions, and historical experience applied to an aging of accounts receivable. Receivables are written off when deemed uncollectible. A trade receivable is considered past due if the receivable balance is outstanding beyond the customer's terms with no attempt of repayment. Recoveries of receivables previously written off are recorded when received.
- c. *Property and equipment* – Property and equipment are carried at cost, net of accumulated depreciation. Depreciation is computed by using either the straight-line or double declining balance methods over the estimated useful lives of the assets, which range from 5 to 15 years.
- d. *License fees* – License fees are being amortized on a straight-line basis over the remaining life of the license. Amortization expenses for the years ended December 31, 2014 and 2013, were \$3,333 and \$3,330, respectively.
- e. *Franchise deposits* – Franchise deposits represent the initial nonrecurring franchise fee paid by the franchisee to establish the franchised business.
- f. *Franchise fee revenue recognition* – Revenue from sales of individual franchises is recognized when the franchise agreement is executed. Revenue from royalties consists of fees paid by the franchisees for the use of the naming rights associated with the franchise. Royalties are calculated based on a percentage of sales or fixed fee arrangements and are recognized in the period they are earned.
- g. *Franchise termination* – In the event of the termination of a franchise, the Company has the right to purchase, from the franchisee, substantially all of the assets of the franchise for an amount determined by the application of the valuation method included in the franchise agreement. These assets can then be resold and any gain or loss is recognized in the period in which the sales transaction occurs.
- h. *Rebate revenue recognition* – Revenue from rebates is accrued on a monthly basis. At quarter end, the actual amount of rebates is calculated and billed to the proper vendors.

Notes to Financial Statements

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

- i. *Advertising* – Advertising costs are expensed as incurred. Expenses for the years ended December 31, 2014 and 2013, were \$327,311 and \$255,416, respectively. These costs are not related to the General Advertising Fund.
- j. *Use of estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- k. *Reclassification of amounts* – Certain amounts in the 2013 financial statements have been reclassified for comparative purposes to conform with the 2014 presentation with no effect on previously reported net income.
- l. *Subsequent events* – Management has evaluated subsequent events through March 23, 2015, which represents the date that the financial statements were available to be issued. Management does not believe there were any subsequent events which would have provided additional evidence about the conditions that existed at December 31, 2014. Accordingly, none have been disclosed in the financial statements.
- m. *Income taxes* – The Company is a C corporation and files a consolidated federal tax return with its parent (see Note 3). Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due or refundable, plus deferred taxes related to differences between the bases of assets and liabilities for financial and income tax reporting. The major types of temporary differences include depreciation and net operating losses. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

The Company has adopted Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 740-10, relating to accounting for uncertain tax positions. ASC 740-10 prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosures required. The Company does not have any uncertain tax positions. The Company files consolidated federal and state income tax returns with its parent company, Pita Pit USA, Inc., and is no longer subject to U.S. federal tax examinations by tax authorities for years before 2011.

Pita Pit Inc.

Notes to Financial Statements

NOTE 2 — FRANCHISE FEES:

Franchise fees consisted of the following:

	Years Ended December 31,	
	2014	2013
Initial franchise fees	\$ 1,056,000	\$ 917,000
Royalties	4,132,428	3,905,593
	<u>\$ 5,188,428</u>	<u>\$ 4,822,593</u>

Following is a summary of changes in the number of franchises:

	Years Ended December 31,	
	2014	2013
In operation, beginning of year	212	198
Locations closed	(18)	(16)
Total locations opened during the year	<u>32</u>	<u>30</u>
In operation, end of year	<u>226</u>	<u>212</u>

NOTE 3 — INCOME TAXES:

The Company files a consolidated federal and state tax return with its parent and records its share of the consolidated federal and state tax expense on a pro rata basis. The estimated current state tax provision for income tax expense charged to operations was \$26,655 and \$24,186 for the years ended December 31, 2014 and 2013, respectively.

NOTE 4 – LEASES:

The Company leases various commercial restaurant spaces throughout the United States of America. These commercial restaurant spaces are subleased to their franchisees under individual sublease agreements that have the same terms as the original leases. Payments are made by the franchisees directly to the property owners. The Company believes that all franchisees are current with respect to these payments and, therefore, no liability has been recorded in the accompanying financial statements.

Pita Pit Inc.

Notes to Financial Statements

NOTE 4 — LEASES (continued):

The operating leases, having future minimum monthly payment amounts ranging from \$1,558 to \$4,901, are summarized by year and in the aggregate at December 31, 2014, as follows:

<u>Years Ending December 31,</u>	<u>Rents to be Received</u>	<u>Lease Obligations</u>
2015	\$ 399,649	\$ 399,649
2016	375,277	375,277
2017	355,579	355,579
2018	311,470	311,470
2019	296,767	296,767
Total minimum lease payments	<u>\$ 1,738,742</u>	<u>\$ 1,738,742</u>

The lease expense and corresponding sublease income have been offset and reflected net in the nonoperating income section of the statements of income and retained earnings.

NOTE 5 — ADVANCES TO RELATED PARTIES:

The Company advanced funds to its parent company (Pita Pit USA, Inc.) during 2014 and 2013 in the amount of \$2,306,444 and \$2,471,324, respectively. The Company advanced funds to (received net repayments from) other wholly owned subsidiaries of Pita Pit USA, Inc., during 2014 and 2013 in the amount of \$(509,875) and \$151,812, respectively. The Company has advanced funds to wholly owned subsidiaries of Pita Pit USA, Inc., totaling \$16,191,932 and \$14,395,363 at December 31, 2014 and 2013, respectively. These funds are noninterest bearing and no specific terms have been established. Accordingly, the amounts have been recorded as a noncurrent asset in the accompanying financial statements.

NOTE 6 — GUARANTEE OF DEBT:

In connection with expanding its franchise, the Company has guaranteed a note payable of Pita Pit USA, Inc. (parent company), totaling \$3,710,000 at December 31, 2014. The guarantee is scheduled to expire in 2018. Examples of events that would require the Company to provide a cash payment pursuant to the guarantee include a loan default, which would result from Pita Pit USA, Inc.'s failure to service its debt when due. The note is collateralized by all the assets held by Pita Pit USA, Inc., including franchise rights held by the Company. The note is also personally guaranteed by some of the stockholders of Pita Pit USA, Inc. Losses are not anticipated relating to the guarantee and, accordingly, there is currently no recorded liability for potential losses under this guarantee, nor is there any liability for the Company's obligation to "stand ready" to fund such guarantee.

Notes to Financial Statements

NOTE 7 — COMMITMENTS AND CONTINGENCIES:

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

Pita Pit Inc.

**Financial Statements and
Independent Auditors' Report**

December 31, 2013 and 2012



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pita Pit Inc.
Coeur d'Alene, Idaho

We have audited the accompanying financial statements of Pita Pit Inc. (a Delaware corporation), which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of income and retained earnings and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pita Pit Inc. as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Spokane, Washington
March 20, 2014

Pita Pit Inc.

Balance Sheets

	December 31,	
	2013	2012
Assets		
<i>CURRENT ASSETS:</i>		
Cash	\$ 487,845	\$ 417,715
Receivables:		
Accounts receivable, less allowance for doubtful accounts of \$25,000 at each date	1,084,660	1,096,089
Note receivable, current	-	5,733
Interest receivable	5,546	4,344
Prepaid income taxes	15,244	10,442
Prepaid expenses	98,471	75,573
Total current assets	<u>1,691,766</u>	<u>1,609,896</u>
<i>PROPERTY AND EQUIPMENT:</i>		
Office equipment	374,031	292,297
Furniture and fixtures	35,661	35,661
Computer software	69,414	28,414
Leasehold improvements	185,673	182,881
	<u>664,779</u>	<u>539,253</u>
Less accumulated depreciation	<u>375,304</u>	<u>318,734</u>
	<u>289,475</u>	<u>220,519</u>
<i>OTHER ASSETS:</i>		
License fees, less accumulated amortization of \$77,841 and \$74,511, respectively	35,550	38,880
Note receivable from franchisees	45,467	78,034
Advances due from related parties	14,395,363	11,772,227
	<u>14,476,380</u>	<u>11,889,141</u>
	<u>\$ 16,457,621</u>	<u>\$ 13,719,556</u>

See accompanying notes to financial statements.

	December 31,	
	<u>2013</u>	<u>2012</u>
<i>Liabilities and Stockholders' Equity</i>		
<i>CURRENT LIABILITIES:</i>		
Accounts payable and accrued expenses	\$ 694,262	\$ 442,190
Franchise deposits	403,000	259,000
Deferred advertising	510,228	470,520
Total current liabilities	<u>1,607,490</u>	<u>1,171,710</u>
 <i>LONG-TERM DEBT, net of current portion</i>		
Total liabilities	<u>-</u>	<u>200,000</u>
 <i>STOCKHOLDERS' EQUITY:</i>		
Common stock, no par value, 1,000 shares authorized; 12 shares issued and outstanding	480,001	480,001
Retained earnings	14,370,130	11,867,845
Total stockholders' equity	<u>14,850,131</u>	<u>12,347,846</u>
	 <u>\$ 16,457,621</u>	 <u>\$ 13,719,556</u>

Pita Pit Inc.

Statements of Income and Retained Earnings

	Years Ended December 31,	
	2013	2012
<i>REVENUES:</i>		
Franchise fees	\$ 917,000	\$ 1,226,002
Royalties	3,905,593	3,668,878
Rebates	1,707,504	1,510,202
Other	52,897	55,018
	<u>6,582,994</u>	<u>6,460,100</u>
<i>OPERATING EXPENSES:</i>		
Advertising	255,416	164,216
Amortization	3,330	3,330
Bad debts, less recoveries	222,141	193,874
Bank charges	5,989	8,895
Depreciation	56,570	38,170
Donations	25,843	41,353
Dues and subscriptions	64,734	49,917
Equipment rental	12,544	11,051
Freight and shipping	24,048	23,759
Franchise/trade show	46,200	68,711
Insurance	256,239	211,423
Interest	-	17,790
Consulting, legal, and accounting fees	715,903	751,138
Meals and entertainment	44,759	60,060
Miscellaneous	2,946	14,196
Office and general	78,486	71,050
Registration fees	3,802	2,660
Payroll and related taxes	127,622	81,282
Other taxes and licenses	4,608	910
Rent	305,867	273,366
Repairs and maintenance	8,401	12,230
Salaries and wages	1,366,167	850,062
Training	38,008	33,365
Travel	250,611	240,780
Telephone	89,552	72,157
Utilities	26,570	20,349
Website and technology	22,120	9,381
	<u>4,058,476</u>	<u>3,325,475</u>
<i>OPERATING INCOME (balances carried forward)</i>	2,524,518	3,134,625

See accompanying notes to financial statements.

Pita Pit Inc.

Statements of Income and Retained Earnings (Continued)

	Years Ended December 31,	
	2013	2012
<i>OPERATING INCOME (balances brought forward)</i>	\$ 2,524,518	\$ 3,134,625
<i>NONOPERATING INCOME:</i>		
Interest income	<u>1,953</u>	<u>5,880</u>
<i>INCOME BEFORE INCOME TAXES</i>	2,526,471	3,140,505
<i>INCOME TAX PROVISION</i>	<u>(24,186)</u>	<u>(298,185)</u>
<i>NET INCOME</i>	2,502,285	2,842,320
<i>RETAINED EARNINGS, BEGINNING OF YEAR</i>	<u>11,867,845</u>	<u>9,025,525</u>
<i>RETAINED EARNINGS, END OF YEAR</i>	<u>\$ 14,370,130</u>	<u>\$ 11,867,845</u>

See accompanying notes to financial statements.

Pita Pit Inc.

Statements of Cash Flows

	Years Ended December 31,	
	2013	2012
<i>Increase (Decrease) in Cash</i>		
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Net income	\$ 2,502,285	\$ 2,842,320
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	59,900	41,500
Deferred income tax provision	-	289,991
(Increase) decrease in assets:		
Accounts receivable	11,429	(33,619)
Employee advances	-	4,703
Interest receivable	(1,202)	(4,344)
Prepaid income taxes	(4,802)	(10,442)
Prepaid expenses	(22,898)	7,636
Forgiveness of debt	38,300	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	252,072	(128,060)
Unearned franchise fees	(184,000)	(107,002)
Deferred advertising	39,708	109,747
Net cash provided by operating activities	<u>2,690,792</u>	<u>3,012,430</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Purchases of property and equipment	(125,526)	(79,267)
Payments on notes receivable	-	16,424
Net advances to parent company (Pita Pit USA, Inc.) and affiliates	(2,623,136)	(2,861,359)
Deposits received from franchisees	328,000	244,000
Net cash used in investing activities	<u>(2,420,662)</u>	<u>(2,680,202)</u>
<i>CASH FLOWS FROM FINANCING ACTIVITIES:</i>		
Payments on notes payable	(200,000)	(17,065)
<i>NET INCREASE IN CASH</i>	70,130	315,163
<i>CASH, BEGINNING OF YEAR</i>	417,715	102,552
<i>CASH, END OF YEAR</i>	<u>\$ 487,845</u>	<u>\$ 417,715</u>
<i>Supplemental Disclosure of Cash Flows Information</i>		
Cash paid during the year for interest expense	<u>\$ -</u>	<u>\$ 17,790</u>
State income taxes paid	<u>\$ 18,153</u>	<u>\$ 18,636</u>

See accompanying notes to financial statements.

Notes to Financial Statements

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization:

Pita Pit Inc. (the Company) was incorporated in the state of Delaware on December 20, 2001, and is a franchisor of Pita Pit restaurants located throughout the United States. Substantially all of its revenues are generated from the business activities of its franchise locations. The Company is a wholly owned subsidiary of Pita Pit USA, Inc.

Summary of Significant Accounting Policies:

- a. *Cash* – Cash includes cash on hand and cash in bank. The Company deposits its cash with high quality financial institutions. At times, such deposits may be in excess of the insurance limits provided by the Federal Deposit Insurance Corporation.
- b. *Accounts and notes receivable* – Receivables from advances to franchisees, various franchise fees, and royalties are carried at original invoice amount less an estimate made for doubtful receivables. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, current economic conditions, and historical experience applied to an aging of accounts receivable. Receivables are written off when deemed uncollectible. A trade receivable is considered past due if the receivable balance is outstanding beyond the customer's terms with no attempt of repayment. Recoveries of receivables previously written off are recorded when received.
- c. *Property and equipment* – Property and equipment are carried at cost, net of accumulated depreciation. Depreciation is computed by using either the straight-line or double declining balance methods over the estimated useful lives of the assets, which range from 5 to 15 years.
- d. *License fees* – License fees are being amortized on a straight-line basis over the remaining life of the license. Amortization expense in both 2013 and 2012 was \$3,330.
- e. *Franchise deposits* – Franchise deposits represent the initial nonrecurring franchise fee paid by the franchisee to establish the franchised business.
- f. *Franchise fee revenue recognition* – Revenue from sales of individual franchises is recognized when the franchise agreement is executed. Revenue from royalties consists of fees paid by the franchisees for the use of the naming rights associated with the franchise. Royalties are calculated based on a percentage of sales or fixed fee arrangements and are recognized in the period they are earned.
- g. *Franchise termination* – In the event of the termination of a franchise, the Company has the right to purchase, from the franchisee, substantially all of the assets of the franchise for an amount determined by the application of the valuation method included in the franchise agreement. These assets can then be resold and any gain or loss is recognized in the period in which the sales transaction occurs.
- h. *Rebate revenue recognition* – Revenue from rebates is accrued on a monthly basis. At quarter end, the actual amount of rebates are calculated and billed to the proper vendors.

Notes to Financial Statements

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

- i. *Advertising* – Advertising costs are expensed as incurred. Expenses for the years ended December 31, 2013 and 2012, were \$255,416 and \$164,216, respectively. These costs are not related to the General Advertising Fund.
- j. *Use of estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- k. *Reclassification of amounts* – Certain amounts in the 2012 financial statements have been reclassified for comparative purposes to conform with the 2013 presentation with no effect on previously reported net income.
- l. *Subsequent events* – Management has evaluated subsequent events through March 20, 2014, which represents the date that the financial statements were available to be issued. Management does not believe there were any subsequent events which would have provided additional evidence about the conditions that existed at December 31, 2013. Accordingly, none have been disclosed in the financial statements.
- m. *Income taxes* – The Company is a C corporation and files a consolidated federal tax return with its parent (see note 3). Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due or refundable, plus deferred taxes related to differences between the bases of assets and liabilities for financial and income tax reporting. The major types of temporary differences include depreciation, and net operating losses. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

The Company has adopted Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 740-10, relating to accounting for uncertain tax positions. ASC 740-10 prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosures required. The Company does not have any uncertain tax positions. The Company files consolidated federal and state income tax returns with its parent company, Pita Pit USA, Inc., and is no longer subject to U.S. federal tax examinations by tax authorities for years before 2010.

Pita Pit Inc.

Notes to Financial Statements

NOTE 2 — FRANCHISE FEES:

Franchise fees for the years ended December 31, 2013 and 2012, consisted of the following:

	<u>2013</u>	<u>2012</u>
Initial franchise fees	\$ 917,000	\$ 1,226,002
Royalties	<u>3,905,593</u>	<u>3,668,878</u>
	<u>\$ 4,822,593</u>	<u>\$ 4,894,880</u>

Following is a summary of changes in the number of franchises during the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
In operation, beginning of year	198	181
Locations closed	(16)	(10)
Total locations opened during the year	<u>30</u>	<u>27</u>
In operation, end of year	<u>212</u>	<u>198</u>

NOTE 3 — INCOME TAXES:

The Company files a consolidated federal and state tax return with its parent and records its share of the consolidated federal and state tax expense on a pro rata basis. The estimated provision for income tax expense (benefit) charged to operations for the years ended December 31, 2013 and 2012, consisted of the following:

	<u>2013</u>	<u>2012</u>
Current:		
State tax provision	<u>\$ 24,186</u>	<u>\$ 8,194</u>
Deferred:		
State tax provision	\$ -	\$ 56,550
Federal tax provision	<u>-</u>	<u>233,441</u>
	<u>\$ -</u>	<u>\$ 289,991</u>

Pita Pit Inc.

Notes to Financial Statements

NOTE 4 — LONG-TERM DEBT:

Long-term debt at December 31, 2013 and 2012, consisted of the following:

	<u>2013</u>	<u>2012</u>
Note payable to stockholder, 8% interest, secured by all assets of Pita Pit USA, Inc. (parent company of Pita Pit Inc.), interest only payments due monthly until note matures December 31, 2015	\$ -	\$ 200,000
	-	200,000
Less current maturities	-	-
Long-term debt due after one year	<u>\$ -</u>	<u>\$ 200,000</u>

NOTE 5 – LEASES:

The Company leases various commercial restaurant spaces throughout the United States of America. These commercial restaurant spaces are subleased to their franchisees under individual sublease agreements that have the same terms as the original leases. Payments are made by the franchisees directly to the property owners. The Company believes that all franchisees are current with respect to these payments and, therefore, no liability has been recorded in the accompanying financial statements.

The operating leases, having future minimum monthly payment amounts, ranging from \$1,558 to \$5,140, are summarized by year and in the aggregate at December 31, 2013, as follows:

<u>Years Ending December 31,</u>	<u>Rents to be Received</u>	<u>Lease Obligations</u>
2014	\$ 361,137	\$ 361,137
2015	191,250	191,250
2016	166,878	166,878
2017	147,180	147,180
2018	<u>70,119</u>	<u>70,119</u>
Total minimum lease payments	<u>\$ 936,564</u>	<u>\$ 936,564</u>

The lease expense and corresponding sublease income have been offset and reflected net in the nonoperating income (expense) section of the statements of income and retained earnings.

Notes to Financial Statements

NOTE 6 — ADVANCES TO RELATED PARTIES:

The Company advanced funds to its parent company (Pita Pit USA, Inc.) during 2013 and 2012 in the amount of \$2,471,324 and \$2,251,848, respectively. The Company has advanced funds to wholly owned subsidiaries of Pita Pit USA, Inc., totaling \$14,395,363 and \$11,772,227 at December 31, 2013 and 2012, respectively. These funds are non-interest bearing and no specific terms have been established. Accordingly, the amounts have been recorded as a noncurrent asset in the accompanying financial statements.

NOTE 7 — GUARANTEE OF DEBT:

In connection with expanding its franchise, the Company has guaranteed a note payable of Pita Pit USA, Inc. (parent company), totaling \$4,770,000 at December 31, 2013. The guarantee is scheduled to expire in 2018. Examples of events that would require the Company to provide a cash payment pursuant to the guarantee include a loan default, which would result from Pita Pit USA, Inc.'s failure to service its debt when due. The note is collateralized by all the assets held by Pita Pit USA, Inc., including franchise rights held by the Company. The note is also personally guaranteed by some of the stockholders of Pita Pit USA, Inc. Losses are not anticipated relating to the guarantee and, accordingly, there is currently no recorded liability for potential losses under this guarantee, nor is there any liability for the Company's obligation to "stand ready" to fund such guarantee.

NOTE 8 — COMMITMENTS AND CONTINGENCIES:

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

EXHIBIT O

FRANCHISE DISCLOSURE CONFIRMATION



Re: *PITA PIT® Franchise* at _____

WE HEREBY CONFIRM THE FOLLOWING:

1. We were provided with a Pita Pit Inc. Franchise Disclosure Document (the “FDD”) upon our reasonable request, if any, and at least 14 calendar days before we signed any binding agreement with, or made any payment to, Pita Pit Inc. or an affiliate in connection with the proposed franchise sale.
2. If the Pita Pit Inc. Deposit Agreement contained material differences, required by Pita Pit Inc., from the form provided in the FDD, we were provided with an execution copy of the Pita Pit Inc. Deposit Agreement at least 7 calendar days before we signed it.
3. If the Pita Pit Inc. Franchise Agreement (the “Franchise Agreement”) or any other documents to be signed by us contained material differences, required by Pita Pit Inc., from the forms provided in the FDD, we were provided with an execution copy of the Franchise Agreement and the other documents to be signed by us at least 7 calendar days before we signed them.
4. New York and Rhode Island law require that prospective franchisees be provided with the FDD at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. If any of these laws are applicable, we acknowledge that this was done.
5. Michigan law requires that prospective franchisees be provided with the FDD at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. If this law is applicable, we acknowledge that this was done.
6. We thoroughly reviewed the FDD, the Franchise Agreement and all other documents to be signed by us and consulted with our attorney, accountant or other professional advisor, or were provided with every opportunity to do so, prior to signing any agreement with Pita Pit Inc.
7. We understand the terms of the Franchise Agreement and all other documents to be signed by us.
8. We understand that the success of our business depends largely on our skills and abilities and the amount of time we dedicate to it.
9. We understand that the success of our business also depends on certain outside factors such as weather, labor rates and supply, lease terms, the cost of inventory and supplies, inflation,

competition from other businesses, and other economic and business factors and that Pita Pit Inc. cannot guaranty the success of our business.

10. Our decision to purchase a PITA PIT franchise was reached after our independent investigation of the opportunity and was not based on any representation by a director, officer, employee or agent of Pita Pit Inc. as to gross revenue, volume, costs, potential earnings or profits which we might be expected to realize, except as specified in Item 19 of the FDD.

11. Our decision to purchase a PITA PIT franchise was not based on any representation by a director, officer, employee or agent of Pita Pit Inc. that is inconsistent with the information contained in the FDD and the terms of the Franchise Agreement and any other documents to be signed by us.

12. We understand that in all dealings with us, Pita Pit Inc.'s directors, officers, employees, agents and representatives have only acted in a representative capacity and not in an individual capacity and under the terms of the Franchise Agreement we may only bring claims against Pita Pit Inc.

13. We acknowledge that the words "PITA PIT" are protected intellectual property and cannot form part of our business name and, if applicable, we will (a) as soon as is practicable change the name of our operating company to a name without the words "Pita" and "Pit" being used together, and (b) furnish Pita Pit, Inc. with evidence that the name has been changed. We will also refrain from using the words "Pita" and "Pit" together in any domain name or email address without Pita Pit Inc.'s prior written consent.

14. We understand that the Franchise Agreement contains the entire agreement between us and Pita Pit Inc. concerning our franchise and that any prior oral or written statement or agreement is not binding.

15. If any of the above statements is untrue, please indicate in the space provided below which statement and the reasons why it is untrue (attach additional pages if necessary).

Signed by the parties below on _____ [To be signed immediately before signing the Franchise Agreement]

[FRANCHISEE COMPANY]

Witness

Per: Authorized Signatory or Agent

Witness

[INDIVIDUAL]

Witness

[INDIVIDUAL]

FRANCHISE DISCLOSURE CONFIRMATION

EXHIBIT P-1

FOOD TRUCK PROGRAM ADDENDUM

See attached.

EXHIBIT P-1

FOOD TRUCK PROGRAM ADDENDUM TO DISCLOSURE DOCUMENT

This addendum amends the Pita Pit Inc. disclosure document to add the following information regarding the Food Truck Program.

The Franchisee will operate a food truck devoted to the preparation and sale of pita sandwiches and other food items under the trade name name PITA PIT®.

The total investment necessary to begin operation of a Pita Pit food truck franchise is from \$109,200 to \$183,350. This includes \$12,500 to \$13,000 that must be paid to us.

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

In this disclosure document, the franchised business will be referred to as the “Food Truck”.

Under a food truck franchise agreement which is Exhibit F-2 to this disclosure document, (the “Franchise Agreement”), we offer qualified purchasers the right to establish and operate, within a designated territory (“Territory”), a retail food truck, or trailer and towing vehicle, specializing in the sale of pita sandwiches. Operation of the Food Truck requires that you have access to a facility with frozen, refrigerated, and dry storage, where you can receive and store deliveries of food products and equipment necessary to the operation of the Food Truck. Our line of smoothie products is typically not available in a Food Truck operation, due to limited space within the food truck. Also due to limited space and logistics, you will likely not be able to offer the full menu in the Food Truck that would otherwise be available in a brick and mortar restaurant.

You should check with State, County, Municipal and Federal government agencies to determine what applicable laws, codes, regulations, and licensing requirements may apply to the operation of the Food Truck. These may vary drastically from jurisdiction to jurisdiction and may significantly impact the operation of the Food Truck, up to and including a complete bar to Food Truck type operations. You are responsible for making sure you fully understand all such applicable laws, codes, regulations, and licensing requirements that apply to the operation of your Food Truck. There is no guarantee that such laws, codes, regulations, and licensing requirements will not change during the term of your Franchise Agreement, thus affecting your operation of the Food Truck.

ITEM 5

INITIAL FEES

Franchisees must pay us a \$12,000 lump sum Initial Franchise Fee.

We do not offer the VetFran 20% discount off the Initial Franchise Fee on food truck Franchise Agreements.

We do not offer a reduced Initial Franchise Fee for subsequent food truck Franchise Agreements you may enter. Nor does a food truck franchise agreement count in determining any applicable reduction of the Initial Franchise Fee based upon the total number of franchise agreements you have previously entered. Such reductions are based upon the aggregated number of traditional franchise agreements you have entered, that relate to traditional brick and mortar Restaurant locations.

The Initial Franchise Fee is fully earned by us at the time we execute the Franchise Agreement and will only be refunded to you, if we terminate the Franchise Agreement because you have not obtained a fully outfitted food truck, within six months after signing the Franchise Agreement. We will deduct from any refund the review and processing fee and other business expenses described above.

**ITEM 6
OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
CONTINUING FEE	Our standard Continuing Fee is 4% of Net Sales with no cap on monthly Net Sales.	5 th of each month	See Note 1
RENEWAL FEE	The reasonable travel, food, and lodging expenses for any of our representatives we must send to your Territory, as determined in our reasonable discretion, at the time of renewal.	On renewal	See Note 7

Note 1 – Continuing Fee

No food truck Franchise Agreement is eligible for a reduced Continuing Fee percentage based upon the aggregate number of Franchise Agreements you own, whether for food trucks, traditional brick and mortar Restaurants, or a combination thereof.

Food truck Franchise Agreements do not count in determining the total aggregate number of Franchise Agreements you own, for purposes of determining a reduction in any Franchise Agreement’s monthly Continuing Fee, based upon the aggregate number of Franchise Agreements you may own for traditional brick and mortar Restaurants.

Food truck Franchise Agreements are not eligible for a reduced monthly Continuing Fee, based upon the aggregate number of Franchise Agreements you own, nor are they eligible for a monthly Continuing Fee cap of \$70,000, or any other dollar amount. You will not be required to install an Electronic Point of Sale System.

Note 7 – Renewal Fee

This fee is paid to us upon renewal of the Franchise Agreement for an additional term of five years.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT					
Type of Expenditure	Amount		Method Of Payment	When Due	To Whom Payment Is To Be Made
	From	To			
INITIAL FRANCHISE FEE (See Item 5)	\$12,000	\$12,000	Lump sum	When you want to be considered for a franchise and upon signing a Deposit Agreement	Us
OPENING CASH	\$500	\$1,000	As incurred	As incurred	Vendors
FOOD TRUCK, IMPROVEMENTS & EQUIPMENT (Note 1)	\$75,000	\$129,400	As incurred	Upon purchase of food truck, or as arranged	Food truck dealer of your choosing
BUSINESS LICENSE (Note 2)	\$200	\$2,500	As incurred	When required	State, Municipal agencies
INSURANCE (Note 3)	\$4,500	\$8,750	Varies	As arranged and required	Us, Broker, Insurance co.
LEGAL & ACCTG FEES (Note 4)	\$500	\$2,500	As incurred	As arranged	Lawyers Accountants
STAFF AND MANAGEMENT TRAINING EXPENSE (Note 5)	\$1,000	\$3,200	Upon attendance	As arranged	Accommodation providers, Restaurants, Airlines, etc.
UNIFORMS	\$500	\$1,000	As incurred	As arranged	Us
INITIAL INVENTORY PACKAGE (Note 6)	\$5,000	\$8,000	As incurred	As arranged	Vendor, Lender, Leasing firm
ADDITIONAL FUNDS (for 3 months) (Note 7)	\$10,000	\$15,000	As required	1st day of the month following the opening of the restaurant or as needed	Suppliers, Lessor, Employees, etc.
LOCAL ADVERTISING (Note 8)	1% of Net Sales of the Restaurant		As incurred	As arranged	Vendors
TOTALS (Note 9)	\$109,200	\$183,350			

Note 1 - Food Truck, Improvements & Equipment

The food truck, improvements, and equipment may include an 18' step van, full exterior vinyl wrap, interior brushed stainless steel finish throughout, coffee brewer, cash register, pita steamer, small wares and installation of a 36" flat griddle, 12 cubic foot freezer and refrigerator, 48" sandwich prep table, 3 compartment sink with separate hand wash sink, interior and exterior lighting, shelving, retractable awning, 40lb propane tank, generator, custom slider window, stainless steel cabinets, menu boards, and a Global Positioning Satellite (GPS) system. The cost of the improvements will vary from dealer to dealer and location to location depending on whether you choose a new or used vehicle, design criteria, and dealer pricing.

There is no guaranty that your costs will fall within this range and may be significantly impacted by customizations and alternative designs you may elect.

Note 2 - Business License

The cost of business licenses will vary by location.

Note 3 - Insurance

You must purchase insurance coverage as required under your lease or sublease, as required by law, and as required by us. We require you to participate in our insurance program as detailed more fully in Item 8.

Note 4 - Legal and Accounting Fees

Legal and accounting fees include monies needed to create your business entity (e.g., incorporation) and set up its books and records. Section 12 of the Franchise Agreement has considerable detail relating to the record keeping requirements. You must keep accurate records of customer inquiries, sales, marketing activities, closeout sheets, payroll, and accounts payable in accordance with the standard accounting system prescribed by us in the System Manual.

Note 5 - Staff and Management Training Expense

Expenses in connection with training will vary with the number of people trained and the distance from the training center.

Note 6 - Initial Inventory Package

The initial inventory package will depend somewhat upon the size of the initial order. Such considerations as shipping time, season, Commissary storage size and other factors dictate the size of the initial inventory.

Note 7 - Additional Funds

This is an estimate of your initial start-up expenses for the first 3 months of operation. It includes payroll, supplies, fuel, utilities and ordinary maintenance. We cannot guaranty that you will not have additional start-up expenses. This estimate does not include the Continuing Fee, General Advertising Fund Fee, food and beverage costs, or your Commissary rent for months 2 and 3 (which may be \$500 to \$2,500 per month depending on your location and local vacancy rates). It does not include a franchisee's salary. This estimate does not reflect any sales revenue you may earn from operations which may help you offset these expenses. Your actual expenses may vary depending on the size and location of your Territory, your own management skill, economic conditions, the time of year, competition in your area, the sales level reached during the initial period and other factors. You should develop your own business plan with a cash flow chart in order to better anticipate the amount necessary to cover any cash short fall in the initial months of operation.

Note 8 - Local Advertising

Under the Franchise Agreement, you must spend 1% of your Net Sales on local advertising each year.

Note 9 - Totals

The total does not include your personal living expenses, applicable taxes (including state sales and use tax which may be applicable to the Furniture, Fixtures and Equipment and other items required to open your Food Truck), and local advertising. We have relied on our experience granting franchises in the United States to provide these estimates. There may be regional differences that we have not considered.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You will not be required to enter into a Beverage Marketing Agreement with Coca-Cola Fountain only if your food truck is not equipped with beverage fountain equipment. You will not be required to enter an Oven Loan Agreement with Otis Spunkmeyer, with respect to the lease of a cookie oven. You will not be required to purchase or utilize an Electronic Point of Sale system in the operation of your Food Truck. You will not be required to use the Baum Group for site selection, you will not be required to purchase counters from 1499856 Ontario Inc., operating as Johnny Counters Bars and Booths.

You must acquire a food truck, fixtures, and equipment, including a global positioning satellite ("GPS") system that meets our standards and specifications for quality and performance. You are not required to use any specific supplier, provided the food truck, fixtures, and equipment you propose to acquire, meet our standards and specifications.

We have designated No Limit Media as our required vendor for any social medial usage, including the implementation of any social medial marketing initiatives.

We have designated the Lawley Andolina Verdi, LLC as our Managing General Agent (“Agent”) for an insurance package with “A” rated national carriers. You must purchase your insurance as specified by our Agent to meet the requirements of the Franchise Agreement, any lease for your Commissary premises, and state and federal laws. The insurance for your Food Truck and Commissary must include:

- Owned Vehicle Liability, on your food truck (and its operations) with a commercial use endorsement, in the minimum amount of \$2,000,000 per occurrence.
- Comprehensive General Liability, including products liability, business income, spoilage, food contamination, and other coverage enhancements, in the minimum amount of \$2,000,000 per occurrence.
- Property Insurance in an amount sufficient to cover the value of your food truck and its improvements, as well as the business contents of your Commissary, and any other insurance requirements imposed by the landlord or owner of the Commissary premises.
- Workers Compensation. Statutory Workers Compensation coverage is available to you as an option in our insurance program if you prefer not to obtain this coverage through other available sources.

This insurance must fully protect you and us against all loss or damage occurring in connection with the operation of the Food Truck.

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

Pre-Opening Obligations

2. Site Location and Lease Negotiation – Does not apply for food truck Franchise Agreements.
3. Site Development – Assist you in developing your food truck to meet our standards.

Computers and Electronic Cash Registers

You are not required to participate in the Daily Discipline Marketing Program, unless a program is specifically created and implemented for Food Trucks.

You are not required to purchase, install, or utilize an Electronic Point of Sale System in your Food Truck.

Location Selection

You are not required to utilize Baum Realty Group in selecting a proposed Territory or in acquiring a Commissary location.

Advertising and Promotion (Sections 5(1)(c) and 10 F.A.)

You are not required to participate in the Daily Discipline Marketing Program, unless a program is specifically created and implemented for Food Trucks.

You are not required to advertise in the white and yellow pages of the local telephone directories. You are not required to use an online ordering service.

You must work with our designated vendor, No Limit Media, for the implementation of any social medial usage, including marketing initiatives.

ITEM 12 TERRITORY

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

You will be granted a territory delineated by a specific geographic boundary. You will not be granted this territory until you have entered into a Franchise Agreement with us. The territory will vary depending on population density or market considerations, as determined by us in our sole discretion before you enter the Franchise Agreement.

Upon a transfer of the franchise, we will not reduce the territory size.

ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Sections in Franchise OR Other Agreement	Summary
a. Length of franchise term	4(1)	Term is equal to the earlier of 5 years or the expiration of the permission granted to you by the United States Navy to operate within the Territory.
b. Renewal or extension of the term	4(2)	One renewal term equal to the earlier of 5

		years or the expiration of the permission granted to you by the United States Navy to operate within the Territory.
c. Requirements for you to renew or extend	4(2)	We will not reduce your Territory upon renewal.
f. Termination by PPI with cause	17(1) and 2(4)	PPI can terminate if you default as defined or if you have not obtained and fully outfitted a Food Truck, reasonably approved by us, within 6 months of signing the Franchise Agreement.
l. PPI's approval of transfer by you	15(1)	We will not reduce your Territory upon transfer.
r. Non-competition covenants after the franchise terminates or expires	14(2)	No competing for 2 years within the Territory or within 5 miles of the Territory, or within the territory or within five miles of the territory of any other THE PITA PIT franchise or corporately owned restaurant or food truck in existence at the time of the expiration or termination.

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 in: (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 Lee Strait at (208) 765-3326, 105 N. 4th Street, Suite 208, Coeur d'Alene, Idaho, 83814 the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table Number 1 - Systemwide Outlet Summary for Years 2012 - 2014

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2012	0	1	+1
	2013	1	2	+1
	2014	2	2	0
Company-Owned	2012	0	0	0
	2013	0	0	0
	2014	0	0	0
Total Outlets	2011	0	1	+1
	2013	1	2	+1
	2014	2	2	0

Table Number 2 - Transfers of Franchised Outlets from Franchisees to New Owners (Other Than the Franchisor) for Years 2012 - 2014

State	Year	Number of Transfers
Tennessee	2012	0
	2013	0
	2014	0
Virginia	2012	0
	2013	0
	2014	0
Total	2012	0
	2013	0
	2014	0

Table Number 3 - Status of Franchised Outlets for Years 2012- 2014

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Tennessee	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
	2014	1	0	0	0	0	0	1
Virginia	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
	2014	1	0	0	0	0	0	1
Total	2012	0	1	0	0	0	0	1
	2013	1	1	0	0	0	0	2
	2014	2	0	0	0	0	0	2

If multiple events occurred affecting an outlet, this table shows the event that occurred the last time.

Table Number 4 - Status of Company-Owned Outlets for Years 2012 – 2014

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
Total	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
	2014	0	0	0	0	0	0

The information in the Notes to Table 3 are not reflected in Table 4 because these locations were either reacquired and resold, or terminated and resold, by us in the same year.

Table Number 5 - Projected Openings as of December 31, 2014

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
Arizona	0	1	0
Total	0	1	0

ITEM 22
CONTRACTS

Attached as Exhibit P-2 is a copy of our current food truck Franchise Agreement.

EXHIBIT P-2

FOOD TRUCT FRANCHISE AGREEMENT

See attached.

FRANCHISE AGREEMENT

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Schedules

- A PART I - FOOD TRUCK; TERRITORY; INITIAL FEE; CONTINUING FEE
PART II - MARKS
- B RELEASE
- C SECRECY AND CONFIDENTIALITY AGREEMENT
- D GENERAL SECURITY AGREEMENT

THIS AGREEMENT made this ___ day of _____, 20__

AMONG:

PITA PIT INC. a corporation formed under the laws of the State of Delaware
(hereinafter referred to as the Franchisor)

OF THE FIRST PART

- and -

_____, a _____ formed under the laws of the State of
_____ (hereinafter referred to as the Franchisee)

OF THE SECOND PART

- and -

_____, individuals resident in the
_____, respectively (hereinafter referred to
collectively as the Guarantor)

OF THE THIRD PART

WHEREAS the Franchisor has developed a unique marketing plan and system (hereinafter called "THE PITA PIT SYSTEM"TM) for the development, opening and operation of distinctive retail outlets and food trucks specializing in the sale of pitas;

AND WHEREAS the distinguishing features of THE PITA PIT SYSTEM include, but are not limited to, unique methods and procedures, specially designed food trucks with distinctive equipment, equipment layouts, interior and exterior accessories, identification schemes, products, management programs, standards, specifications and proprietary marks and confidential information;

AND WHEREAS the Franchisor has heretofore carried on its business under the trade-name and trade-mark "THE PITA PIT"[®] and other proprietary identifying characteristics used in relation to and in connection with THE PITA PIT and other proprietary identifying characteristics and logos;

AND WHEREAS the Marks are unique and distinctive making them easily recognizable by the public and form an integral and valuable part of THE PITA PIT SYSTEM;

AND WHEREAS by reason of a uniform business format or system and high standards of quality and service, the Franchisor has established an excellent business reputation, created a substantial demand for its products and services and built up valuable goodwill;

AND WHEREAS the Franchisee is desirous of acquiring from the Franchisor, the right and license to operate a THE PITA PIT franchised business utilizing the Franchisor's business format, methods, specifications, standards, operating procedures, trade marks and upon the terms and conditions hereafter set forth.

NOW THEREFORE this Agreement witnesseth that in consideration of the mutual covenants and agreements herein contained the parties hereto, intending to be legally bound, do hereby covenant and agree with each other as follows:

1. DEFINITIONS

Where used herein or in any schedules or amendments hereto, the following terms shall have the following meanings:

- (a) **"Affiliate"** means an entity with ten percent (10%) or more common ownership with another entity, or an entity controlled by, controlling, or under common control with another entity.
- (b) **"Commissary"** means the location, as described in Part I of Schedule A hereto, where Products, as defined hereinafter, equipment, and other items required under the System may be delivered, stored and held.
- (c) **"Continuing Fee"** means the fee payable to the Franchisor pursuant to paragraph 3(2) hereof.
- (d) **"Dollar"** means a dollar in the currency of the United States of America (USD).
- (e) **"Food Truck"** means the food truck, or food trailer and towing vehicle (including the furniture, fixtures, and equipment used therein), from which the Franchised Business, as defined hereinafter, is to be conducted.
- (f) **"Franchised Business"** means the business of operating a retail outlet for the sale of pita sandwiches and other ancillary products using the System to be operated by the Franchisee under the trade name THE PITA PIT from the Food Truck within the Territory, as the term Territory is defined hereinafter, pursuant to the provisions of this Agreement.
- (g) **"Gross Sales"** means the entire amount of the actual sales price of all sales of Products, (as defined hereinafter), and all other receipts or receivables whatsoever from any and all business conducted upon or originating from the Food Truck, including Internet or telephone order sales, whether such sales or other receipts be by check, for cash, credit, charge accounts, barter or otherwise and whether such sales be made by means of mechanical or other vending devices in the Food Truck. There shall be no deductions allowed for uncollected or uncollectible credit accounts and no allowances shall be made for bad debts. Gross Sales shall include the amount of all sales assumed to have

been lost by the interruption of business at the Food Truck, to be determined on the basis upon which proceeds of any business interruption insurance are paid or are payable to the Franchisee or other occupiers of the Food Truck. Each charge or sale upon installment or credit shall be treated as a sale for the full price in the week during which such charge or sale shall be made, irrespective of the time when the Franchisee shall receive payment (whether full or partial) therefore. Gross Sales shall not include:

- (i) the amount of any tax imposed by any federal, state, municipal or other governmental authority directly on sales and collected from customers if such tax is added to or included in the selling price and actually paid by the Franchisee to such governmental authority;
 - (ii) the amount of the refund or credit given in respect of any products returned or exchanged by a customer for which a refund of the whole or a part of the purchase price is made or for which a credit is given, provided that the selling price thereof was included in Gross Sales; and
 - (iii) the amount of any credit granted by the Franchisor to the Franchisee under any coupon redemption or similar promotion program. Each charge or sale upon installment or credit shall be treated as a sale for the full price in the week during which such charge or sale shall be made, irrespective of the time when the Franchisee shall receive payment (whether full or partial) therefore.
- (h) **“Initial Term”** means the term provided for in subsection 4(1) hereof.
- (i) **“Institution”** means any facility where the owner or operator wants designated food services for those people who reside, work, attend and/or visit at the facility, including, without limitation shopping centers, office complexes, universities, colleges, hospitals and other health care facilities, airports, military installations, sports complexes, museums, factories and corporate campuses and includes any land or building that is owned or leased by the owner or operator.
- (j) **“Interest Rate”** means an annual rate of interest equal to the lower of (i) the highest domestic prime rate published in The Wall Street Journal (if no longer published, then a similar publication designated by the Franchisor) from time to time, plus five percent (5%), adjusted daily, and (ii) the maximum rate of interest permitted by law in the state where the Franchised Business is located, each calculated and payable monthly, not in advance, with interest on overdue interest at the aforesaid rate, before as well as after default or judgment, from the time such sums became due until paid in full.
- (k) **“Manual”** means, collectively, all books, pamphlets, bulletins, memoranda, letters, notices or other publications or documents prepared by or on behalf of

the Franchisor for use by franchisees generally or for the Franchisee in particular, setting forth information, advice, standards, requirements, operating procedures, instructions or policies relating to the operation of the Franchised Businesses, as same may be reasonably amended from time to time.

- (l) **“Marks”** means the trade-marks, trade-names and other commercial symbols and related logos as set forth in Part III of Schedule A hereto, including the trade-name and trade-mark THE PITA PIT, together with such other trade-names, trade-marks, symbols, logos, distinctive names, service marks, certification marks, logo designs, insignia or otherwise, whether owned or used under license, which may be designated by the Franchisor as part of THE PITA PIT SYSTEM from time to time, and not thereafter withdrawn.
- (m) **“Products”** means all food products, beverages, wares, merchandise, supplies, accessories and other items sold, dispensed, handled or otherwise dealt in, and all services performed at or from the Food Truck,
- (n) **“System”** has the meaning given in the first recital.
- (o) **“Territory”** means the trade area described in Part I of Schedule A hereto, excluding any existing franchised locations and their territories and any existing and future Institutions, in which the Franchised Business may be conducted.

2. GRANT

Grant

- (1) Subject to the provisions of this Agreement and for the term hereinafter specified, the Franchisor hereby grants to the Franchisee an exclusive right to operate the Franchised Business from, and only from, the Food Truck within the Territory and a non-exclusive license to use THE PITA PIT SYSTEM and Marks solely and exclusively in the operation thereof, including a non-exclusive right to use and reproduce the Marks in association with the sale of Products from the Food Truck. Termination or expiration of this Agreement shall constitute a termination or expiration of the right and license granted herein. The Franchisee may not relocate the Franchised Business without the Franchisor’s prior written consent.

Restricted Territory

- (2) So long as the Franchisee is not in breach of any of the terms and conditions of this Agreement, the Franchisor shall refrain from operating, or granting to anyone else a franchise to operate, a franchised business for the retail sale of pita sandwiches within the Territory, except that the Franchisor may, at any Institution within the Territory (i) operate a franchised business, (ii) grant a third party the right to operate a franchised business and/or (iii) enter into a license or other agreement with the Institution granting

the Institution, or its agents, the right to operate a franchised business or otherwise utilize the System and/or the Marks.

Additional Franchises

- (3) The Franchisor may operate, or grant franchises to operate, a THE PITA PIT franchised business outside the Territory without restriction. The Franchisor reserves the right to sell clothing and other merchandise bearing the Marks to non-food related businesses in the Territory. The Franchisor is under no obligation to grant the Franchisee the right to operate additional restaurants or food trucks. Without restricting the generality of the foregoing, the Franchisor may determine in its sole discretion that the Franchisee does not have the management or financial capability of operating more than the Franchised Business.

Option to Terminate

- (4) If, within six months of the date of the execution of this Agreement, the Franchisee has not obtained and fully outfitted a Food Truck, reasonably approved by the Franchisor, and commenced the Franchised Business, then, until such time as a Food Truck has been obtained and the Franchised Business has commenced, the Franchisor shall have the continuing option to terminate this Agreement by giving ten (10) days notice of termination to the Franchisee.

If notice of termination is given as aforesaid, then unless the Franchisee has obtained and fully outfitted a Food Truck, reasonably approved by the Franchisor, and commenced the Franchised Business, as aforesaid before the expiry of the notice period, this Agreement and the rights and obligations of the parties hereunder shall terminate. Upon such termination of this Agreement, the parties shall deliver to each other a release in the form attached to this Agreement as Schedule B and other documents as may be required to fully rescind all agreements between them in respect of the subject matter of this Agreement. Upon compliance with the foregoing, the Franchisor agrees to refund to the Franchisee all amounts received by the Franchisor pursuant to this Agreement, less \$5,000 and any additional costs and expenses reasonably incurred by the Franchisor in connection with the granting of this Franchise, the negotiation and execution of this Agreement and any other agreement.

3. INITIAL FEE & CONTINUING FEE

Initial Fee

- (1) In consideration of the Franchisee receiving the opportunity to establish the Franchised Business, the Franchisee shall pay to the Franchisor, forthwith upon the execution of this Agreement, an initial, non-recurring, non-refundable franchise fee in the amount set forth in Part II of Schedule A plus any applicable taxes. This initial franchise fee shall be deemed to be fully earned by the Franchisor upon the execution of this Agreement

by the Franchisor and in consideration of the grant by it to the Franchisee of the opportunity to establish the Franchised Business as herein provided, and the Franchisee shall not be entitled to a refund of any part thereof, regardless of the date of expiration or termination of this Agreement, except as specifically provided herein.

Continuing Fee

- (2) In return for the on-going rights and privileges granted to the Franchisee hereunder, the Franchisee shall pay to the Franchisor, after the commencement of the Franchised Business and throughout the Initial Term of this Agreement, a Continuing Fee equal to the percentage of Gross Sales set forth in Part II of Schedule A plus any applicable taxes, such Continuing Fee to be payable in arrears on or before the 5th day of the month immediately following the expiry of the month for which payment is being made. The Franchisee will purchase and implement all systems necessary to enable the Franchisor to monitor the Franchisee's Gross Sales and other information concerning the Franchised Business and . At any time, the Franchisor may require the Franchisee to pay the Continuing Fee on a weekly basis.

Adjustment

- (3) If any federal, state, or local law prohibits the Franchisor from retaining any rebate attributable to the Franchisee's purchases, or any portion thereof, as permitted under Section 8(6) hereof, regardless of whether or not such rebates become available to the Franchisee, the Franchisor has the right to, and may, increase the Franchisee's monthly Continuing Fee by up to 1.5% of Gross Sales, and such an increase will be effective from the first date that the Franchisor is no longer able to retain such rebate. This adjustment will be made to the then current Continuing Fee and any future Continuing Fee under this Agreement.

4. TERM

Initial Term

- (1) The term of this Agreement shall commence on the date hereof, and shall expire either at midnight on the day preceding the fifth (5th) anniversary of the day that the Franchised Business commences unless terminated sooner in accordance with the provisions of this Agreement.

Renewal

- (2) If throughout the Initial Term (and other renewal terms as applicable) and as described herein, the Franchisee shall have reasonably complied with all of the terms and conditions of this Agreement and any other agreement entered into between the Franchisor and the Franchisee and shall have complied with the operating standards and

criteria established for the Franchised Business, including, without limitation, THE PITA PIT SYSTEM, the Franchisee shall have the option to renew this Agreement for one renewal term(s) only. The renewal term shall commence on the expiry of the Initial Term of this Agreement, and end on the fifth (5th) anniversary thereof, unless terminated sooner in accordance with the terms and conditions of this Agreement. In the event renewal requires that the Franchisor send one or more of its representatives to the Territory, then the Franchisee agrees to pay to the representatives' reasonable travel, food, and lodging expenses. Further, renewal shall be subject to the following terms and conditions being complied with in full prior to the expiration of the Initial Term:

- (a) the Franchisee shall give the Franchisor written notice of its desire to exercise the renewal option herein provided for, not less than six (6) months prior to the expiration of the Initial Term provided that such notice shall not be given before the commencement of the last year of the Initial Term;
- (b) the Franchisee shall do or cause to be done all such things as the Franchisor may reasonably require to ensure that the Franchised Business satisfies the then current image, standards and specifications established by the Franchisor for new food truck franchises in THE PITA PIT SYSTEM whether or not such image, standards or specifications reflect a material change in THE PITA PIT SYSTEM in effect during the Initial Term hereof and upon inspection by the Franchisor shall achieve an evaluation score of 90% or higher. Without limiting the generality of the foregoing, the Franchisee shall make such capital expenditures as the Franchisor shall determine in its sole discretion as being required in connection with the foregoing for the modernization, renovation and refurbishing of the Food Truck and all fixtures, furnishings, equipment and signs therein or thereon;
- (c) the Franchisee shall not be in default of any agreement entitling it to possess the Food Truck and the Franchisee shall satisfy the Franchisor that it has the right to remain in possession of the Food Truck for any applicable renewal term;
- (d) the Franchisee shall pay all amounts owing by it to the Franchisor;
- (e) the Franchisee shall not be in default of any provision of any license for the Franchised Business carried on at or from the Food Truck and shall be able to renew such license as necessary; and
- (f) at the commencement of the renewal term, the Franchisee shall, at the option of the Franchisor, execute the Franchisor's then current form of franchise agreement, which shall contain Continuing Fee rates (whether an increasing flat monthly fee or a percentage of Gross Sales) and advertising contributions commensurate with those then required of single unit new food truck franchisees in the final year of their initial term, but shall contain the same Territory as set forth in Part I of Schedule A of this Agreement. Further, the Franchisee shall

execute such other documents and agreements as are then customarily used by the Franchisor in the granting of food truck franchises. If the Franchisor shall elect not to have the Franchisee execute such a new franchise agreement, all of the provisions contained in the franchise agreement in effect immediately prior to the commencement of such renewal term shall remain in force during such renewal term (except for any further right of renewal); and,

- (g) the Franchisee shall deliver to the Franchisor a complete release of the Franchisor, its directors and officers, as well as its affiliates and the directors and officers thereof, from all claims howsoever arising as well as all obligations under this Agreement of any such persons, in the form attached to this Agreement as Schedule B.

Holdover

- (3) If the Franchisee, without any further agreement in writing signed by the Franchisor, continues to operate the Franchised Business after the expiry of the Initial Term or any renewal term and the Franchisor has not notified the Franchisee that it does not intend to renew this agreement, this agreement shall operate on a month-to-month basis. No deemed renewal may be imputed from the conduct of the parties hereto in support of the month-to-month operation of the Franchised Business and the Franchisor may terminate this Agreement effective at the end of any month upon at least 10 days advance written notice to the Franchisee.

5. OPERATING ASSISTANCE

- (1) During the term of this Agreement, the Franchisor shall furnish to the Franchisee such continuing advice, guidance and additional training as is from time to time reasonably required by the Franchisee in the sole judgment of the Franchisor with respect to the planning, opening and operation of the Franchised Business, including consultation, advice and training regarding:
 - (a) selection, purchasing, stocking and display of Products and supplies;
 - (b) hiring and training of employees;
 - (c) formulation and implementation of advertising and promotional programs;
 - (d) establishment and maintenance of administrative, bookkeeping, accounting, inventory control and general operating procedures;
 - (e) improvements to THE PITA PIT SYSTEM, including new product development; and
 - (f) financial advice and consultation.

- (2) In the event that the Franchisee requires more assistance and guidance than is reasonable, in the sole opinion of the Franchisor, or if the Franchisor determines that additional training is required, the Franchisor may charge the Franchisee a reasonable fee for such additional assistance, guidance or training.

6. FOOD TRUCK & COMMISSARY

Use of Food Truck

- (1) The right and license granted to the Franchisee pursuant to Section 2 hereof, has been granted to the Franchisee solely for use by it from the Food Truck within the Territory. The Franchisee shall use the Food Truck for the operation of the Franchised Business only and for no other purpose.

Use of Commissary

- (2) Before the commencement of the Franchised Business, the Franchisee must have a Commissary, which has been reasonably approved by the Franchisor, with frozen, refrigerated, and dry storage sufficient to receive delivery of and store all Products required under the System. The Commissary, and the Franchisee's use thereof, must comply with all applicable municipal, state, and federal laws and regulations.

7. DESIGN AND CONSTRUCTION

Development of Food Truck by The Franchisee

- (1) The Franchisee will acquire, outfit, and equip the Food Truck in conformity with THE PITA PIT SYSTEM standard layout plans and specifications provided by the Franchisor. All costs and expenses pertaining to the acquisition, outfitting, and equipping of the Food Truck to THE PITA PIT standards will be borne exclusively by the Franchisee.
- (2) The Franchisee acknowledges that any such work already performed by the Franchisor or its affiliate has been performed on a commercially reasonable basis by the Franchisor or its affiliate.
- (3) All development costs, including all costs of the Franchisee's acquisition of and improvements to the Food Truck, such as the acquisition or installation of equipment and machinery, signs and logos, permits and fees and whatever else the Franchisee encounters in the way of costs in bringing about the completion of the Food Truck for use in the Franchised Business, so as to be satisfactory according to THE PITA PIT SYSTEM, will be borne by the Franchisee, whether performed by the Franchisee, the Franchisor or its affiliate, or their respective contractors, on behalf of the Franchisee.
- (5) The Franchisee acknowledges that any guarantees or warranties with respect to the performance and function of the Food Truck, or any of the equipment or graphics

selected for use in the Franchised Business, will be limited to those provided by the manufacturer or supplier of such equipment or graphics. The Franchisor makes no representation that its standard layout plans, specifications or any work already performed by the Franchisor or its affiliate on the Food Truck are in compliance with federal, state or local laws.

Fixtures, Equipment and Signs

- (1) The Franchisee agrees to use in the operation of the Franchised Business only those brands or types of fixtures, equipment (including a global positioning satellite system) and signs that the Franchisor has approved, in its reasonable discretion, as meeting its specifications and standards for design, appearance, function, performance and serviceability. The Franchisee must purchase products, equipment and supplies from suppliers approved by the Franchisor, which may include the Franchisor or its affiliates. For some fixtures, equipment, and signs the Franchisor may designate one brand or type and one supplier from whom the Franchisee must purchase, which may be Franchisor or its affiliate. The Franchisor may require the Franchisee to enter into written agreements with designated suppliers. If the Franchisee proposes to purchase any brand or type of fixture, equipment or sign which is not then approved or from a supplier that is not then approved, the Franchisor shall have first approved in writing such brand or type and supplier, which approval shall not be unreasonably withheld so long as the Franchisee can demonstrate to the Franchisor's reasonable satisfaction that the brand or type meets the Franchisor's standards and specifications and its supplier possesses adequate quality control and capacity to be able to supply on a reliable basis a product or service meeting the Franchisor's standards and specifications and is capable of supplying THE PITA PIT SYSTEM on a regional and national basis at prices that are more competitive than those of the Franchisor's current designated supplier, including any rebates payable to the Franchisor. The Franchisor must be permitted to inspect the supplier's facility and the Franchisee shall submit to the Franchisor samples of any such products or supplies, which Franchisee wishes to acquire from any other source or supplier and the Franchisor shall be entitled to submit such samples, at the Franchisee's or supplier's or other source's expense, to an independent testing laboratory to determine whether the standards of the Franchisor and THE PITA PIT SYSTEM are met. The Franchisee shall be responsible for all costs incurred by the Franchisor relating to the inspection and approval process. The Franchisee's right to seek approval of alternative brands or types and alternative suppliers does not apply where there is designated brand or type or there is a designated supplier. The Franchisee further agrees to place or display on the Food Truck (interior and exterior) only such signs, emblems, lettering, logos and display materials that are from time to time approved in writing by the Franchisor, which approval may be given or withheld by the Franchisor at the sole discretion of the Franchisor.

8. OPERATION OF FRANCHISED BUSINESS

Duties and Obligations

- (1) The Franchisee acknowledges that the Franchisor has invested and is investing time and capital in the advertising and promotion of THE PITA PIT Franchises as a network of businesses and has established a uniform business format or system and high standards of quality and service. The Franchisee acknowledges that the Franchisor has established an excellent business reputation, created a substantial demand for its products and services and built up valuable goodwill. The Franchisee understands and acknowledges that such advertising and promotion by the Franchisor has created and is creating goodwill and customer association in the Marks, which benefit the Franchisor, the Franchisee and all other THE PITA PIT franchisees. The Franchisee acknowledges that to foster and preserve such goodwill, it is necessary for the Franchisee to commence and operate the Franchised Business in a manner and to a quality consistent with THE PITA PIT SYSTEM and the businesses heretofore opened and operated by its franchisees. The Franchisee acknowledges that, in order to maintain such uniformity and quality consistency, it is necessary for the Franchisor to exercise a degree of control over the opening and operation of each and every THE PITA PIT franchise. Therefore, the Franchisee agrees to commence and operate the Franchised Business in accordance with THE PITA PIT SYSTEM, whether contained in the Manual, or otherwise. Without limiting the generality of the foregoing, the Franchisee agrees as follows:
 - (a) once the acquisition, outfitting, and equipping of the Food Truck is completed, to commence operation of the Franchised Business only with the prior written approval of the Franchisor and to operate the Franchised Business with due diligence and efficiency in an up-to-date, quality and reputable manner during such days, nights and hours as may be designated by the Franchisor;
 - (b) to ensure that at all times, prompt, courteous and efficient service is accorded to its customers. The Franchisee shall in all dealings with its customers, suppliers and the public adhere to the highest standards of honesty, integrity, fair dealings and ethical conduct;
 - (c) to sell such Products and only such Products as meet the Franchisor's uniform standards of quality and quantity, as have been expressly approved for sale in writing by the Franchisor acting reasonably, and as have been prepared in accordance with the Franchisor's methods and techniques for product preparation. The Franchisee shall sell all Products on the list of required products provided by the Franchisor and the Franchisee may, at its option, sell any or all Products on the list of optional products provided by the Franchisor. The Franchisee shall not offer for sale any other products or services from the Food Truck. The Franchisee shall discontinue the sale of any items or any other

merchandise of any kind whatsoever as the Franchisor, acting reasonably, prohibits in writing;

- (d) to maintain the condition and appearance of the Food Truck and the equipment used therein consistent with the then image, as it may be from time to time, of the Franchisor's franchised businesses as an attractive, modern, clean, convenient and efficiently operated business offering high quality products served promptly and courteously. The Franchisee agrees to promptly effect such maintenance of, and repairs to the Food Truck and to complete all repairs and replacements of the equipment installed therein as is reasonably required on a regular and frequent basis and maintain such condition and appearance;
- (e) to not make or cause to be made any alterations to the interior or exterior of the Food Truck so as to modify the appearance thereof or any alteration or replacements of any of the equipment in the Food Truck without first having obtained the written approval of the Franchisor, which approval shall be given or withheld in the discretion of the Franchisor, acting reasonably;
- (f) subject to the exercise of reasonable discretion by the Franchisor, having regard to local market conditions, to participate fully in all national, regional and local promotions initiated by THE PITA PIT;
- (g) to maintain required staffing levels and, if required by the Franchisor, to make available for a reasonable period of time each of the owners of the Franchised Business, its staff and manager for initial or additional training by the Franchisor, at the Franchisor's head office or other locality designated by the Franchisor. All required training must be completed to the satisfaction of the Franchisor. The Franchised Business may not commence until all required initial training is completed to the satisfaction of the Franchisor. Such training shall be conducted at no cost to the Franchisee, except that the Franchisee shall be responsible for all expenses, including travel, food and lodging costs for each attendee and Franchisor may charge a reasonable fee for additional training as described in subsection 5(2). The Franchisee and its managers may receive some general employment related training and support from the Franchisor, but the Franchisee is solely responsible for all decisions, and the implementation thereof, related to hiring, training, managing, disciplining, and firing its employees. The Franchisee is also responsible, at all times, for ensuring that its employees comply with the standards, methods of operation, and techniques prescribed by the Franchisor to comply with the System and protect the brand and its trademarks. The Franchisor is not the employer and accordingly will not take part in any of these employment related actions;
- (h) to comply with all municipal, state and federal laws and regulations and shall obtain and at all times maintain any and all permits, certificates or licenses,

necessary for the proper conduct of the Franchised Business pursuant to the terms of this Agreement;

- (i) subject to the employment of competent professional management and staff, in the opinion of the Franchisor reasonable in the circumstances, the Franchisee and the Guarantor shall devote their full time and attention to the establishment, development and operation of the Franchised Business;
- (j) to ensure that all Products are served in containers as dictated by THE PITA PIT SYSTEM, bearing accurate reproductions of the Marks. All such reproductions shall be submitted to the Franchisor for prior written approval before usage. All paper goods and like articles used in connection with the Franchised Business shall be of an appropriate quality and style according to THE PITA PIT SYSTEM and bear quality reproductions of the Marks and shall conform to specifications established by the Franchisor and be submitted to the Franchisor for prior written approval before usage. Such imprinted items shall be purchased by the Franchisee only from the Franchisor or from suppliers or manufacturers approved in writing by the Franchisor;
- (k) to permit the inspection of its Food Truck and Commissary at any time during the Franchisee's hours of operation as the Franchisor reasonably requires;
- (l) to submit samples of all packaging, labeling, advertising, signage and other materials bearing the Marks to the Franchisor promptly upon request;

Purchase and Sale of Products

- (2) The Franchisee acknowledges that the reputation and goodwill of THE PITA PIT SYSTEM is based upon, and can be maintained and enhanced only by, the sale of high quality products and the satisfaction of customers who rely upon the uniformly high quality of products that are sold under THE PITA PIT SYSTEM and such continued uniformity is essential to the goodwill, success and continued public acceptance of THE PITA PIT SYSTEM.
- (3) Recognizing that the Products and supplies to be used in the Franchised Business must conform to the Franchisor's standards and specifications, the Franchisee hereby agrees to purchase all Products and supplies from the Franchisor, or suppliers approved or designated by the Franchisor (which may include affiliates of the Franchisor), or from any other sources or suppliers, provided that the Franchisor shall have first approved in writing such other source or supplier, which approval shall not be unreasonably withheld so long as the Franchisee can demonstrate to the Franchisor's reasonable satisfaction that its source or supplier possess adequate quality control and capacity to be able to supply on a reliable basis a product or service meeting the Franchisor's standards and specifications and is capable of supplying THE PITA PIT SYSTEM on a regional and national basis at prices that are more competitive than those of the

Franchisor's current designated supplier, including any rebates payable to the Franchisor. The Franchisor must be permitted to inspect the supplier's facility and the Franchisee shall submit to the Franchisor samples of any such products or supplies, which Franchisee wishes to acquire from any other source or supplier and the Franchisor shall be entitled to submit such samples, at the Franchisee's or supplier's or other source's expense, to an independent testing laboratory to determine whether the standards of the Franchisor and THE PITA PIT SYSTEM are met. The Franchisee shall be responsible for all costs incurred by the Franchisor relating to the inspection and approval process. For some Products and supplies, the Franchisor may designate one supplier from whom the Franchisee must purchase, which may be Franchisor or its affiliate. The Franchisor may require the Franchisee to enter into written agreements with designated suppliers. The Franchisee's right to seek approval of alternative suppliers does not apply where there is a designated supplier.

- (4) With respect to suggestions given by the Franchisor to the Franchisee concerning the resale price for Products, the Franchisee is under no obligation to accept any such suggested resale price and furthermore, the Franchisee shall have the sole right to determine resale prices. If the Franchisee does not sell or dispose of the Products at the prices suggested by the Franchisor, the Franchisee will not suffer in any way in its business relations with the Franchisor or any other person whom the Franchisor can otherwise influence or control.
- (5) So long as the Franchisee is not in default hereunder, the Franchisor will endeavor to use its reasonable best efforts to fill all orders placed by the Franchisee with the Franchisor as promptly as possible. However, the Franchisor will not be liable for loss or damage due to delay in delivery resulting from any cause beyond its reasonable control, including, but not limited to, compliance with any regulations, orders or instructions of any federal, state or municipal government or any department or agency thereof, acts or omissions of the Franchisee, acts of civil or military authority, fires, strikes, lockouts, embargoes, delays in transportation, and inability due to causes beyond control of the Franchisor to obtain the necessary products or ingredients. In no event shall the Franchisor be liable for financial loss, including consequential or special damages on account of delay due to any cause.

Discounts, Rebates, Bonuses

- (6) In the event that any volume discounts, rebates, bonuses (whether by way of cash, kind or credit) are received by the Franchisor from any manufacturer or supplier approved or designated by the Franchisor, whether or not on account of purchases or improvements made (i) by the Franchisor for its own account or for the account of the Franchisee or (ii) by the Franchisee directly for its own account, the Franchisor shall be entitled to retain the whole of the amount or any part of such volume discounts, rebates, or bonuses.

System Modifications

- (7) The Franchisee acknowledges and agrees that the Franchisor may from time to time hereafter add to, subtract from, modify or otherwise change THE PITA PIT SYSTEM, including, without limitation, the adoption and use of new or modified trade-marks or trade names, new products or services and new techniques in connection therewith, new equipment or fixtures, and the Franchisee agrees, at its own cost, to promptly accept, implement, use and display all such alterations, modifications and changes. Provided however, that such implementation shall only be undertaken on a reasonable basis, having regard to the costs thereof and the disruption of the Franchisee's business arising therefrom.

Transfer of Funds

- (8) The Franchisee covenants and agrees to cooperate fully and comply with any reasonable system implemented by the Franchisor for the transfer of funds directly from the bank account of the Franchisee to the bank account of the Franchisor, including the execution of any preauthorized payment or automatic withdrawal forms required by the Franchisor's or the Franchisee's bankers.

9. OPERATING MANUAL AND CONFIDENTIALITY

Compliance With Manual

- (1) The Franchisee shall conduct the Franchised Business strictly in accordance with all of the provisions set out in the Manual as amended by the Franchisor from time to time.

Non-Disclosure

- (2) The Franchisee acknowledges that it has had no part in the creation or development of, nor does it have any property or other rights or claims of any kind in, or to, any element of THE PITA PIT SYSTEM including, without limitation, the specifications, standards, procedures and the entire contents of the Manual are communicated to the Franchisee solely on a confidential basis and as trade secrets, in which the Franchisor has a substantial investment and a legitimate right to protect against unlawful disclosure. Accordingly, the Franchisee agrees to maintain the confidentiality of all such information, whether obtained before or after the Franchisee executed this Agreement, during the currency of this Agreement or at any time thereafter and shall not disclose any of the contents of the Manual or any information whatsoever with respect to the Franchisee's or the Franchisor's business affairs or THE PITA PIT SYSTEM other than as may be required to enable the Franchisee to conduct its business from the Food Truck in accordance with this Agreement. The Franchisee further agrees not to use any such information, whether obtained before or after the Franchisee executed this Agreement, in any other business or in any manner not specifically approved in writing by the Franchisor. The Franchisee shall use its reasonable best efforts to have its

principals, senior employees, agents, and the Guarantor execute the Franchisor's standard form secrecy agreement, a current form of which appears in Schedule C hereto. This section shall survive the termination of this Agreement for any reason whatsoever. The obligations of the Franchisee under this paragraph shall not apply to information: (a) which at the time of disclosure was readily available to the public, (b) which after disclosure becomes readily available to the public, otherwise than by reasons of a breach of this Agreement by the Franchisee or its principals, employees or agents, (c) which is subsequently lawfully and in good faith obtained by the Franchisee from an independent third party having the right to publicly disclose the information, and (d) which the Franchisee is by law required to disclose.

Manual is Property of the Franchisor

- (3) The Franchisee hereby acknowledges that the Manual is loaned to the Franchisee and shall at all times remain the sole and exclusive property of the Franchisor, and upon the expiration or termination of this Agreement for any reason whatsoever, the Franchisee shall immediately return the Manual together with all copies or any partial copies of the Manual which the Franchisee may have made, to the Franchisor. There is a replacement fee of \$1,000 for any lost Manual.

10. ADVERTISING

Local Advertising

- (1) The Franchisee agrees to, during the Initial Term and any renewal thereof, expend annually on local advertising and promotion not less than an amount equal to one per cent (1%) of Gross Sales each year.
- (2) The Franchisee shall have the right to conduct such additional advertising and promotions in respect of the Franchised Business as the Franchisee shall, in its reasonable discretion desire, provided that:
 - (a) the Franchisee shall advertise and promote only in a manner that will reflect favorably on the Franchisor, the Franchisee, the Products and the good name, goodwill and reputation thereof;
 - (b) the Franchisee shall submit to the Franchisor for its approval, all advertising and promotions to be utilized by the Franchisee and until such time as the Franchisor shall give its prior written approval to the use of such advertising and promotions, the Franchisee shall not utilize same in any advertising or promotion;
 - (c) the Franchisee shall prominently display, at its expense, in and upon the Food Truck signs of such nature, form, color, number, location and size and containing such matter as the Franchisor may direct or approve in writing from

time to time and such signs shall be purchased from the Franchisor or, at its option, from suppliers approved by it;

- (d) the Franchisee hereby acknowledges that the Franchisor is the sole and exclusive owner of all copyrights in any and all advertising and promotional material prepared by, or on behalf of, the Franchisor or which contains the Marks and shall, at all times, remain the property of the Franchisor; and,

General Advertising Fund

- (3) Recognizing the value of uniform advertising and promotion to the goodwill and public image of THE PITA PIT SYSTEM, the Franchisee agrees that the Franchisor may undertake, maintain and administer a general advertising fund (the Fund) for such national, regional and other advertising programs as the Franchisor may deem necessary or appropriate, in its sole discretion. The Franchisor shall direct all such advertising programs in its sole discretion with respect to the creative concepts, materials, endorsements and media used therein, and the placement and allocation thereof.
- (4) The Franchisee shall contribute to the Fund in each year an amount equal to up to two percent (2%), as determined by the Franchisor, of the Gross Sales for such year. Any amounts payable hereunder to the Fund, shall be payable on the 10th day of each month and shall be based upon Gross Sales for the preceding month.
- (5) The Fund shall be used and expended for media costs, commissions, market research costs, creative and productions costs, including, without limitation, the costs of creating promotions and artwork, printing costs, and other costs relating to advertising and promotional programs undertaken by the Franchisor. The Franchisor reserves the right to place and develop such advertisements and promotions and to market the same for and on behalf of the Franchisee, either directly or through an advertising agency retained or formed for such purpose. The Fund shall be accounted for separately from the other funds of the Franchisor and shall not be used to defray any of the Franchisor's general operating expenses, except for such reasonable salaries, administrative costs and overhead (calculated on a fully allocated basis), if any, as the Franchisor may incur in activities reasonably related to the administration or direction of the Fund and its advertising programs (including, without limitation, conducting market research). A statement of the operation of the Fund shall be prepared annually and shall be made available to the Franchisee upon request, the cost of such statement to be paid from the Fund.
- (6) The Franchisee acknowledges and agrees that the Fund is intended to maximize general public recognition and patronage of THE PITA PIT SYSTEM and businesses for the benefit of all THE PITA PIT franchisees and that the Franchisor undertakes no obligation in administering the Fund to ensure that any particular franchisee, including

the Franchisee, benefits directly or *pro rata* from the placement or conduct of such advertising and promotion.

- (7) Except as expressly provided in this section, the Franchisor assumes no direct or indirect liability or obligation to the Franchisee with respect to the maintenance, direction or administration of the Fund.

11. MARKS

No Permanent Interest

- (1) The Franchisee acknowledges that the Franchisor owns the Marks and all associated goodwill and that all registrations of the Marks by the owner are valid. Neither this Agreement nor the operation of the Franchised Business shall in any way give or be deemed to give to the Franchisee any interest in the Marks except for the right to use the Marks solely at, and on, the Food Truck and in accordance with the terms and conditions of this Agreement. The Franchisee shall not use the Marks in any manner calculated to represent that it is the owner of the Marks. Neither during the term of this Agreement nor at any time after expiration or termination hereof, shall the Franchisee, directly or indirectly, dispute or contest the validity or enforceability of the Marks, attempt any registration thereof, or attempt to dilute the value of any goodwill attaching to the Marks. Any goodwill associated with the Franchisee's use of the Marks shall enure exclusively to the benefit of the Franchisor.

Franchisee's Obligations With Respect to Marks

- (2) Without in any way restricting or limiting subsection 11(1) hereof, the Franchisee covenants and agrees as follows:
 - (a) that contemporaneously with the execution of this Agreement or forthwith upon any request by the Franchisor, the Franchisee will execute such agreements or other instruments in such form and with such parties, including the Franchisor, as the Franchisor in its sole discretion shall specify, for the purpose of protecting the interests and rights of the Franchisor in such Marks, or complying with any applicable trade name, trade-mark or other similar legislation;
 - (b) that the Franchisee will not use either the Marks or any variations thereof, including the words "Pita" and "Pit" together, as any part of its corporate, firm or business name or for any other purposes, save and except in accordance with the terms and conditions of this Agreement or as may otherwise be specifically authorized by the Franchisor in writing;
 - (c) that if the business, partnership or corporate statutes of any jurisdiction require that the Franchisee make application to use the Marks within such jurisdiction,

such application of the Franchisee shall specify that the Franchisee's use of such Marks is subject to and limited by the terms and conditions of this Agreement;

- (d) that forthwith upon the expiration or termination for any reason whatsoever of this Agreement, the Franchisee shall cease all use of the Marks and shall permanently refrain from using the Marks (including any colorable imitations or confusingly similar trade-marks) for any purposes whatsoever and the Franchisee shall not make known, either directly or indirectly, following such expiration or termination, that the Franchisee previously conducted business under the Marks;
- (e) that the Franchisee shall not (i) use the Marks, (ii) reference its affiliation with the Franchisor in the system, or (iii) offer for sale any of the Products, on the Internet, through social media, or any communications network now or hereafter developed, except as specified by the Franchisor; and
- (f) that the Franchisee shall not use the words "Pita" and "Pit" together in any domain name or email address without the Franchisor's prior written consent.
- (g) that the Franchisee shall not cause the Marks to be held in disrepute or otherwise damage the goodwill in the Marks.

Affixing of Notice

- (3) The Franchisee hereby covenants and agrees that it will affix in a conspicuous location in or upon the Food Truck, a sign containing the following notice:

"This business is owned and operated independently by **(name of franchisee)** who is a licensed user of trade-marks owned by Pita Pit Inc."

Infringement or Change of Marks

- (4) The Franchisee shall immediately notify the Franchisor in writing of any infringement of or challenge to the Franchisee's use of any of the Marks and the Franchisor shall have the sole discretion to take such action as it deems appropriate. The Franchisee shall not take any other action, including, without limitation, threatening or commencing legal proceedings regarding the infringement or challenge without the Franchisor's prior written permission. The Franchisor agrees to indemnify the Franchisee against, and to reimburse the Franchisee for, all damages for which he is held liable in any proceeding arising out of the use of any of the Marks by the Franchisee in compliance with this Agreement and for all costs reasonably incurred by the Franchisee in the defense of any such claim brought against him or in any such proceeding in which he is named as a party, to a maximum aggregate amount of the initial franchise fee paid by the Franchisee pursuant to Section 3(1). The Franchisee agrees to cooperate fully with the Franchisor in any infringement proceeding or challenge to the Franchisee's use of any of the Marks. If it becomes advisable at any time, in the sole discretion of the Franchisor,

for the Franchisee to modify or discontinue the use of any of the Marks or use one or more additional or substitute trade names or trade marks, the Franchisee agrees to do so and the sole obligation of the Franchisor in any such event shall be to reimburse the Franchisee for the actual out of pocket expenses reasonably incurred by the Franchisee in replacing signs or other printed material then being used by the Franchisee in the conduct of the Franchised Business and bearing the Marks to be modified or discontinued.

Registration of Marks

- (5) The Franchisee recognizes that the Franchisor makes no representations or warranties to the Franchisee that any of the Marks are registered or registerable, that the Franchisor has the right or exclusive right to use any of the Marks, or that the Marks do not infringe any intellectual property, proprietary or other right of any person.

12. ACCOUNTING, RECORDS, REPORTS, AUDITS AND INSPECTIONS

Bookkeeping, Accounting and Records

- (1) The Franchisee shall maintain a bookkeeping, accounting and record keeping system conforming to the requirements prescribed from time to time by the Franchisor, including without limitation, the use and retention of cash register tapes, invoices, cash receipts, inventory records, purchase orders, payroll records, check stubs, bank deposit receipts, sales tax records and returns, cash disbursement journals and general ledgers together with such further and other records and documents as may from time to time be required by the Franchisor, and including computerized bookkeeping and accounting systems established from time to time. The Franchisee's books and records shall only contain information relating to the Franchised Business. The Franchisee's books and records shall be preserved for at least six years (including the period after this Agreement expires or is earlier terminated). The Franchisee and all personnel employed by the Franchisee shall record, at the time of sale, in the presence of customers, all receipts from sales or other transaction, whether for cash or credit, on cash registers or other equipment approved by the Franchisor.

Reports and Financial Information

- (2) The Franchisee shall furnish to the Franchisor such reports as the Franchisor may reasonably require from time to time. Without limiting the generality of the foregoing, the Franchisee shall furnish to the Franchisor in the form from time to time prescribed by the Franchisor, acting reasonably and together with such detail and breakdown and copies of supporting records as the Franchisor may reasonably require from time to time:
 - (a) by the 5th day following the end of each month or on a weekly basis if the Franchisor requires the Franchisee to pay the Continuing Fee on a weekly basis,

- a report of the Gross Sales for such month, signed and verified by the Franchisee;
- (b) within sixty (60) days after the end of each three consecutive months, a profit and loss statement for the Franchised Business for such months;
 - (c) within sixty (60) days after the end of each fiscal year of the Franchised Business, financial statements for the Franchised Business, including a balance sheet, profit and loss statement and a statement of retained earnings for such period, which statements shall be signed and verified by the Franchisee;
 - (d) within sixty (60) days of the end of each fiscal year of the Franchised Business, a statement of Gross Sales for such fiscal year determined in accordance with generally accepted accounting principles applied on a consistent basis, and reviewed by a firm of independent certified public accountants acceptable to the Franchisor;
 - (e) in the event that the Franchisee remains in default of any provision of this Agreement for a period exceeding fifteen (15) days, the Franchisee shall provide to the Franchisor, true copies of all filings of all returns, schedules and reports filed by Franchisee for income, corporate or sales tax purposes; and,
 - (f) the Franchisee hereby authorizes the Franchisor to make inquiry of the Franchisee's bankers, suppliers and other trade creditors as to their dealings with the Franchisee in relation to the Franchised Business, to discuss the affairs, finances and accounts of the Franchised Business (and by its execution hereof the Franchisee authorizes and directs such bankers, suppliers and other trade creditors to discuss with the Franchisor the affairs, finances and accounts of the Franchised Business) and to obtain information and copies of invoices relating to sales or other dealings with all such persons and the Franchisee in any way relating to the Franchised Business. If requested, the Franchisee agrees to execute and deliver such additional directions and other documents as the Franchisor may require in order to permit such bankers, suppliers or other trade creditors to release or disclose any such information and documents to the Franchisor.

Inspection and Audit of Books and Records

- (3) At any time, the Franchisor may access the Franchisee's financial books, records, bookkeeping and accounting records, documents or other materials in respect of the Franchised Business to determine, among other things, sales activity and Gross Sales, or any other reasonable business purpose. The Franchisor may use any and all information available to it in the Franchisee's above documentation and materials, for any reasonable business purpose.

- (4) The Franchisor shall have the right, during normal business hours and without prior notice to the Franchisee, to inspect or audit, or cause to be inspected or audited by an independent Certified Public Accountant, the financial books, records, bookkeeping and accounting records, documents or other materials in respect of the Franchised Business, including the right, without limitation, to have a person on the Food Truck, or any other location where the records are stored, to inspect all cash-control devices and systems, conduct physical inventory to check, verify and tabulate Gross Sales, and/or to examine and make copies of all accounting and business records and procedures. In the event that any such audit or inspection shall disclose an understatement of Gross Sales, the Franchisee shall pay to the Franchisor, within ten (10) days after receipt by the Franchisee of the inspection or audit report, the Continuing Fee and other sums due on account of such understatement. Further, if such audit or inspection is made necessary by the failure of the Franchisee to furnish reports, financial statements or any other documentation as herein required, or if it is determined by any such audit or inspection that the Franchisee's records and procedures were insufficient to permit a proper determination of Gross Sales for any year or part thereof to be made, or that Gross Sales for the period in question were understated by three percent (3%) or more of the Gross Sales actually received, or that the Franchisee was not complying with each of the provisions of Section 12 hereof, the Franchisee shall immediately take such steps as may be necessary to remedy such default in accordance with the recommendations of such auditor and the Franchisee shall promptly pay to the Franchisor all reasonable costs incurred in connection with such audit or inspection, including, without limitation, charges of an accountant and the travel expenses, room, board and compensation of employees of the Franchisor. If the Franchisee's records and procedures were insufficient to permit a proper determination of Gross Sales, the Franchisor shall have the right to deliver to the Franchisee an estimate, made by the Franchisor, of Gross Sales for the period under consideration and the Franchisee shall immediately pay to the Franchisor any amount shown thereby to be owing on account of the Continuing Fee and other sums due on account of any understatement. Any such estimate shall be final and binding upon the Franchisee.

Auditor's Report to be Final

- (5) Any report of the Franchisor's auditor rendered from time to time pursuant to this section shall be final and binding upon all of the parties hereto; provided that, in making any such report, the Franchisor's auditor shall do so pursuant to generally accepted accounting principles.

Right to Inspect Franchised Business, Food Truck, and Commissary

- (6) The Franchisor and/or its representatives shall have the right, at all times, to inspect the Food Truck and Commissary and the furnishings, equipment and fixtures thereon and the Products, to take inventory of such Products, and otherwise to examine the manner in which the Franchisee is conducting its business including, without limitation, the Franchisee's use of the Marks to ensure the Franchisee's uniform and consistent

compliance with the Franchisor's standards and specifications. In the event of any such inspection, the Franchisee and its staff shall cooperate fully. The Franchisor and/or its representatives shall have the right, at all times, to interview employees and customers of the Franchised Business; the right to make inquiry of banks, suppliers or other creditors of the Franchisee and the right to videotape operations associated with the Franchised Business.

13. INSURANCE

Types of Insurance

- (1) The Franchisee shall, at its sole cost and expense, take out and keep in full force and effect throughout the term of this Agreement and any renewal thereof, such insurance coverage on the Food Truck and Commissary, as the Franchisor may from time to time require (including, without limitation, commercial auto, product liability insurance, fire and extended coverage insurance on the equipment and stock of the Franchised Business, business interruption insurance, worker's compensation insurance and public liability and indemnity insurance) in such amounts as the Franchisor may from time to time require, fully protecting as named insureds, the Franchisor and the Franchisee against loss or damage occurring in connection with the operation of the Franchised Business, including occupation and use of the Commissary. All costs in connection with the placing and maintaining of such insurance shall be borne solely by the Franchisee.
- (2) The Franchisor has implemented an insurance program with specific insurers for franchisees to comply with the insurance requirements hereunder. The Franchisee must purchase the insurance package offered under this program through the Franchisor's designated broker, all at the expense of the Franchisee, including, at the Franchisor's option, payment of any fees to the Franchisor's designated broker or the reimbursement of any fees paid by the Franchisor to its designated broker.

Policies of Insurance

- (3) All policies of insurance obtained pursuant to Section 13 shall:
 - (a) be placed only with insurers reasonably acceptable to the Franchisor;
 - (b) be in such form and amounts as is acceptable to the Franchisor;
 - (c) contain a clause that the insurer will not cancel or change or refuse to renew the insurance without first giving to the Franchisor thirty (30) days prior written notice; and
 - (d) name the Franchisor as an additional named insured.

Copies

- (4) Copies of all policies or certificates of insurance and any renewals thereof, shall be delivered promptly to the Franchisor by the Franchisee from time to time throughout the term of this Agreement and any renewal thereof. The Franchisee hereby grants the Franchisor and its designated broker or other designee the right to obtain information directly from the Franchisee's insurer about the insurance placed with it by the Franchisee, including, without limitation, the type of insurance, coverage limits, exclusions, claims history, payment history, and copies of policies.

Placement of Insurance by the Franchisor

- (5) If the Franchisee fails to take out or keep in force any insurance referred to in subsection 13(1) or 13(2) above, or should any such insurance not be as provided in subsection 13(3) above, and should the Franchisee not rectify such failure within forty-eight (48) hours after written notice is given to the Franchisee by the Franchisor, the Franchisor has the right, without assuming any obligation in connection therewith, to effect such insurance at the sole cost of the Franchisee and all outlays by the Franchisor shall be immediately paid by the Franchisee to the Franchisor on the first day of the next month following such payment by the Franchisor without prejudice to any other rights and remedies of the Franchisor under this Agreement.

Sufficiency

- (6) Nothing in this Agreement implies that the insurance required by the Franchisor will be sufficient for the Franchisee's needs. The Franchisee is encouraged to consider whether to obtain additional insurance or coverage with higher limits since the Franchisor does not require insurance against all potential insurable risks.

14. RESTRICTIVE COVENANTS AND TRADE SECRETS

Competition During Term of Agreement

- (1) The Franchisee and the Guarantor, (in consideration of the Franchisor entering into this Agreement) jointly and severally, covenant and agree that, during the term of this Agreement and any renewal period thereof, the Franchisee and the Guarantor shall not, without the prior written consent of the Franchisor, either individually or in partnership or jointly or in conjunction with any person, firm, association, syndicate or corporation, as principal, agent, shareholder or in any manner whatsoever, carry on or be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of or permit their names or any part thereof to be used or employed in any quick service restaurant or food truck that features the sale of pita sandwiches, sandwich wraps or other food products featured by THE PITA PIT restaurants.

Competition After Termination

- (2) In the event of the expiration or termination or assignment by the Franchisee of this Agreement for any reason whatsoever, each of the Franchisee and the Guarantor (in consideration of the Franchisor entering into this Agreement) shall not, without the prior written consent of the Franchisor, at any time during the period of two (2) years from the date of such expiration or termination either individually or in partnership or jointly or in conjunction with any person or persons, firm, association, syndicate, company or syndication as principal, agent, shareholder or in any other manner whatsoever carry on, be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of or permit its name or any part thereof to be used or employed by any person or persons, firm, association, syndicate, company or corporation engaged in or concerned with any quick service restaurant or food truck that features the sale of pita sandwiches, sandwich wraps or other food products featured by THE PITA PIT restaurants, within the Territory or within five (5) miles of the Territory, or within the territory or within five miles of the territory of any other THE PITA PIT franchise or corporately owned restaurant or food truck in existence at the time of the expiration or termination of this Agreement.

Acknowledgment of Corporate Franchisee

- (3) In the event the Franchisee is a corporation, the Franchisee covenants and agrees to deliver to the Franchisor at any time the Franchisor may request, the written acknowledgment of such directors, officers, shareholders, members, partners or senior management employees of the Franchisee, as the Franchisor shall in its reasonable discretion determine, acknowledging that they have reviewed the provisions of this Section 14 and that they agree to abide by and be bound by all such provisions.

15. SALE, ASSIGNMENT, TRANSFER

Assignment by the Franchisee

- (1) The Franchisee acknowledges that the Franchisor, in granting this franchise and the rights and interests under this Agreement, has relied upon, among other things, the character, background, qualifications and financial ability of the Franchisee and, where applicable, its members, partners, shareholders, officers, directors, managers and the Guarantor. Accordingly, this Agreement, the Franchisee's rights and interests hereunder, the Food Truck, and other property and assets owned and used by the Franchisee in connection with the Franchised Business shall not be sold, assigned, transferred, shared or encumbered in whole or in part in any manner whatsoever, without the prior written consent of the Franchisor, which shall not be unreasonably withheld. Prior to seeking such consent, the Franchisee shall provide the Franchisor with a right of first refusal as set forth below. In no case shall the Franchisee place a "FOR SALE" sign anywhere on the Food Truck without the Franchisor's prior written permission. Any actual or purported assignment occurring by operation of law or

otherwise without the prior written consent of the Franchisor shall be a material default of this Agreement and shall make this Agreement null and void.

- (2) In considering the request for sale, assignment, transfer or encumbrance (all of which are hereinafter included within the word “transfer”) pursuant to subsection 15(1) above, the Franchisor may consider, among other things, the information set out in the proposed franchisee’s application, along with the qualifications, good character, requisite general business experience, apparent ability to operate the Franchised Business, and credit standing of the proposed transferee, and its partners, managers, principal shareholders, directors and officers, and any guarantor as appropriate, whether the purchase price and other terms of sale as well as the amount and terms of any financing would be unduly burdensome to the transferee, and whether the Franchised Business was purchased with the intent to flip it. In addition, the Franchisor shall be entitled to require as a condition precedent to the granting of its consent that:
- (a) as of the date of the Franchisee’s request for consent and as of the closing date of transfer there shall be no default in the performance or observance of any of the Franchisee’s obligations under this Agreement or any other agreement between the Franchisee, the Franchisor or any affiliate or supplier thereof, and if the Franchisee intends to transfer its rights of possession of the Food Truck, that the Franchisee has obtained the consent of all necessary parties to that transfer to the proposed transferee;
 - (b) the Franchisee has settled all outstanding accounts with the Franchisor, its affiliates and all other trade creditors of the Franchised Business up to the closing date of the proposed transfer;
 - (c) the Franchisee has delivered to the Franchisor a complete release of the Franchisor, its directors and officers, as well as its affiliates and the directors and officers thereof, from all claims howsoever arising as well as all obligations under this Agreement of any such persons, in the form attached to this Agreement as Exhibit B;
 - (d) the proposed transferee has entered into a written assignment, in a form prescribed by the Franchisor or, at the Franchisor’s option, shall have executed a new franchise agreement in the form then being used by the Franchisor, for the balance of the Initial Term or renewal term, with the same rights of renewal under this Agreement if not already renewed, and at the Continuing Fee rates provided under this Agreement and with no greater expenditures for advertising and promotion than are provided under this Agreement unless the Franchisor determines, in its sole discretion, that the Franchisee purchased the Franchised Business with the intent to flip it (in which case the Franchisor may deny the transfer or impose on the transferee the fees and terms then being offered to new franchisees absent any rebates or reductions), and shall have executed such

other documents and agreements as are then customarily used by the Franchisor in the granting of franchises;

- (e) the proposed transferee has provided guarantees from anyone whom the Franchisor may request, guaranteeing the proposed transferee's performance of its obligations under the agreements to be entered into;
- (f) the proposed transferee has completed, to the satisfaction of the Franchisor, such training in the operations of the Franchised Business, at the proposed transferee's or the Franchisee's sole expense, as the Franchisor may require;
- (g) the proposed transferee has provided, to the satisfaction of the Franchisor, a business plan indicating that the proposed transferee possesses the required level of business experience and acumen necessary in the operation of a THE PITA PIT franchised business;
- (h) the Franchisee paying to the Franchisor, any fees and/or expenses which may be incurred by the Franchisor in dealing with the transfer and the Franchisee's application for approval together with a transfer fee of \$7,000 paid to the Franchisor with the request to transfer, whether or not such approval is given or the transfer is completed;
- (i) the Franchisee shall do or cause to be done all such things as the Franchisor may require to ensure that the Food Truck satisfies the then current image, standards and specifications established by the Franchisor for new franchises in THE PITA PIT System whether or not such image, standards or specifications reflect a material change in THE PITA PIT System in effect during the initial Term hereof and upon inspection by the Franchisor achieving an evaluation score of 90% or higher. Without limiting the generality of the foregoing, the Franchisee shall make such capital expenditures as the Franchisor shall determine in its sole discretion as being required in connection with the foregoing for the modernization, renovation and refurbishing of the Food Truck and all fixtures, furnishings, equipment and signs therein or thereon. The Franchisee shall have the Food Truck cleaned by professional commercial cleaners and to arrange inspections with highly qualified inspectors of all equipment and infrastructure, including without limitation the auto mechanical, electrical and plumbing systems, prior to the transfer, and to provide all such inspection reports to the Franchisor and the proposed transferee at least three (3) weeks prior to the transfer;
- (j) the Franchisor's consent to any transfer is not a waiver by the Franchisor of any claim against the Franchisee; and
- (k) The refusal of the Franchisor to consent to the proposed transfer based upon the non-compliance with any of the foregoing conditions shall not be deemed to be

an unreasonable withholding of such consent. The Franchisor's consent to a transfer shall not operate to release the Franchisee from any liability under this Agreement;

Right of First Refusal

- (3) Without in any way derogating from the right of the Franchisor to reject a proposed transfer pursuant to subsection 15(1) above, if at any time or times during the term of this Agreement, including any renewal thereof, the Franchisee obtains a bona fide offer (the "Offer") to acquire the whole or any part of his interest in the Franchised Business, which the Franchisee wishes to accept, the Franchisee shall promptly give written notice thereof to the Franchisor together with a true copy of the Offer. Upon receipt of such notice and Offer, the Franchisor, or its designated affiliate, shall have the option of purchasing the property forming the subject matter thereof upon the same terms and conditions as those set out in the Offer except that:
- (a) the Franchisor, or its designated affiliate, shall have the right to substitute cash for any other form of consideration specified in the Offer and to pay in full the entire purchase price at the time of closing. The Franchisor, or its designated affiliate, may exercise its option at any time within twenty (20) days after receipt of the said notice by giving written notice to the Franchisee. If the Franchisor declines to exercise such option and if such transfer is approved by the Franchisor, the Franchisee shall be at liberty to complete the transfer to such third party transferee in accordance with the Offer, provided that, notwithstanding the terms of the Offer, such transaction must be completed within thirty (30) days of the date on which the Franchisor notifies the Franchisee of its approval of such transaction. If the transaction is not completed within thirty (30) days, the foregoing provisions of subsection 15(2) shall apply again in respect of the proposed transfer and so on from time to time;
 - (b) in addition to the Offer to be given by the Franchisee to the Franchisor together with the notice described in subsection 15(3) above, the Franchisee shall provide the Franchisor with:
 - (i) information relating to the business reputation and qualifications to carry on the Franchised Business of the proposed transferee; and
 - (ii) any credit information the Franchisee may have as to the financial ability and stability of the proposed transferee, including, if the proposed transferee is an individual, his personal net worth statement and if the proposed transferee is a corporation, partnership, or other entity, its latest financial statements and personal net worth statement of the proposed guarantor.

Sale of Shares or Other Interest in the Franchisee

- (4) In the event the Franchisee is a corporation, limited liability company or partnership:
- (a) then the respective transfer, sale, assignment, pledge, mortgage or
 - (b) hypothecation of any shares or interest, or any change in the composition of shareholders, membership interest holders or partners, whether by operation of law, or otherwise, or any amalgamation or merger which results or could result in a change of Control (as defined below) of the Franchisee, as applicable, shall be deemed to be an assignment of this Agreement and shall be subject to all of the provisions, terms and conditions precedent specified in this Section 15, which shall apply *mutatis mutandis*. “Control” means (i) ownership of legal and equitable title to more than twenty-five percent (25%) of the outstanding voting equity interests of the Franchisee, or (ii) having the right to designate a majority of the directors, the manager or any other similar governing body or person of the Franchisee.
 - (c) the Franchisee will, upon the Franchisor’s request from time to time, deliver to the Franchisor a certificate certifying as to then current shareholders, directors, officers, members, or partners, as the case may be, of the Franchisee, and will permit the Franchisor to review its corporate, limited liability company or partnership records;
 - (d) the Franchisee will cause the share certificates representing share ownership in the case of a corporation or the documents of title representing an ownership interest in the case of a limited liability company or a partnership, to have typed or written thereon a legend stating that such shares or documents of title are subject to this franchise agreement among the Franchisor, the Franchisee and the Guarantor, that the said franchise agreement contains restrictions on the sale, assignment, transfer, mortgage, pledge, hypothecation, donation, encumbrancing or other dealings with the said shares or documents of title, and that notice of the said agreement is thereby given.

Assignment by the Franchisor

- (5) The Franchisor, (including its successors and assigns), may sell, transfer or assign its interest in THE PITA PIT SYSTEM or the Marks or any parts thereof or in this Agreement without seeking the consent of the Franchisee. In the event of a sale, transfer or assignment by the Franchisor of its interests in THE PITA PIT SYSTEM or the Marks or any parts thereof, or in the event of any sale, transfer or assignment by the Franchisor of this Agreement or any interest therein, to the extent that the purchaser or assignee shall assume the covenants and obligation of the Franchisor under this

Agreement, the Franchisor shall thereupon and without further agreement, be freed and relieved of all liability with respect to such covenants and obligations.

16. DEATH OR INCAPACITATION

Death or Incapacitation

- (1) Upon the death, permanent disability or legal incapacity of the Franchisee, or a controlling shareholder, membership interest holder or partner of the Franchisee, or the Guarantor, as the case may be, if such person has at the date of such death, permanent disability or legal incapacity a spouse or any adult children surviving, the following shall apply:
 - (a) if the surviving spouse and/or adult child desire and are, in the reasonable opinion of the Franchisor capable of carrying on the Franchised Business, with the assistance of suitable professional management or otherwise, the said spouse and/or adult child shall have the right to continue to operate the Franchised Business provided that they shall directly covenant and agree with the Franchisor to be bound by the terms and conditions of this Agreement and any other agreements made between the Franchisor, and the Franchisee, and that the fees set out in subsection 15(2)(h) above, are paid;
 - (b) if the surviving spouse and/or adult child do not desire or are not, in the reasonable opinion of the Franchisor, capable of carrying on the Franchised Business, or cannot devote their full time and attention to the Franchised Business, or if there is no spouse or adult child surviving, then the Franchisee, the controlling shareholder, membership interest holder, or partner of the Franchisee, or their respective guardians or estates, as the case may be, shall have the right to sell, assign, or transfer such party's rights under this Agreement, as provided in Section 15. The right to sell, assign, or transfer is conditioned upon the Franchisee's or Franchisee's estate's continued operation of the Franchised Business and ongoing compliance with the terms and conditions of this Agreement. The Franchisor's rights and remedies arising from any default of this Agreement, by the Franchisee, the Franchisee's estate, or otherwise, will remain in full force and effect;
 - (c) if the surviving spouse and/or adult child do not desire or are not, in the reasonable opinion of the Franchisor, capable of carrying on the Franchised Business, or cannot devote their full time and attention to the Franchised Business or if there is no spouse or adult child surviving, and the Franchisee, the controlling shareholder, membership interest holder, or partner of the Franchisee, or their respective guardians or estates elect not to or cannot sell, assign, or transfer such party's rights under this Agreement within ninety (90) days of the date of the Franchisee's death or death of the controlling shareholder, membership interest holder or partner of the Franchisee or the Guarantor, or the

date upon which the permanent disability of the Franchisee or the controlling shareholder, membership interest holder or partner of the Franchisee or the Guarantor arises, or the date of declaration of legal incapacity of the Franchisee or the controlling shareholder, membership interest holder or partner of the Franchisee or the Guarantor, then the Franchisor shall have the right, such right to be exercised by the Franchisor giving written notice to the Franchisee or to the Franchisee's estate to purchase all or any part of the assets of the Franchisee used in the operation of the Franchised Business for a purchase price equal to the "asset value" of the Franchisee's assets calculated in accordance with the provisions set out below, less all proper business liabilities assumed by the Franchisor as at the date the said purchase is completed. To satisfy the aforesaid purchase price, the Franchisor shall pay the difference between the said "asset value" and the amount of the liabilities assumed by it, on the date of the completion of the purchase by way of cash or certified check.

Valuation

- (2) For the purposes of this section "asset value shall be determined as follows:
- (a) "Products" shall be valued at the Franchisee's actual cost (less freight and other shipping charges); provided that, if in its sole opinion, the Franchisor believes any portion of the Products are shopworn, damaged or not saleable, the Franchisor shall not be required to purchase such portion;
 - (b) "Food Truck" shall be valued at an amount equal to the net depreciated book value of each such item as such term is defined in Section 16 (2)(d) below.
 - (c) "goodwill" shall be valued at an amount equal to the average of the Franchisee's annual after-tax earnings for the two (2) fully completed fiscal years immediately preceding the date of death or permanent disability of the Franchisee or the controlling shareholder, membership interest holder or partner or other equity interest holder of the Franchisee or the Guarantor, as the case may be; provided that, if the Franchisee shall have conducted business for less than the said two (2) year period but for at least one (1) fully completed fiscal period, goodwill shall be valued at an amount equal to the Franchisee's average annual after-tax earnings for such lesser period. If the Franchisee has conducted business for less than one (1) fully completed fiscal period, no value shall be attributed to goodwill. In calculating such after-tax earnings, appropriate adjustments shall be made for reasonable management salaries.
 - (d) "net depreciated book value" shall be calculated by valuing the food truck or trailer and towing vehicle, and all fixtures, equipment, furniture and other assets as having been depreciated at the maximum amount of depreciation allowed in accordance with the prevailing taxation statutes.

- (e) Any other assets purchased by the Franchisor hereunder shall be valued at the lesser of their depreciated value as shown in the financial records of the Franchisee, or the actual cost to the Franchisee. No value shall be attributed to any interest in a lease or other instruments pursuant to which the Franchisee possessed the Food Truck. Any purchase pursuant to the provisions of this Article 16 shall be completed within one hundred and twenty (120) days of the date of death or permanent disability of the Franchisee or the controlling shareholder, membership interest holder or partner of the Franchisee or the Guarantor, or at such other time as may be mutually agreed upon by the Franchisor and the Franchisee or the appropriate estate personal representatives.

Deemed Permanently Disabled

- (3) For the purposes of this Section 16 and subject to the employment of suitable professional management reasonably satisfactory to the Franchisor, the Franchisee or any controlling shareholder, membership interest holder or partner of the Franchisee or the Guarantor, as the case may be, shall be deemed to have a “permanent disability” if the usual participation of the Franchisee or any controlling shareholder, membership interest holder or partner of the Franchisee or the Guarantor, as the case may be, in the Franchised Business is, for any reason, curtailed for a cumulative period of ninety (90) days in any twelve (12) month period during the term of this Agreement or renewal period.

17. TERMINATION

Events of Termination

- (1) The Franchisor shall have the right to terminate this Agreement and the rights granted hereunder (provided however that Sections 9 and 14, shall continue in full force and effect for the periods therein specified), without prejudice to the enforcement of any other legal right or remedy, immediately upon giving written notice of such termination upon the happening of any of the following events:
 - (a) if default is made in the due and punctual payment of any amount payable under this Agreement, when and as same shall become due and payable, and such default shall continue for a period of ten (10) days after written notice thereof has been given to the Franchisee;
 - (b) if the Franchisee or the Guarantor breaches any other of the terms or conditions of this Agreement or any other agreement or undertaking entered into between the Franchisee or the Guarantor or any of their Affiliates and the Franchisor or any of its Affiliates and such breach shall continue for a period of ten (10) days after written notice thereof has been given to the Franchisee;

- (c) if the Franchisee fails to observe or perform any of the rules, bulletins, directives or other notices set forth in the Manual and any such failure to observe or perform same shall continue for a period of ten (10) days after written notice thereof has been given to the Franchisee;
- (d) if the Franchisee fails to pay its share of any arbitration costs under Section 21(27) when due and such failure shall continue for a period of ten (10) days after written notice thereof has been given to the Franchisee;
- (e) if the Franchisee fails to observe or perform any of the terms and conditions of any lease or other instruments under which the Franchisee has acquired the right to possess the Food Truck or Commissary;
- (f) if the Franchisee opens to the public before any required initial training is completed to the satisfaction of the Franchisor or without the written consent of the Franchisor;
- (g) if the Franchisee fails to conduct business in, at or from the Food Truck for a period of three (3) consecutive business days without the prior written consent of the Franchisor or if the Food Truck is used by any party other than such as are properly authorized by the Franchisor to use same;
- (h) if the Franchisee ceases or threatens to cease to carry on business, or takes or threatens to take any action to liquidate its assets, or stops making payments in the usual course of business;
- (i) if either the Franchisee or the Guarantor makes or purports to make a general assignment for the benefit of creditors;
- (j) if either the Franchisee or the Guarantor makes or purports to make a bulk sale of their assets;
- (k) if either the Franchisee or the Guarantor shall institute any proceeding under any statute or otherwise relating to insolvency or bankruptcy, or should any proceeding under any such statute or otherwise be instituted against the Franchisee or the Guarantor;
- (l) if a custodian, receiver, manager or any other person with like powers is appointed over the Franchisee's or the Guarantor's undertaking, business, property or assets;
- (m) if any lessor or encumbrancer or any other person, corporation or entity lawfully entitled, takes possession of any of the undertaking, business, property or assets of either the Franchisee or the Guarantor;

- (n) if either the Franchisee or the Guarantor commits or suffers any default under any contract of conditional sale, mortgage or other security instrument;
- (o) in the event the Franchisee or the Guarantor is a corporation,
 - (i) if an order is made or a resolution passed for the winding up or liquidation of either the Franchisee or the Guarantor;
 - (ii) if either the Franchisee or the Guarantor passes or purports to pass, or takes or purports to take any corporate proceedings to enable it to take proceedings for its dissolution, liquidation or amalgamation;
 - (iii) if either the Franchisee or the Guarantor loses its charter by expiration, forfeiture or otherwise; or
 - (iv) if any proceedings with respect to either the Franchisee or the Guarantor are commenced under any statute governing the affairs of bankrupts or insolvent entities.
- (p) if a distress or execution against any of the undertaking, business, property or assets of either the Franchisee or the Guarantor is not discharged, varied or stayed within twenty (20) days after the entry thereof or within such time period as action must be taken in order to discharge, vary or stay the distress or execution, whichever shall be the earlier;
- (q) if final judgment for the payment of money in any amount in excess of \$2500 is rendered by any court of competent jurisdiction against either the Franchisee or the Guarantor and such judgment shall not be discharged, varied or execution thereof stayed within twenty (20) days after entry thereof or within such time period as action must be taken in order to discharge, vary or stay execution of the judgment, whichever shall be the earlier;
- (r) if the Franchisee or any agent or representative of the Franchisee:
 - (i) fails to submit any report required to be furnished to the Franchisor pursuant hereto within three (3) days of the date such report is due or,
 - (ii) understates Gross Sales by three (3%) percent or more on such report; or
 - (iii) materially distorts any other material information pertaining to the Franchised Business, or fails to maintain its records in a manner which permits a determination of Gross Sales, unless the Franchisee proves to the satisfaction of the Franchisor that it had no knowledge of such distortion; or

- (iv) misrepresents any material facts to the Franchisor, or
- (v) or any Guarantor or principal thereof commits a felony, a crime involving moral turpitude, or any crime or offense reasonably likely, in the sole opinion of the Franchisee, to materially and unfavorably affect the System, the Marks, and their associated goodwill and reputation; or
- (vi) loses any license necessary to operate the Franchised Business;
- (s) subject to the provisions of Section 16 hereof, if the Franchisee, the controlling shareholder, membership interest holder or partner of Franchisee or Guarantor dies or otherwise becomes permanently disabled and the Franchisee's or the Guarantor's spouse or an adult child of same does not desire to continue, or is not capable of continuing, to operate the Franchised Business as provided in accordance with the provisions of the said Section 16 or if there is no spouse or adult child;
- (t) any default hereunder which is repeated more than three times within 12 months, even if such defaults have been subsequently cured within any time period permitted herein for such curing.

Effect of Termination

- (2) Upon the expiration or termination of this Agreement for any reason whatsoever, the following shall apply:
 - (a) the Franchisee shall, immediately upon the request of the Franchisor (in order that the Franchisor may protect its proprietary marks, other proprietary rights and the rights of other franchisees), permit the Franchisor and its representatives, to enter the Food Truck and, at its option, to cure any default by the Franchisee, to operate the Franchised Business for the Franchisor's account or to secure the Franchisee's complete and timely compliance with the other obligations set forth in this section;
 - (b) the Franchisee shall pay to the Franchisor, within seven (7) days after the effective date of termination or expiration, all Continuing Fees, advertising fees and other charges then due and unpaid by the Franchisee including, but not limited to the Franchisor's costs and expense in reentering the Food Truck and in completing the acts specified in this section;
 - (c) the Franchisee shall immediately discontinue the operation of the Franchised Business, THE PITA PIT SYSTEM and the use of the Marks and other proprietary rights licensed under this Agreement, and similar names and marks, or any other designations or marks associating the Franchisee with the Franchisor or THE PITA PIT SYSTEM. The Franchisee shall cease displaying

and using all signs, stationery, letterheads, packaging, forms, marks, manuals, bulletins, instruction sheets, printed matter, advertising and other physical objects used from time to time in connection with THE PITA PIT SYSTEM or containing or bearing any of the Marks or other names, marks or designations, and shall not thereafter operate or do business under any name or in any manner in violation of subsection 11(2) above or that might tend to give the general public the impression that it is associated with the Franchisor or THE PITA PIT SYSTEM or that it is operating a business similar to a THE PITA PIT franchised business or that it previously conducted its business under the Marks;

- (d) if the Franchisee retains possession of the Food Truck, the Franchisee shall promptly and, at its expense, make such modifications to the interior and/or exterior decor of the Food Truck as the Franchisor shall require to remove all identification as a THE PITA PIT franchised business, including removal of all signs and color schemes. It is agreed that the Franchisor will require that the Food Truck be modified in such a fashion to ensure that the Food Truck no longer tend to give the general public the impression in any fashion whatsoever, that it is associated with the Franchisor or THE PITA PIT SYSTEM or that it is operating a business similar to a THE PITA PIT franchised business;
- (e) the Franchisee shall promptly execute such documents or take such actions as may be necessary to abandon the Franchisee's use of any fictitious business name containing any of the Franchisor's proprietary marks adopted by the Franchisee and to remove (in respect of the next publication), at the request of the Franchisor, the Franchisee's listing as a THE PITA PIT franchisee from the yellow pages, all other telephone directories and all other trade or business directories and to assign to the Franchisor or any other party designated by the Franchisor all of the Franchisee's telephone numbers and listing in connection with the Franchised Business;
- (f) within seven (7) days after the effective date of expiration or termination, the Franchisee shall return to the Franchisor or its representatives all copies of the Manual, all other confidential material provided to the Franchisee by the Franchisor and all other material required to be returned in accordance with this Agreement or the Manual without having retained any copies of same in any manner whatsoever, including without limiting the generality of the foregoing, photocopies, scanned copies, or electronic or computer copies of any kind whatsoever; and
- (g) The Franchisee shall immediately assign ownership to the Franchisor of any URL or social media site, created or owned by the Franchisee or any of its affiliates, which are branded with any of the Franchisor's marks.

Liquidated Damages

- (3) Upon termination of this Agreement by the Franchisor under subsection 17(1), excluding the natural expiration of this Agreement as set forth in subsection 4(1), the Franchisee agrees to pay the Franchisor as fair and reasonable liquidated damages (but not as a penalty) an amount equal to the lesser of (a) the projected Continuing Fee for the balance of the Initial Term or renewal term, as applicable, and (b) the projected Continuing Fee for the next three (3) years. If the Continuing Fee is a percentage of Gross Sales, the projected Continuing Fee shall be calculated using the average monthly Gross Sales during the last six (6) months that business was conducted from the Food Truck, or if business has been conducted from the Food Truck for less than six (6) months, then the average over the actual operating period. The Franchisee agrees that it would be difficult to calculate with certainty the actual amount of damages that the Franchisor will incur and that this amount is the best estimate of the Franchisor's lost revenues. If a court determines that the liquidated damages payment is unenforceable, then the Franchisor may pursue all other available remedies, including recovery of consequential damages. Payment of liquidated damages will not in any way limit any other remedy the Franchisor may have at law or in equity resulting from the Franchisee's failure to perform its obligations.

Rights of the Franchisor

- (4) Upon the expiration or termination of this Agreement for any reason whatsoever, save and except in the event of a purchase pursuant to the provisions of Section 16 of this Agreement, the Franchisor shall have the right, but not the obligation, such right to be exercised by notice in writing delivered to the Franchisee within thirty (30) days of the date of expiration or termination of this Agreement for any reason whatsoever, to purchase from the Franchisee the Food Truck, or any part of its furniture, fixtures, or equipment, and/or all or any portion of the Products located on the Food Truck or Commissary, or otherwise held by the Franchisee for the purpose of sale or distribution in the Franchised Business. The Franchisor has the unlimited right to enter the Food Truck at any time to ensure compliance with Section 17(2).

Payment of The Purchase Price

- (5) The purchase price payable by the Franchisor to the Franchisee for any assets purchased by the Franchisor under subsection (4) above shall be determined as follows:
 - (a) for each of the Products so purchased, the Franchisor shall pay an amount equal to the cost (less freight or other shipping charges) thereof to the Franchisee; and
 - (b) for the Food Truck, or any part of its furniture, fixtures, or equipment, the Franchisor shall pay an amount equal to either the fair market value or net

depreciated book value (as such term is defined in s.16(2)(d)) of each such asset or other asset, as set forth in subsection (c).

- (c) in no event, shall any amount be payable under subsection (4) for goodwill or going concern value.
- (d) The Franchisor shall deliver to the Franchisee a statement prepared by the Franchisor's accountants setting forth the basis upon which the purchase price has been calculated, including any required determination of fair market value. Such statement shall be conclusive and binding upon all parties, unless the Franchisee requests an appraisal by an outside appraiser within seven (7) days of the Franchisor's delivery of the statement setting forth the purchase price. In such case, the appraiser must be mutually agreed upon, with the parties acting reasonably, and the cost will be borne solely by the Franchisee. The appraisal must be concluded with the appraiser's final report provided in writing to both parties no later than fourteen (14) days from the date the Franchisee exercised its option for an independent appraisal. Failing that, the Franchisor's initial statement setting forth the purchase price will become conclusive and binding. In the event the Franchisor disagrees with the independent appraiser's valuation, the Franchisor may, within seven (7) days of receiving the initial appraiser's final report, elect to have a final independent appraisal. The second appraiser will be mutually agreed upon, with the parties acting reasonably, and the cost will be borne solely by the Franchisor. The final report of the final appraiser must be provided in writing to both parties no later than fourteen (14) days from the date the Franchisor exercised its option for a final appraisal. The purchase price will be the lesser of the final two appraisals.
- (e) The purchase price, less the fees charged by the Franchisor's accountants for preparing the above statement in subsection (d), shall be paid in cash or certified check at the closing of the purchase transaction, which, if practicable, shall take place no later than thirty (30) days after receipt by the Franchisee of the Franchisor's notice pursuant to subsection 17(4) at which time the Franchisee shall: (i) deliver all documents and instruments necessary to transfer good and merchantable title to the assets purchased, to the Franchisor or its nominee free and clear of all liens and encumbrances and (ii) transfer or assign to the Franchisor all licenses or permits, utilized by the Franchisee in the conduct of the Franchised Business which may be assigned or transferred. The Franchisee shall, prior to closing, comply with any applicable bulk sales legislation. The Franchisor shall have the right to set off against and reduce the purchase price by any and all amounts owed by the Franchisee to the Franchisor or any of its affiliates.

Additional Remedies

- (6) The Franchisee expressly consents and agrees that, in addition to any other remedies the Franchisor may have, at law or under this Agreement, the Franchisor may apply for an injunction and/or appointment of a receiver which term includes a receiver and manager of the Franchised Business to terminate or prevent the continuation of any existing default, or to prevent the occurrence of any threatened default by the Franchisee of this Agreement.

Survival of Covenants

- (7) Notwithstanding the expiration or termination of this Agreement for any reason whatsoever, all covenants and agreements to be performed and/or observed by the Franchisee and/or the Guarantor under this Agreement or which by their nature survive the expiration or termination of this Agreement, including without limitation, those set out in Sections 9, 14(2), 16, 17(2), 17(3), 17(4), 17(5), 17(6), 18 and 21(3) hereof shall survive any such expiration or termination.

Failure to Act Not to Affect Rights

- (8) The failure of the Franchisor to exercise any rights or remedies to which it is entitled upon the happening of any of the events referred to in subsection 17(1) hereof, shall not be deemed to be a waiver of or otherwise affect, impair or prevent the Franchisor from exercising any right or remedies to which it may be entitled, arising either from the happening of any such event, or as a result of the subsequent happening of the same or any other event or events provided for in subsection 17(1) above. The acceptance by the Franchisor of any amount payable by or for the account of the Franchisee under this Agreement after the happening of any event provided for in subsection 17(1) above, shall not be deemed to be a waiver by them of any rights and remedies to which they may be entitled, regardless of their knowledge of the happening of such preceding event at the time of acceptance of such payment. No waiver of the happening of any event, referred to in subsection 17(1) above, shall be deemed to be waived by the Franchisor unless such waiver shall be in writing.

18. GUARANTOR'S COVENANTS

Guarantee and Indemnity

- (1) In consideration of the Franchisor entering into this Agreement with the Franchisee and in consideration of the sum of two dollars (\$2.00) and other good and valuable consideration, (the receipt and sufficiency whereof is hereby acknowledged by the Guarantor) the Guarantor hereby unconditionally guarantees to the Franchisor that the Franchisee will pay all amounts to be paid and otherwise observe and perform all terms and conditions to be so observed and performed in this Agreement. If the Franchisee shall default in making any such obligations, the Guarantor hereby covenants and agrees

to pay to the Franchisor, forthwith upon demand, without any setoff or other deduction, all amounts not so paid by the Franchisee and all damages that may arise in consequence of any such non-observance or non-performance.

- (2) Without in any way restricting or limiting the guarantee given by the Guarantor as set out above or any other rights and remedies to which the Franchisor may be entitled, the Guarantor hereby covenants and agrees to indemnify and save the Franchisor harmless against any and all liabilities, losses, suits, claims, demands, costs, fines and actions of any kind or nature whatsoever to which the Franchisor shall or may become liable for, or suffer, arising from the Franchisee's operation of the Franchised Business or by reason of any breach, violation or non-performance by the Franchisee of any term or condition of this Agreement or any other agreement made between the Franchisee and the Franchisor.

Waiver of Right to Proceed

- (3) In the enforcement of any of its rights against the Guarantor, the Franchisor may in its sole discretion proceed as if the Guarantor was the primary obligor under this Agreement, or any other agreement made between the Franchisee and the Franchisor. The Guarantor hereby waives any right to require the Franchisor to proceed against the Franchisee or to proceed against or to exhaust any security (if any) held from the Franchisee, or to pursue any other remedy whatsoever which may be available to the Franchisor before proceeding against the Guarantor.

Any Dealings Binding on Guarantor

- (4) No dealings of whatsoever kind between the Franchisor and the Franchisee and/or any other persons as the Franchisor may see fit, whether with or without notice to the Guarantor, shall exonerate, release, discharge or in any way reduce the obligations of the Guarantor in whole or in part, and in particular, and without limiting the generality of the foregoing, the Franchisor may modify or amend this Agreement, grant any indulgence, release, postponement or extension of time, waive any term or condition of this Agreement or any obligation of the Franchisee, take or release any securities or other guarantees for the performance by the Franchisee of its obligations and otherwise deal with the Franchisee and/or any other persons as the Franchisor may see fit without affecting, lessening or limiting in any way the liability of the Guarantor. The Guarantor hereby expressly waives all acts and other things upon which, but for such waiver, such guaranty would or might be conditioned, including, but not limited to, any demand, presentment or protest, any notice of non-payment or other default or of protest.

Settlement Binding on Guarantor

- (5) Any settlement made between the Franchisor and/or any other persons as the Franchisor may see fit to deal with, or any determination made pursuant to this Agreement which is expressed to be binding upon the Franchisee, shall be binding upon the Guarantor.

Bankruptcy of the Franchisee

- (6) Notwithstanding any assignment for the general benefit of creditors of any bankruptcy or any other act of insolvency by the Franchisee and notwithstanding any rejection, disaffirmation or disclaimer of this Agreement (including its agreement and covenant under Section 18), the Guarantor shall continue to be fully liable hereunder.

Guarantor's Covenants Binding

- (7) Without in any way limiting the generality of any other section of this Agreement, the covenants and agreement of the Guarantor contained in this section shall enure to the benefit of and be binding upon the Guarantor and the heirs, executors, administrators, successors and assigns of the Guarantor.

Guarantor to be Bound

- (8) The Guarantor acknowledges reviewing all of the provisions of this Agreement and agrees to be bound by all of the provisions hereof insofar as applicable to him, including without limitation, the provisions of Sections 9 and 14 which, by his execution of this Agreement, he covenants and agrees to abide by and be bound by.

19. SECURITY TO THE PITA PIT

To secure the payment and performance of any and all obligations from time to time owing by the Franchisee to the Franchisor, including payment of any amount owing by the Franchisee to the Franchisor in respect of Products from time to time purchased by the Franchisee, the Franchisee hereby grants the Franchisor a security interest in the Food Truck, inventory, equipment, and other assets of the Franchised Business. The Franchisee also covenants and agrees to execute from time to time, on request by the Franchisor, a security agreement, substantially in the form attached hereto as Schedule D. Failure to provide such a security agreement within ten (10) days following the receipt by the Franchisee of a written request therefore shall be deemed to be a material default under this Agreement.

20. ACKNOWLEDGEMENTS

Independent Investigation

- (1) The Franchisee and Guarantor acknowledge that they have conducted an independent investigation of the Franchised Business and recognize that the business venture contemplated by this Agreement involves business risks and that its success will be

largely dependent upon the ability of the Franchisee and Guarantor as independent businessmen. The Franchisor expressly disclaims the making of, and the Franchisee and the Guarantor expressly acknowledge that they have not received, any warranty or guarantee, expressed or implied, as to the potential volume, profits or success of the Franchised Business. The Franchisee and the Guarantor acknowledge that they have received, have had an ample time to read and have read this Agreement and fully understand its provisions. The Franchisee and the Guarantor further acknowledge that they have had an adequate opportunity to be advised by legal counsel and accounting professionals of their own choosing regarding all pertinent aspects of this franchise, the purchase of the Franchised Business and the franchise relationship.

Entire Agreement

- (2) This Agreement and the documents incorporated by reference (which includes the Manual) constitute the entire agreement between the parties and supersedes all previous agreements and understandings between the parties in any way relating to the subject matter hereof.

Franchise Disclosure Document

- (3) The Franchisee acknowledges that (a) the Franchisor's Franchise Disclosure Document and its exhibits, including this Agreement, (the FDD) were delivered to the Franchisee upon the Franchisee's reasonable request, if any, and at least fourteen (14) calendar days before the Franchisee signed this Agreement or any other agreement with, or made any payment to, the Franchisor or an affiliate in connection with the proposed franchise sale, (b) it signed a Receipt for the FDD, and (c) if this Agreement or any other agreement contained material differences from the form attached to the FDD and these changes were required by the Franchisor, it received execution copies of all such agreements at least seven (7) calendar days before it signed them. The Franchisee represents that it carefully reviewed the FDD, including all agreements, and had enough time to consult with any professional advisers with respect to its contents. Any representations or promises outside of the FDD, this Agreement, and the documents incorporated by reference in this Agreement, are not enforceable.

No Financial Performance Representations

- (4) The Franchisee acknowledges that no employee, agent or representative of the Franchisor or its affiliates made any oral, written or visual representation or projection to the Franchisee of actual or potential sales, costs, or net or gross profits, except for the financial performance representations provided in Item 19 of the FDD or the actual results of the location being purchased.

21. GENERAL PROVISIONS

Overdue Amounts

- (1) All Continuing Fee and advertising contributions, all amounts due for goods purchased by the Franchisee from time to time from the Franchisor or its affiliates and any other amounts owed to the Franchisor or its affiliates by the Franchisee pursuant to this Agreement or otherwise shall bear interest after the due date at the Interest Rate, calculated and payable weekly, not in advance, both before and after default, with interest on overdue interest at the aforesaid rate. The acceptance of any interest payment shall not be construed as a waiver by the Franchisor of its respective rights in respect of the default giving rise to such payment and shall be without prejudice to the Franchisor's right to terminate this Agreement in respect of such default.

Modification of Agreement

- (2) No modification of the Agreement shall be binding unless same is agreed to in writing by both parties except that Franchisor may in its sole, unfettered discretion, modify the Manual provided such modifications do not substantially alter Franchisee's status and rights as a franchisee.

Indemnification of the Franchisor

- (3) The Franchisee hereby agrees, during and after the term of this Agreement to indemnify and save the Franchisor, its directors, shareholders, officers, employees and agents harmless from any and all liabilities, losses, suits, claims, demands, costs, fines and actions of any kind or nature whatsoever to which they shall or may become liable for, or suffer by reason of any breach, violation or non-performance on the part of the Franchisee or any of its agents, servants or employees of any term or condition of this Agreement and from all claims, damages, suits, costs or rights of any persons, firms or corporations arising from the operation by the Franchisee of the Franchised Business.

Legal Fees

- (4) In the event the Franchisor shall be made a party to any litigation commenced by or against the Franchisee, other than litigation commenced by the Franchisee against the Franchisor, then the Franchisee shall indemnify and save them harmless against any losses, damages or claims whatsoever arising therefrom and shall pay all costs and expenses including reasonable legal fees, accountants and expert witness fees, costs of investigation and travel and living expenses incurred or paid by the Franchisor in connection with such litigation. Further, if it is established that the Franchisee has breached any of the terms and conditions of this Agreement, the Franchisee hereby agrees to pay all costs and expenses including legal fees that may be incurred or paid by the Franchisor in enforcing their rights and remedies under this Agreement.

No Liability

- (5) The Franchisor shall not be responsible or otherwise liable for any injury, loss, or damage resulting from, occasioned to or suffered by any person or persons or to any property because of any products sold or services provided by it to the Franchisee or because of its specification or standards, any approved or designated products or services, or any approved or designated suppliers.

Legal Relationship

- (6) The parties hereto hereby acknowledge and agree, that, except as expressly provided in this Agreement, each is an independent contractor, that no party shall be considered to be the agent, representative, master or servant of any other party hereto for any purpose whatsoever, and that no party has any authority to enter into any contract, assume any obligations or to give any warranties or representations on behalf of any other party hereto. Nothing in this Agreement shall be construed to create a relationship of partners, joint ventures, fiduciaries, or any other similar relationship among the parties. Franchisee must post a sign at the Food Truck conspicuously identifying Franchisee as the owner of the business operating as a licensed franchisee of the Franchisor.

Joint and Severable

- (7) If two or more individuals, corporations, partnerships or other entities (or any combination of two or more thereof) shall sign or be subject to the terms and conditions of this Agreement as the Franchisee or as a Guarantor, the liability of each of them under this Agreement shall be deemed to be joint and several.

Severability

- (8) If for any reason whatsoever, any term or condition of this Agreement or the application thereof to any party or circumstances shall, to any extent be invalid or unenforceable, all other terms and conditions of this Agreement and/or the application of such terms and conditions to parties or circumstances, other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term and condition of this Agreement shall be separately valid and enforceable to the fullest extent permitted by law.

Remedy Savings

- (9) If a remedy cannot be contractually waived or restricted under applicable law, then each party retains that remedy to the extent that it cannot be waived or restricted, despite any provision in this Agreement to the contrary.

Franchisee May Not Withhold Payments Due To Franchisor

- (10) The Franchisee agrees that he or it will not, on grounds of the alleged non-performance by the Franchisor of its obligations hereunder, withhold payment of any Continuing Fee or other amounts due to the Franchisor, or its affiliates, whether on account of goods purchased by the Franchisee or otherwise.

Notices

- (11) All notices, consents, approvals, statements, authorizations, documents, or other communications (collectively “notices”) required or permitted to be given hereunder shall be in writing, and shall be delivered personally, by facsimile telephone transmission, by prepaid nationally recognized overnight courier, by email, or by registered mail, postage prepaid, to the parties at their respective addresses set forth below:

To the Franchisor 105 North 4th Street, Suite 208
Coeur d’Alene, ID 83814
Telephone: (208) 765-3326
Facsimile: (208) 667-7694
Email: lee.strait@pitapitusa.com; brenda.zosel@pitapitusa.com

With a Copy to: George J. Eydt
Hodgson Russ LLP
150 King St. West
P.O. Box 30, Suite 2309
Toronto, Ontario M5H 1J9 Canada
Telephone: (416) 595-2671
Facsimile: (416) 595-5021
Email: geydt@hodgsonruss.com

To the Franchisee at:

Email:

To the Guarantor at:

Email:

Email:

Or at any such other address or addresses as may be given by any of them to the other in writing from time to time. Such notices, if mailed, shall be deemed to have been

given on the fifth business day following such mailing, or, if delivered by facsimile telephone transmission or email on a business day prior to 5:00 p.m. recipient's local time, shall be deemed to have been given on the day delivered, or, if delivered after that time or on a day other than a business day, shall be deemed to have been given on the next business day, or, if delivered by courier, will be deemed to have been given on the day delivered, if delivered personally, shall be deemed to have been given on the day delivered, if a business day, or if not a business day, on the next business day following the day delivered; provided that if such notice shall have been mailed and if regular mail service shall be interrupted by strike or other irregularity before the deemed receipt of such Notice, as aforesaid, then such Notice shall not be effective unless delivered.

If there are multiple Franchisees or Guarantors, service on one Franchisee or Guarantor shall constitute valid notice to all.

Headings, Article Numbers

- (12) The headings, article numbers and table of contents appearing in this Agreement or any schedule hereto are inserted for convenience of reference only and shall not in any way affect the construction or interpretation of this Agreement.

Applicable Laws and Jurisdiction

- (13) Notwithstanding the location of the Franchised Business and the location of the Franchisee's principal office, it is specifically agreed that this Agreement and all collateral agreements shall be construed and governed in accordance with the substantive laws of the State of Idaho without reference to its conflicts of law, except as may otherwise be provided in this Agreement. The parties agree that any franchise law or business opportunity law of the State of Idaho, now in effect, or adopted or amended after the date of this Agreement, will not apply to franchises located outside of the State of Idaho.
- (14) For the collective benefit of all franchisees, the Franchisee, and the Franchisor, any litigation permitted under this Agreement shall be conducted in the State of Idaho, County of Kootenai, and the parties hereby irrevocably attorn to the jurisdiction of the courts of the State of Idaho, County of Kootenai.

Time of the Essence

- (15) Time shall be of the essence of this Agreement and of each and every part hereof.

Waiver of Obligations

- (16) The Franchisor may by written instrument unilaterally waive any obligation of or restriction upon the Franchisee under this Agreement. No acceptance by the Franchisor of any payment by the Franchisee and no failure, refusal or neglect of either of them to exercise any right under this Agreement or to insist upon full compliance by the

Franchisee with his obligations hereunder, including without limitation, any mandatory specification, standard or operating procedure, shall constitute a waiver of any provision of this Agreement.

Franchisee and Guarantor Defined, Use of Pronoun

- (17) The words “Franchisee” and “Guarantor” whenever used in this Agreement shall be deemed and taken to mean each and every person or party mentioned as a Franchisee or Guarantor herein, be the same one or more; and if there shall be more than one Franchisee or Guarantor, any notice, consent, approval, statement, authorization, document or other communication required or permitted to be given by the terms or conditions of this Agreement may be given by or to any one thereof, and shall have the same force and effect as if given by or to all thereof. The use of the neuter or male or female pronoun to refer to the Franchisee, the Franchisor and/or the Guarantor may be an individual (male or female), a partnership, a corporation or another entity or a group of two or more individuals, partnerships, corporations or other entities. The necessary grammatical changes required to make the provisions of this Agreement apply in the plural sense, where there is more than one Franchisee or Guarantor and to either individuals (male or female), partnerships, corporations or other entities, shall in all instances be assumed in each case. The words “hereof”, “herein”, “hereunder” and similar expressions used in any section or subsection of this Agreement relate to the whole of this Agreement (including any Schedules attached hereto) and not to that section or subsection only, unless otherwise expressly provided for or the context clearly indicates to the contrary. Any reference to “days” means calendar days, unless otherwise specified.

Default Cumulative

- (18) In the event that the Franchisee acquires the right and franchise to operate another or other THE PITA PIT businesses, any default by the Franchisee in the performance or observance of any of the terms and conditions under any one agreement governing the aforesaid right and franchise shall be deemed to be an event of default under all other agreements pursuant to which the Franchisee operates such a THE PITA PIT business or businesses.

Set-Off by the Franchisor

- (19) Notwithstanding anything contained in this Agreement, upon the failure of the Franchisee to pay to the Franchisor as and when due, any amounts of money provided for herein, the Franchisor shall have the right at its selection, to deduct any and all such amounts remaining unpaid from any monies or credits held by the Franchisor for the account of the Franchisee.

Further Assurances

- (20) Each of the parties hereto hereby covenants and agrees to execute and deliver such further and other agreements, assurances, undertakings, acknowledgments or documents, cause such meetings to be held, resolutions passed and by-laws enacted, exercise their vote and influence and do and perform and cause to be done and performed any further and other acts and things as may be necessary or desirable in order to give full effect to this Agreement and every part hereof.

Binding Agreement

- (21) Subject to the restrictions on assignment herein contained, this Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

When Agreement Binding on the Franchisor

- (22) This Agreement or any ancillary agreement is not effective until signed by a corporate officer or authorized signatory of the Franchisor. No field representative or salesman is authorized to execute this Agreement or any ancillary agreement on behalf of the Franchisor. The Franchisee is advised not to incur any expense or obligation with respect to the proposed Franchise Business until the Franchisee has received a fully executed copy of this Agreement and each ancillary agreement from the Franchisor.

Rights of The Franchisor are Cumulative

- (23) The rights of the Franchisor hereunder are cumulative and no exercise of enforcement by the Franchisor of any right or remedy hereunder shall preclude the exercise or enforcement by it of any other right or remedy hereunder, of which they are otherwise entitled by law to enforce.

Force Majeure

- (24) Subject to subsection 8(5), in the event that any party hereto is delayed or hindered in the performance of any act required herein by reason of strike, lock-outs, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulation, riots, insurrection, war or other reasons of a like nature not the fault of such party, then performance of such act shall be excused for the period of the delay and the period for performance of any such act shall be extended for a period of such delay, up to a maximum of three (3) months. The provisions of this section shall not operate to excuse the Franchisee from the prompt payment of any fee or other payment due the Franchisor pursuant to the provisions of this Agreement.

Work Product

- (25) Any improvements made by the Franchisee to the System are the exclusive property of the Franchisor. To the extent that any improvements are determined, under applicable law, to be property of the Franchisee, the Franchisee will assign them to the Franchisor for no consideration other than provided under this Agreement.

Taxes

- (26) The Franchisee will pay to the Franchisor any sales tax or other tax assessed on all payments the Franchisee makes to the Franchisor that the Franchisor must collect from the Franchisee or pay to the taxing authority. The Franchisee will pay to the Franchisor any applicable sales tax or other tax, on behalf of the local taxing authority at the same time and in the same manner as the Franchisee pays for the taxable goods or services, whether or not the requirement is specifically stated in this Agreement. Any payment made by the Franchisee shall be made without any setoff or counterclaim and free and clear of and without any deduction or withholding for any tax, assessment, fee, charge, fine or penalty imposed by any government, political subdivision or other taxing authority; provided, however, that, if such deduction or withholding is required by applicable law, (i) such payment shall include such additional amount as is necessary to result in the net amount of such payment after such deduction or withholding not being less than the amount of such payment without such deduction or withholding, (ii) the Franchisee shall make such deduction or withholding and (iii) the Franchisee shall pay the amount of such deduction or withholding as required by applicable law.

Dispute Resolution

- (27) The Franchisor and the Franchisee want to settle all issues quickly, amicably, and in the most cost effective fashion. To accomplish these goals, the Franchisor and the Franchisee agree to the following provisions for resolution of any dispute or claim arising out of or relating to this Agreement (including the franchise and supply relationships created under this Agreement), or any other franchise related agreement or relationship between the Franchisor and/or its affiliates and the Franchisee (a "Dispute"):
- (a) The Franchisor and the Franchisee agree to first notify each other in writing of any Dispute. The written notification will specify, to the fullest extent possible, the notifying party's version of facts and all elements of the Dispute. The Franchisee and the Franchisor agree to use their best efforts to communicate with the other to attempt to resolve the Dispute. If the Franchisor and the Franchisee do not resolve the Dispute within thirty (30) days after receipt of the notice of the Dispute, the Franchisor or the Franchisee may commence arbitration as provided in this subsection 21 (27). Each of the Franchisor and the Franchisee will be responsible for its own costs, including lawyers' fees, in

any arbitration or court proceeding, except as otherwise provided in this subsection 21 (27).

- (b) The Franchisor and the Franchisee agree that except as otherwise provided in this Agreement, the Federal Arbitration Act will apply to all Disputes, including the breach of this Agreement and any alleged precontractual representations or conduct, violations of the Racketeering Influenced or Corrupt Organizations Act (RICO), applicable federal or state franchise disclosure or franchise relationship laws, unfair trade practice laws, or similar laws, and that the business that is the subject of this Agreement is engaged in interstate commerce.
- (c) The Franchisor and the Franchisee will arbitrate any Dispute that they do not settle under the discussion procedure above, except as provided in this Agreement. The arbitration will be held in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "AAA") at a hearing administered by the AAA to be held at Coeur d'Alene, Idaho. If no disclosed claim or counterclaim exceeds \$75,000 exclusive of interest and arbitration costs, Sections e1 through e10 of the AAA's Commercial Dispute Resolution Procedures (Expedited Procedures) shall be applied to the arbitration. Unless the Franchisor and Franchisee agree otherwise, all Disputes will be heard by a single arbitrator. If the parties cannot agree on a single arbitrator, one will be appointed by the AAA. At the request of the Franchisor or the Franchisee, the arbitrator will have the discretion to order examination by deposition of witnesses to the extent the arbitrator deems such additional discovery relevant and appropriate. If ordered, the deposition must be held within 30 days of the order, and will be limited to a maximum of seven hours duration. All objections are reserved for the arbitration hearing except for objections based on privilege and proprietary or confidential information. In the event of any conflict between the rules and procedures of the AAA and the provisions of this Section, the provisions of this Section will prevail. The arbitrator may not modify the terms of this Agreement. Any court having jurisdiction may enter judgment on the arbitration award. Unless otherwise agreed to by the Franchisor and the Franchisee, or required by applicable law, they, the arbitrator and the administrator shall keep confidential all matters relating to the arbitration and the arbitration award. Except as provided in this Agreement, the Franchisor and the Franchisee must commence and pursue arbitration to resolve Disputes before commencing legal action.
- (d) If a court of competent jurisdiction decides the requirement to arbitrate a Dispute is unenforceable because applicable law does not permit the type of claim involved to be resolved by arbitration, or because this Agreement limits the Franchisor's and the Franchisee's rights or remedies in a manner applicable law does not permit, or for any other reasons, then the entire arbitration clause is not void. It is specifically agreed herein that only the portions of the arbitration clause with respect to such claim or claims as are necessary to

comply with applicable law will be invalid and considered severable, but the remainder will be enforced.

- (e) The Franchisee recognizes that if it breaches the provisions of this Agreement that prohibit it from infringing intellectual property rights in the Marks, or from disclosing Confidential Information, or from competing, it may cause irreparable harm to the Franchisor, its affiliates, other franchisees, and THE PITA PIT SYSTEM as a whole. The Franchisor or an affiliate may bring an action in any court having jurisdiction in connection with any such breach, and may seek damages, injunctive relief, or both. Notwithstanding any other provision of this Agreement, the discussion and arbitration procedures above will not apply to any such breach.
- (f) The Franchisee agrees that the only person or entity from which it may seek damages or any remedy for any Dispute, including the breach of this Agreement, is the Franchisor, or its successor or assign. The Franchisee agrees that it will not name the Franchisor's equity interest holders, directors, officers, employees, agents, representatives or affiliates, in any arbitration or legal action. The Franchisee agrees that none of these other entities or individuals will be liable to it; only the Franchisor will. The Franchisee acknowledges that the Franchisor has relied on this representation in signing this Agreement.
- (g) (i) Notwithstanding any other provision in this Agreement, the Franchisor may send default notices to the Franchisee and terminate this Agreement without first giving notice of a Dispute or pursuing arbitration. The Franchisee may dispute the termination by filing a demand for arbitration within 30 days after the effective date of the termination, without first giving notice of a Dispute. The Franchisee may only demand a declaratory judgment in the arbitration to determine if the termination was invalid and only request an award reinstating this Agreement. The arbitrator may only rule on the validity of the termination and the award may only grant or deny the request for reinstatement. The Franchisee will waive the remedy of reinstatement if it does not file for arbitration within the time allowed. The Franchisor may file a demand for arbitration requesting validation of the termination of this Agreement and appropriate relief and may seek court confirmation of any arbitration award without first giving notice of a Dispute. (ii) Any party may initiate litigation to collect any debt owed to it by any other party, without first giving notice of a dispute or pursuing arbitration. In such an event, the applicable law and jurisdiction shall be as set forth in Section 21(13) and 21(14) of this Agreement. (iii) Any security agreement signed by a party in favor of another party will not be subject to the discussion and arbitration procedures under this Section 21 and instead will be subject to the governing law, consent to jurisdiction and other terms contained in such security agreement.

- (h) If the Franchisor or the Franchisee (i) commences action in any court, except to compel arbitration, or except as specifically permitted under this Agreement, prior to an arbitrator's final decision, or (ii) commences any arbitration or litigation in any forum except where permitted under this subsection 21(27), then that party is in default of this Agreement. The defaulting party must commence arbitration (or litigation, if permitted under this subsection 21(27), in a permitted forum prior to any award or final judgment. The defaulting party will be responsible for all expenses incurred by the other party, including lawyers' fees. If a party defaults under any other provision of this subsection 21(27), or the Franchisee names anyone in any arbitration, or legal proceedings other than the Franchisor, the defaulting party must correct its claim. The defaulting party will be responsible for all expenses incurred by the other party, or the improperly named parties, including lawyers' fees, and will be liable for abuse of process.
- (i) Any arbitration award will have a binding effect only on the actual Dispute arbitrated, and will not have any collateral effect on any other Dispute whatsoever, whether in litigation, arbitration or other dispute resolution proceeding. The Franchisee will arbitrate, or litigate each Dispute with the Franchisor on an individual basis. The Franchisee will not consolidate its Dispute in any arbitration or litigation action, with a claim by any other franchisee, individual, or entity.
- (j) If a court of competent jurisdiction decides the arbitration clause in subsection 21(27)(c) is unenforceable, and after any and all final appeals the decision is upheld, the parties agree to litigate all Disputes in Coeur d'Alene, Idaho. THE PARTIES WAIVE ANY RIGHT TO TRIAL BY JURY, EXCEPT WHERE WAIVER IS PROHIBITED BY APPLICABLE FEDERAL OR STATE LAW.
- (k) The Franchisor may bring an action to enforce the remedies and other provisions in Section 17 in any court having jurisdiction.
- (l) The parties submit to the jurisdiction of any tribunal or court in accordance with subsection 21(27)(c) and subsection 21(27)(j), for arbitration or litigation of any Dispute, and waive any right to object to the location being inconvenient. Such jurisdiction will be exclusive, except for the Franchisor's right or its affiliates' rights under subsection 21(27)(e) to bring an action in any court having jurisdiction, to protect intellectual property rights in the Marks, copyrighted items and Confidential Information, or to enforce the covenants not to compete or exercise its remedies under subsection 17(5) in any court having jurisdiction.
- (m) The Franchisor or the Franchisee must start the action permitted under this subsection 21(27) to resolve a Dispute, whether by giving notice of the Dispute or filing for arbitration, litigation, or any other permitted proceeding, within 2 years from the time the events occurred which give rise to the Dispute, or the

Witness

}

_____, Guarantor

}

}

Witness

}

_____, Guarantor

}

SCHEDULE A

PART I

FOOD TRUCK & TRAILER:

COMMISSARY:

TERRITORY:

PART II

INITIAL FEE: \$12,000

CONTINUING FEE: 4% of Gross Sales

PART III

Mark	Registration Number	Registration Date
THE PITA PIT	REGISTRATION NO. 2,502,588	October 30, 2001
THE PITA PIT and design	REGISTRATION NO. 2,502,588	September 11, 2001
THE PITA PIT and design	REGISTRATION NO. 3,702,114	October 27, 2009
PITA PIT	REGISTRATION NO. 4,249,198	November 27, 2012
FRESH THINKING • HEALTHY EATING	REGISTRATION NO. 3,428,496	May 13, 2008
THE SMOOTHIE PIT	REGISTRATION NO. 3,428,843	May 13, 2008
AWAKIN' WITH BACON	REGISTRATION NO. 3,462,214	July 8, 2008
BERRY GO ROUND	REGISTRATION NO. 3,462,219	July 8, 2008
CHICKEN CRAVE	REGISTRATION NO. 3,467,715	July 15, 2008
MEAT THE DAY	REGISTRATION NO. 3,467,761	July 18, 2008
QUESAPITA	REGISTRATION NO. 3,504,702	September 23, 2008
BLUE BAYOU	REGISTRATION NO. 3,508,120	September 30, 2008
THE SMOOTHIE PIT GETTIN' FRESH GETTIN' SMOOTH	REGISTRATION NO. 3,785,251	March 4, 2010
PITA 101	REGISTRATION NO. 3,948,132	April 19, 2011
5 UNDER 500 CALORIES	REGISTRATION NO. 3,685,584	September 22, 2012
YOUR RESOLUTION SOLUTION	REGISTRATION NO. 4,202,070	September 4, 2012

SCHEDULE B

RELEASE

TO: Pita Pit Inc. and its affiliates (collectively, “**PPI**”)

IN CONSIDERATION of the payment of \$1.00 and such other good and valuable consideration, the sufficiency and adequacy of which is herein acknowledged, the undersigned, _____ (individually or collectively, as the case may be, the “**Releasor(s)**”) hereby release(s) and forever discharge(s) PPI, its parent and affiliates, and their respective shareholders, directors, officers, employees, agents and representatives (collectively, the “**Releasees**”) from any actions, causes of action, debts, liabilities, claims, demands and complaints of any kind whatsoever, both in law and in equity, whether implied or express (a “**Claim**”) which the Releasor(s) now has or hereafter may have against any Releasee for or by reason of or in any way arising out of any cause, matter or thing done or omitted to be done existing at any time up to the later of the date of this release, or [Insert reference to effective date of event giving rise to this Release, i.e. the effective renewal, transfer or sale of the franchised business described below], including, without limitation, for or by reason of or in any way arising out of the franchise agreement, confidentiality agreement, [Insert description of event giving rise to this Release, i.e. the renewal, transfer or sale of the Franchised Business, as described in the [DATE] franchise agreement between [FRANCHISEE OPERATING COMPANY] and Pita Pit Inc., and any other agreement or instrument entered into between the Releasor(s) and PPI relating to the Franchised Business, as described in the [DATE] franchise agreement between [FRANCHISEE OPERATING COMPANY] and Pita Pit Inc.

The Releasor(s) further agrees not to make any Claim against any person, firm, corporation or other entity which might claim contribution, indemnity or other relief from the Releasees or any of them with respect to any such Claim. The provisions hereof shall enure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the Releasees and shall be binding upon the heirs, executors, administrators, legal representatives, successors and assigns of the Releasor(s).

[If required, insert language necessary to make this Release effective under federal and state law.]

Pursuant to COMAR 02.02.08.16L, this Release does not apply to any liability under Maryland Franchise and Disclosure Law.

IN WITNESS WHEREOF, the Releasor(s), do(es) execute this release as of this _____.

Witness

FRANCHISE GUARANTOR

Witness

OPERATING COMPANY

Per: _____
(Authorized Signatory)

SCHEDULE C

SECRECY AND CONFIDENTIALITY AGREEMENT made the ___ day of _____,
20__.

BETWEEN:

PITA PIT INC.
(hereinafter called "Franchisor")

OF THE FIRST PART;

- and -

(hereinafter called the "Franchisee")

OF THE SECOND PART;

- and -

_____ and _____
(hereinafter called the "Employee")

OF THE THIRD PART:

WHEREAS the Franchisee has been licensed by the Franchisor to operate THE PITA PIT® franchised business (hereinafter called the "Franchised Business");

AND WHEREAS as a condition to the Franchisee being so licensed, the Franchisee agreed to cause its employees and others to enter into this agreement.

NOW THEREFORE in consideration of the Franchisee employing the Employee or continuing such employment in the operation of the Franchised Business and in consideration of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Employee covenants and agrees as follows:

1. During the term of the Employee's employment, the Employee shall faithfully and diligently perform such duties and exercise such powers as may from time to time be assigned to him or vested in him by the Franchisee with respect to the operation of the Franchised Business.
2. The Employee hereby acknowledges and agrees that any information concerning any customers of the Franchisee or any trade secrets, specifications, documents and data

relating to the techniques for, methods of, or practice in the operation of the Franchised Business is provided to the Employee in confidence and that the same is the property of the Franchisee and/or the Franchisor and represents valuable proprietary rights of the Franchisee and/or the Franchisor. The Employee agrees that, except as may be authorized in writing by the Franchisee, he shall not divulge or communicate to any person, corporation, partnership, trust or other entity, either during the term of the Employee's employment or thereafter, any such knowledge or information or use any of the same other than for the purpose of or in connection with his employment by the Franchisee with respect to the operation of the Franchised Business.

The obligations of the Employee under this paragraph shall not apply to information:

- (a) which at the time of disclosure is readily available to the public;
 - (b) which after disclosure becomes readily available to the public, otherwise than by reason of a breach of this Agreement by the Employee;
 - (c) which is subsequently lawfully and in good faith obtained by the Employee from an independent third party having the right to publicly disclose the information;
or
 - (d) which the Recipient is by law required to disclose or which the Employee discloses as a necessarily incidental part of performing the Employee's duties under this Agreement.
3. The Employee agrees to cooperate with any confidentiality requirements of the Franchisor or the Franchisee. The Employee shall immediately notify the Franchisee of any unauthorized disclosure or use of Trade Secrets or Confidential Information of which the Employee becomes aware.
 4. Upon termination of the Employee's employment with the Franchisee for any reason whatsoever, the Employee shall forthwith surrender to the Franchisee any and all materials in the possession or under the control of the Employee and relating in any manner to the Franchised Business.
 5. A breach of the obligations in this Agreement will cause irreparable harm to THE PITA PIT. Since a remedy at law for a breach of the obligations in this section would be inadequate, the Employee hereby consents to the Franchisor or Franchisee seeking and obtaining from a court having jurisdiction an order of specific performance, an injunction, a restraining order or other equitable relief to enforce the provisions of this Agreement.
 6. Should any part of this Agreement be declared invalid by a court of law, such decision will not affect the validity of any remaining portion which remains in full force and effect as if the invalid portion was never a part of this Agreement when it was executed. If a court of law determines that the information the Franchisee or

Franchisor seeks to protect is merely confidential and does not rise to the level of a trade secret and

- (i) under State law, this Agreement is overly restrictive as to time, then the post-termination confidentiality obligations applicable to such information shall only be effective for 24 months from the date of termination or such lesser time as the court determines is reasonable; or
- (ii) under State law, this Agreement is overly restrictive as to geography, then the post-termination confidentiality obligations applicable to such information shall only be effective within 5 miles of the Franchised Business or any other THE PITA PIT location in North America or such lesser geographic limitation as the court determines is reasonable.

7. The waiver by the Franchisee or the Franchisor of strict compliance or performance of any of the terms and conditions of this agreement or any breach thereof on the part of the Employee shall not be held or deemed to be a waiver of any subsequent failure to comply strictly with or perform the same or any other term or condition of this agreement or any breach hereof.

8. This agreement may not be assigned by the Employee. This agreement shall ensure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns, as the case may be.

IN WITNESS WHEREOF this agreement has been executed by the parties as of the day and year first above written.

}
 } **PITA PIT INC.**
 }
 }
 } By: _____
 } Name:
 } Title:

SIGNED, SEALED and DELIVERED
in the presence of:

}
 } _____
 }
 } By: _____
 } Name:
 } Title:

Witness

}
 } _____, Employee
 }
 }
 } _____

Witness

} _____, Employee

SCHEDULE D

GENERAL SECURITY AGREEMENT

THIS AGREEMENT is made as of the ___ day of _____, 20__, between _____, with an address at _____ (“Debtor”) and **PITA PIT INC.**, a Delaware corporation with an address at 105 North 4th Street, Suite 208, Coeur d’Alene, Idaho 83814 (“Secured Party”).

For good and valuable consideration, the receipt and sufficiency of which are acknowledged, Debtor agrees with Secured Party as follows:

1. **Definitions.**

- (a) *Collateral.* “Collateral” means all of the following assets, wherever located, that are now owned or hereafter acquired by Debtor or in or to which Debtor now has or hereafter acquires any right, title or interest:
- (i) Accounts;
 - (ii) Chattel Paper;
 - (iii) Inventory;
 - (iv) Equipment, including the food truck VIN _____ and concession trailer VIN _____
 - (v) Fixtures;
 - (vi) Instruments, including Promissory Notes;
 - (vii) Investment Property;
 - (viii) Documents;
 - (ix) Deposit Accounts;
 - (x) Letter-of-Credit Rights;
 - (xi) any Commercial Tort Claim described in the Schedule;
 - (xii) General Intangibles, including patents, trademarks, copyrights and other intellectual property;

- (xiii) Supporting Obligations;
 - (xiv) money and other personal property; and
 - (xv) to the extent not listed above as original collateral, Proceeds and products of the foregoing.
- (b) *Event of Default.* An “Event of Default” occurs or exists if:
- (i) Debtor or any Third Party fails to pay when due any of the Obligations requiring the payment of any amount and the failure continues for 10 days;
 - (ii) Debtor or any Third Party fails to perform or comply with any of the Obligations (other than those requiring the payment of any amount) when or as required and the failure continues for 10 days after the earlier of (A) Debtor’s knowledge of the failure or (B) Secured Party’s delivery to Debtor of written notice of the failure;
 - (iii) Any default or event of default, for purposes of or as defined in any document evidencing, guaranteeing or securing all or any portion of the Obligations or any obligations owing to any affiliate of Secured Party, occurs or exists after giving effect to any applicable cure or grace period;
 - (iv) Any representation or warranty contained in this Agreement, in any financial statement delivered to Secured Party at any time by or on behalf of Debtor or in any document evidencing, guaranteeing or securing any of the Obligations is incorrect or misleading in any material respect;
 - (v) Debtor transfers or disposes of any of the Collateral, except as expressly permitted by this Agreement;
 - (vi) Debtor is dissolved, ceases to exist, makes any bulk sale, becomes insolvent (however evidenced), generally fails to pay its debts as they become due, fails to pay, withhold or collect any tax as required by applicable law, suspends or ceases its present business or has entered, served, filed or recorded against it or against any of its assets any judgment, lien, attachment, execution or levy;
 - (vii) Debtor or any Third Party has any receiver, trustee, custodian or similar Person appointed for it or any of its assets, makes any assignment for the benefit of creditors or commences or has commenced against it any case or other proceeding under any bankruptcy, insolvency or similar law;

- (viii) Debtor fails to comply with, or becomes subject to any administrative or judicial proceeding under, any applicable (i) hazardous waste or environmental law, (ii) asset forfeiture or similar law which can result in the forfeiture of property or (iii) other law, and such noncompliance with any such law described in (i), (ii) or (iii) has or may have any significant effect on Debtor's business or the Collateral;
 - (ix) Any Third Party who is an individual dies or is incompetent; or
 - (x) Secured Party deems itself insecure with respect to the Obligations or is of the opinion that the Collateral is not or may not be sufficient or has decreased or may decrease in value.
- (c) *Obligations.* "Obligations" means:
- (i) all of Debtor's present and future obligations to Secured Party, including all such obligations under this Agreement and any loan agreement, promissory note, sublease or franchise or other agreement;
 - (ii) (A) all amounts that Secured Party may advance or spend at any time for the maintenance or preservation of any of the Collateral and (B) all other expenditures that Secured Party may make at any time under the provisions of this Agreement or for the benefit of Debtor;
 - (iii) all amounts and other obligations owed or required to be performed or complied with at any time under any replacements, modifications, renewals or extensions of any of the foregoing obligations; and
 - (iv) all of the foregoing obligations that arise after the filing of a petition by or against Debtor under any bankruptcy, insolvency or similar law, even if the obligations do not accrue because of the automatic stay under Bankruptcy Code § 362 or otherwise.
- (d) *Third Party.* "Third Party" means any guarantor, partner or other Person liable for, or who or that owns or has any interest in any asset that secures, all or any portion of the Obligations.
- (e) *Permitted Lien.* "Permitted Lien" means any security interest or other lien completely and accurately described in the Schedule.
- (f) *Person.* "Person" means (i) any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated association, government or

political subdivision, (ii) any court, agency or other governmental body or (iii) any other entity, body, organization or group.

- (g) *Schedule*. “Schedule” means the Schedule attached to and made a part of this Agreement.
- (h) *UCC*. Any capitalized or other term used in the Uniform Commercial Code (“UCC”) and not defined in this Agreement has the meaning given to the term in the UCC as in effect from time to time in the State of Idaho.

2. **Grant of Security Interest.**

Debtor grants to Secured Party a continuing security interest in the Collateral to secure the payment and performance of the Obligations.

3. **Perfection of Security Interests.**

- (a) *Filing of Financing Statements*. Debtor authorizes Secured Party to file one or more financing statements describing the Collateral and, without limiting the foregoing, authorizes Secured Party to use terms such as “All assets” or “All personal property and fixtures” to describe the Collateral.
- (b) *Possession*.
 - (i) Debtor will maintain possession of the Collateral, except where expressly otherwise provided in this Agreement.
 - (ii) Where any of the Collateral is in the possession of another Person, or located on premises leased and not owned by Debtor, Debtor will join with Secured Party in notifying the Person or the landlord of Secured Party’s security interest and will obtain, upon request by Secured Party, a warehouseman waiver, a bailee waiver or a landlord waiver, as appropriate, in form and substance satisfactory to Secured Party.
- (c) *Control Agreements*. Debtor will, upon request of Secured Party, obtain a control agreement in form and substance satisfactory to Secured Party with respect to any of the Collateral consisting of Deposit Accounts, Investment Property, Letter-of-Credit Rights or Electronic Chattel Paper.
- (d) *Marking of Chattel Paper*. Debtor will not create any Chattel Paper without placing a legend on the Chattel Paper acceptable to Secured Party indicating that Secured Party has a security interest in the Chattel Paper.

4. **Covenants and Rights Concerning the Collateral.**

- (a) *Inspection and Verification.* Secured Party may inspect any of the Collateral in Debtor's possession, at any time upon reasonable notice. Secured Party may verify any of the Collateral not in Debtor's possession in any manner or through any medium, whether directly with any Person obligated with respect thereto or in the name of Debtor or otherwise.
- (b) *Taxes; Defense of Collateral.* Debtor will (i) before the end of any applicable grace period, pay each tax, assessment, fee and charge imposed by any government or political subdivision upon any of the Collateral or the acquisition, ownership, possession, use, operation or sale or other disposition thereof and (ii) defend the Collateral against each demand, claim, counterclaim, setoff and defense asserted by any Person.
- (c) *Obligations Relating to Collateral.*
 - (i) *Risk of Loss.* Debtor has the risk of loss of the Collateral.
 - (ii) *No Collection Obligation.* Secured Party has no duty to collect any income accruing on the Collateral or to preserve any rights relating to the Collateral.
 - (iii) *No Assignment.* This Agreement does not constitute any assignment by Debtor to Secured Party of any obligation of Debtor relating to any of the Collateral and Debtor will at all times remain obligated to perform each such obligation.
- (d) *No Disposition of Collateral.* Secured Party does not authorize Debtor to, and Debtor will not:
 - (i) make any sale, lease or other disposition of any of the Collateral, except Inventory in the ordinary course of business;
 - (ii) license any of the Collateral;
 - (iii) modify, compromise, cancel, subordinate or waive any right relating to any of the Collateral; or
 - (iv) grant any security interest in or other lien upon any of the Collateral except in favor of Secured Party or any Permitted Lien.
- (e) *Purchase Money Security Interests.* To the extent the Obligations are used by Debtor to purchase any of the Collateral, Debtor's repayment of the Obligations will apply on a first-in-first-out basis so that the portion of the Obligations used

to purchase a particular item of the Collateral will be paid in the chronological order Debtor purchased the Collateral.

- (f) *No Installation.* Debtor will prevent any Goods included in the Collateral from being affixed to or installed in or on any real property or any Goods not included in the Collateral.
- (g) *Treatment of Collateral.* Debtor will maintain all Goods included in the Collateral in good condition except for ordinary wear and tear.
- (h) Debtor's Other Covenants.

Debtor:

- (i) will preserve its existence and not, in one transaction or a series of related transactions, merge into or consolidate with any other Person, or sell or otherwise transfer all or substantially all of its assets;
- (ii) will not change the state of its incorporation or organization;
- (iii) will not change the location of any of the Collateral;
- (iv) will not change its legal name;
- (v) will conduct its business and use and maintain the Collateral in compliance with all applicable laws;
- (vi) will maintain all-risk property insurance reasonably satisfactory to Secured Party, naming Secured Party as lender's loss payee or the equivalent and provide evidence of such insurance to Secured Party;
- (vii) will promptly notify Secured Party of (i) any information required to at all times keep each representation and warranty contained in Section 5(g) hereof complete and accurate in all respects, (ii) any loss, theft or destruction of or damage to, or any demand, claim, counterclaim, setoff or defense affecting, any of the Collateral and (iii) the occurrence or existence of any Event of Default; and
- (viii) will comply with any additional covenants set forth in the Schedule.

5. Debtor's Representations and Warranties.

Debtor represents and warrants that:

- (a) *Authority.* The execution, delivery to Secured Party and performance of this Agreement by Debtor (i) do not and will not violate applicable law, any judgment or order of any court, agency or other governmental body by which Debtor is bound or, if Debtor is not an individual, any certificate or articles of incorporation or organization, by-laws, operating or partnership agreement or other charter, organizational or other governing document of Debtor or any resolution or other action of record of any shareholders, members, directors or managers of Debtor, (ii) do not and will not violate or constitute any default under any agreement, instrument or other document by which Debtor is bound, (iii) if Debtor is not an individual, are and will be in furtherance of the purposes and within the power and authority of Debtor and (iv) do not and will not require any authorization of, notice to or other act by or relating to any Person (including, but not limited to, if Debtor is not an individual, any shareholder, member, director or manager of Debtor) that has not been duly obtained, given or done and is not in full force and effect.
- (b) Location, State of Organization and Name of Debtor.
- Debtor's:
- (i) chief executive office is located at the address in the state identified in the Schedule (the "Chief Executive Office State");
 - (ii) state of incorporation or organization is the state identified in the Schedule (the "Debtor State");
 - (iii) organizational number (if any) and entity type are identified in the Schedule; and
 - (iv) exact legal name is as set forth in the first paragraph of this Agreement.
- (c) *Title to and Transfer of Collateral.* It has rights in or the power to transfer the Collateral and its title to the Collateral is free of all adverse claims, liens, security interests and restrictions on transfer or pledge except as created by this Agreement or for any Permitted Lien.
- (d) *Location of Collateral.* All of the Collateral consisting of Goods, including Inventory, Equipment (including a food truck or trailer and towing vehicle) and Fixtures, is located solely at the locations listed in the Schedule.
- (e) *Fixtures.* The name and address of each record owner of real estate where any of the Collateral consisting of Fixtures is located are identified in the Schedule.

- (f) *Genuineness.* Each Account, Chattel Paper, Instrument, Document, Deposit Account, General Intangible and item of Investment Property included in the Collateral is or, if not now existing, will be genuine, in all respects what it purports to be and enforceable in accordance with its terms against each Person obligated with respect thereto, subject to no demand, claim, counterclaim, setoff or defense.
- (g) *Other Collateral.* The Schedule contains a complete and accurate description of all Chattel Paper, Instruments, Investment Property, Deposit Accounts, Letter-of-Credit Rights, Commercial Tort Claims and Supporting Obligations, and all General Intangibles consisting of patents, trademarks and copyrights, included in the Collateral.
- (h) *Other Information.* All other information provided in the Schedule is complete and accurate in all respects.

6. Costs.

Debtor will pay to Secured Party on demand all costs incurred by Secured Party for the purpose of enforcing any of its rights or Debtor's obligations hereunder, including:

- (a) costs relating to the perfection or protection of the security interest granted herein or to the performance by Secured Party, at its sole option, of any of Debtor's obligations hereunder that Debtor fails to timely pay or perform;
- (b) costs of foreclosure;
- (c) costs of obtaining money damages or other relief; and
- (d) the reasonable fees and disbursements of attorneys employed by Secured Party for any purpose related to this Agreement or the Obligations, including consultation, drafting documents, sending notices or instituting, prosecuting or defending litigation or other enforcement actions.

After any demand for the payment of any cost, Debtor will pay interest on the portion of the cost remaining unpaid due at an annual rate equal to the lesser of (i) 5% above the highest domestic prime rate published in The Wall Street Journal (if no longer published, then a similar publication designated by Secured Party) from time to time or (ii) the highest rate permitted by applicable law.

7. Remedies Upon Default.

- (a) *General.* Upon or after the occurrence of any Event of Default, Secured Party may pursue any remedy available at law (including those available under the

provisions of the UCC) or in equity to collect, enforce or satisfy any of the Obligations then owing, whether by acceleration or otherwise.

- (b) *Concurrent Remedies.* Without limiting the generality of Section 7(a) hereof, upon or after the occurrence of any Event of Default, Secured Party has the right to pursue any of the following remedies separately, successively or concurrently:
- (i) To declare all or any portion of the Obligations remaining unpaid to be immediately due.
 - (ii) To file suit and obtain judgment and, in conjunction with any action, Secured Party may seek any ancillary remedies available under applicable law, including levy of attachment and garnishment.
 - (iii) To enforce Debtor's rights against Account Debtors and Obligor and to instruct such Persons to pay all amounts owing by them directly to Secured Party.
 - (iv) To take possession of any of the Collateral if not already in its possession without demand and without legal process, and Debtor grants to Secured Party the right, for this purpose, to enter into or on any premises where any of the Collateral may be located and, upon Secured Party's demand, Debtor will assemble and make the Collateral available to Secured Party as it directs.
 - (v) With or without taking possession, to sell, lease or otherwise dispose of the Collateral at public or private sale in accordance with the UCC.
- (c) *Power of Attorney.* Debtor irrevocably and unconditionally appoints Secured Party as the attorney-in-fact of Debtor, with full power of substitution and revocation, to take, at the sole option of Secured Party, in the name and on behalf of Debtor or otherwise, upon or after the occurrence of any Event of Default, each action relating to any of the Collateral that Debtor could take. The power of attorney given pursuant to the preceding sentence is coupled with an interest in favor of Secured Party and, if Debtor is an individual, will not be terminated or otherwise affected by the death, disability or incompetence of Debtor.

8. **Foreclosure Procedures.**

- (a) *No Waiver.* No delay or omission by Secured Party to exercise any right or remedy accruing upon any Event of Default will: (i) impair any right or remedy, (ii) waive or operate as an acquiescence to the Event of Default or any other

default, or (iii) affect any subsequent Event of Default or other default of the same or of a different nature.

- (b) *Condition of Collateral.* Secured Party has no obligation to clean-up or otherwise prepare the Collateral for sale, lease or other disposition.
- (c) *No Obligation to Pursue Others.* Secured Party has no obligation to attempt to satisfy the Obligations by collecting them from any other Person liable for them and Secured Party may release, modify or waive any of the Collateral or any collateral provided by any Third Party to secure any of the Obligations, all without affecting Secured Party's rights against Debtor. Debtor waives any right it may have to require Secured Party to pursue any Third Party for any of the Obligations.
- (d) *Compliance With Laws.* Secured Party may comply with any requirements under applicable law in connection with any disposition of the Collateral. Secured Party's compliance with one permitted method of disposition over another permitted method under applicable law will not be considered to adversely affect the commercial reasonableness of any disposition of the Collateral.
- (e) *Warranties.* Secured Party may sell, lease or otherwise dispose of the Collateral without giving any warranties as to the Collateral. Secured Party may specifically disclaim any warranties of title or the like. This procedure will not be considered to adversely affect the commercial reasonableness of any sale, lease or other disposition of the Collateral.
- (f) *Sales on Credit.* If Secured Party sells any of the Collateral upon credit, Debtor will be credited (to the extent entitled) only with payments actually made by the purchaser, received by Secured Party and applied to the indebtedness of the purchaser. In the event the purchaser fails to pay for the Collateral, Secured Party may resell the Collateral.
- (g) *Purchases by Secured Party.* In the event Secured Party purchases any of the Collateral being sold, Secured Party may pay for the Collateral by crediting all or any portion of the Obligations.
- (h) *No Marshalling.* Secured Party has no obligation to marshal any assets in favor of Debtor or against or in payment of (i) the Obligations or any portion thereof or (ii) any other obligations owed to Secured Party by any other Person.

9. **Certain Consents And Waivers.**

- (a) *Consents.* Except to the extent expressly provided in this Agreement, this Agreement will not be modified or terminated, no obligation of Debtor under this Agreement and no right or remedy of Secured Party under this Agreement will be impaired or otherwise adversely affected, and no such right or remedy will be waived, by any act, omission or other thing. Debtor consents, without any notice, to each act, omission and other thing that would or might, but for such consent, modify or terminate this Agreement, impair or otherwise adversely affect any such obligation, right or remedy or operate as a waiver of any such right or remedy. Without limiting the generality of the preceding two sentences, this Agreement will not be modified or terminated by, no such obligation, right or remedy will be impaired or otherwise adversely affected by, no such right or remedy will be waived by, and such consent will apply to (i) any direct or indirect extension, renewal, refinancing or other modification or replacement of, or any assignment or other transfer, compromise, cancellation, discharge, invalidity, impairment, unenforceability or change in any term or condition of, defense with respect to or grant of any participation in, any of the Obligations or any other obligation of Debtor or any Third Party or other Person, (ii) any taking, increase or decrease in value, impairment or release of, collection or sale, lease or other disposition of or other realization upon or failure or delaying to call for, take any property as, hold, preserve, protect, insure or collect, sell, lease or otherwise dispose of or otherwise realize upon any of the Collateral or (iii) any failure or delaying to perfect, keep perfected or maintain the priority of any security interest in any of the Collateral.
- (b) *Waivers.* Debtor waives, without any notice, each act and other thing upon which, but for such waiver, any obligation of Debtor under this Agreement or any right or remedy of Secured Party under this Agreement or arising or accruing as a result of this Agreement would or might be conditioned. Without limiting the generality of the preceding sentence, no such obligation, right or remedy will be conditioned upon, and such waiver will apply to (i) the acceptance of this Agreement by Secured Party, (ii) any demand upon or presentment or protest to Debtor or any Third Party or other Person or (iii) any exercise of any right or remedy of Secured Party or any other Person relating to any of the Obligations or any of the Collateral or against Debtor or any Third Party or other Person.

10. **General.**

- (a) *Cumulative Effect.* All rights and remedies of Secured Party under this Agreement are cumulative and no such right or remedy is exclusive of any other such right or remedy. This Agreement does not modify or terminate any other

agreement, instrument or other document binding upon Debtor or any Third Party or other Person in favor of Secured Party.

- (b) *Liability.* If more than one Person executes this Agreement, (i) each of them will be jointly and severally liable pursuant to this Agreement and (ii) this Agreement will be construed, interpreted and enforced, whether in any action or other legal proceeding or otherwise, as to each of them as though each of them had executed and delivered to Secured Party a separate agreement identical to this Agreement.
- (c) *Notices.* All notices, consents, approvals, statements, authorizations, documents, or other communications (collectively “notices”) required or permitted to be given hereunder shall be in writing, and shall be delivered personally, by facsimile telephone transmission, by prepaid nationally recognized overnight courier, by email, or by registered mail, postage prepaid, to the parties at their respective addresses set forth below:

To the Secured Party: 105 North 4th Street, Suite 208
Coeur d’Alene, ID 83814
Telephone: (208) 765-3326
Facsimile: (208) 667-7694
Email: lee.strait@pitapitusa.com,
brenda.zosel@pitapitusa.com and peter@pitapit.com

With a Copy to: George J. Eydt
Hodgson Russ LLP
150 King St. West
P.O. Box 30, Suite 2309
Toronto, Ontario M5H 1J9 Canada
Telephone: (416) 595-2671
Facsimile: (416) 595-5021
Email: geydt@hodgsonruss.com

To Debtor:

Email:

Or at any such other address or addresses as may be given by any of them to the other in writing from time to time. Such notices, if mailed, shall be deemed to have been given on the fifth business day following such mailing, or, if delivered by facsimile telephone transmission or email on a business day prior to 5:00 p.m. recipient’s local time, shall be deemed to have been given on the day delivered, or, if delivered after that time or on a day other than a business day,

shall be deemed to have been given on the next business day, or, if delivered by courier, will be deemed to have been given on the day delivered, if delivered personally, shall be deemed to have been given on the day delivered, if a business day, or if not a business day, on the next business day following the day delivered; provided that if such notice shall have been mailed and if regular mail service shall be interrupted by strike or other irregularity before the deemed receipt of such Notice, as aforesaid, then such Notice shall not be effective unless delivered.

If there are multiple Debtors, service on one Debtor shall constitute valid notice to all.

- (d) *No Assignments by Debtor.* Secured Party does not consent to any assignment by Debtor of, and Debtor will not assign, any of Debtor's rights, interests or obligations under this Agreement.
- (e) *Secured Party Assignments.* Secured Party may assign any of its rights, interests and obligations under this Agreement. If an assignment is made, Debtor will render performance under this Agreement to the assignee. Debtor waives and will not assert against any assignee any claim, defense or setoff that Debtor could assert against Secured Party except defenses that cannot be waived.
- (f) *Severability.* If any provision of this Agreement is found to be void, invalid or unenforceable by a court of competent jurisdiction, that finding will only affect the provisions found to be void, invalid or unenforceable and will not affect the remaining provisions of this Agreement.
- (g) *Binding Effect.* This Agreement binds Debtor, all other Persons who or that become bound as a debtor hereto and the legal representatives, successors and assigns of Debtor and all other such Persons and inures to the benefit of and is enforceable by Secured Party and the legal representatives, successors and assigns of Secured Party.
- (h) *Headings.* Section headings used in this Agreement are for convenience only. They are not a part of this Agreement and will not be used in construing it.
- (i) *Governing Law.* This Agreement is governed by and will be construed, interpreted and enforced in accordance with the laws of the State of Idaho, without regard to principles of conflicts of laws, except to the extent that the UCC provides for the application of the law of the Debtor State or the Chief Executive Office State or any other jurisdiction.

- (j) Rules of Construction.
 - (i) No reference to “Proceeds” in this Agreement authorizes any sale, transfer or other disposition of the Collateral by Debtor.
 - (ii) “Includes” and “including” are not limiting.
 - (iii) “Or” is not exclusive.
 - (iv) “All” includes “any” and “any” includes “all”.
 - (v) Any gender includes any other gender, as the context may require.
 - (vi) The terms “hereof”, “herein”, “hereunder” and similar terms refer to this Agreement and not to any particular provision of it.
- (k) Integration and Modifications.
 - (i) This Agreement is the entire agreement of Debtor and Secured Party concerning its subject matter.
 - (ii) Any modification to this Agreement must be made in writing and signed by Debtor and Secured Party.
- (l) *Termination.* This Agreement will remain in full force and effect until and will terminate only upon (i) the final and indefeasible payment and performance in full of the Obligations and (ii) there no longer being in force or effect any loan, sublease, franchise or other agreement, any promissory note or other instrument or any credit commitment or other financial accommodation under which any of the Obligations have arisen or may arise.
- (m) *Further Assurances.* Debtor agrees to execute any further documents, and to take any further actions, reasonably requested by Secured Party to evidence, perfect or protect the security interest granted herein or to effectuate the rights granted to Secured Party herein.
- (n) **CONSENT TO JURISDICTION. DEBTOR CONSENTS IN EACH ACTION OR OTHER LEGAL PROCEEDING COMMENCED BY SECURED PARTY ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE OBLIGATIONS TO THE NONEXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED IN THE STATE OF IDAHO; WAIVES PERSONAL SERVICE OF PROCESS; AND AGREES THAT SERVICE OF PROCESS MAY BE EFFECTED BY SECURED PARTY BY REGISTERED MAIL TO DEBTOR AT THE ADDRESS SET FORTH AT THE BEGINNING OF**

THIS AGREEMENT (OR SUCH OTHER ADDRESS AS TO WHICH DEBTOR HAS GIVEN SECURED PARTY NOTICE IN ACCORDANCE WITH SECTION 10(C) HEREOF) OR IN ANY MANNER ALLOWED BY THE STATE OF IDAHO OR THE FEDERAL LAWS OF THE UNITED STATES. DEBTOR WAIVES ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUCH ACTION OR OTHER LEGAL PROCEEDING.

- (o) **WAIVER OF TRIAL BY JURY. DEBTOR WAIVES EACH RIGHT DEBTOR MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY ACTION OR OTHER LEGAL PROCEEDING, WHETHER BASED ON ANY CONTRACT OR NEGLIGENT, INTENTIONAL OR OTHER TORT OR OTHERWISE, ARISING OUT OF OR OTHERWISE RELATING TO THIS AGREEMENT, ANY OF THE OBLIGATIONS OR ANY OF THE COLLATERAL.**

Debtor: _____

By: _____

Name:

Title:

Secured Party: PITA PIT INC.

By: _____

Name:

Title:

SCHEDULE

1. Debtor's Chief Executive Office.

2. Debtor's State of Organization and Organizational File Number.

3. Type of Legal Entity.

4. Locations During Last 5 Years of Collateral Consisting of Goods, including Inventory, Equipment (including food truck and concession trailer) and Fixtures. (attach separate sheet for additional locations)

5. Description of Chattel Paper, Instruments, Investment Property, Deposit Accounts, Letter-of-Credit Rights, Commercial Tort Claims and Supporting Obligations included in the Collateral.

All now owned, or hereafter acquired.

6. Description of General Intangibles included in the Collateral consisting of patents, trademarks or copyrights.

All now owned, or hereafter acquired.

7. Permitted Liens.

(a) Any purchase money security interest hereafter granted by Debtor in property acquired by Debtor to secure:

- (i) payment of not more than 75% of the purchase price of the property; or
- (ii) repayment of funding given to Debtor by any Person and applied by Debtor to enable Debtor to acquire the property, provided that the funding does not exceed 75% of the purchase price of the property;

and any replacement, extension or renewal thereof is the amount secured thereby (including interest) at the time of such replacement, extension or renewal is not increased and the property subject to thereto remains the same property.

(b) No other "Permitted Liens" unless described here.

8. Additional Covenants.

- (a) Without the prior written consent of Secured Party, Debtor will not lend money to, guarantee the debts or obligations of or invest money in any Person, whether on an arm's length basis or otherwise and whether by means of any loan, acquisition of shares, acquisition of debt or otherwise.
- (b) Without the prior written consent of Secured Party, Debtor will not permit any direct or indirect change in the ownership interests or voting control of Debtor.

ITEM 23
RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Pita Pit Inc. 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.

[New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]

[Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.]

If Pita Pit Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed on Exhibit B.

The franchise seller for this offering is David Corey Bowman Dirk Ferrell Graham Hanson Nelson Lang William Wilfong Other _____ of Pita Pit Inc., 105 North 4th Street, Suite 208, Coeur d'Alene, Idaho 83814.

Issuance date: March 25, 2015.

FDD Version No.: **FDDv68 FAv54**

I have received a disclosure document dated: March 25, 2015, that included the following Exhibits:

- | | | | |
|---|--|-----|--|
| A | State Addenda To The Disclosure Document | E | Multi-Unit Development Zone Program Addendum |
| B | Agents for Service of Process and State Administrators | F | Multi-Unit Development Zone Agreement |
| C | Franchise Agreement | G-1 | Deposit Agreement |
| | Schedule "A" - Premises, Marks, Territory | G-2 | Maryland Amendment to Deposit Agreement |
| | Schedule "B" - Release | H | Franchise Agreement Amendment for Qualifying Restaurants |
| | Schedule "C" - Sublease | I | Promissory Note |
| | Schedule "D" - Head Lease Agreement | J | Security Agreement |
| | Schedule "E" - Confidentiality Agreement | K | Unconditional Guaranty |
| | Schedule "F" - General Security Agreement | L | Table of Contents of System Manual |
| | Schedule "G" - Small Business Administration Franchise Agreement Amendment | M | Franchisee List |
| D | State Amendments to the Franchise Agreement | N | Financial Statements |
| | | O | Franchise Disclosure Confirmation |
| | | P-1 | Food Truck Program Addendum (Optional) |
| | | P-2 | Food Truck Franchise Agreement (Optional) |

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Please sign this copy of the receipt and keep it for your records.

RECEIPT (YOUR COPY)

ITEM 23
RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Pita Pit Inc. 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.

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| | | O | Franchise Disclosure Confirmation |
| | | P-1 | Food Truck Program Addendum (Optional) |
| | | P-2 | Food Truck Franchise Agreement (Optional) |

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

You may return the signed receipt to us by signing and dating it and then either (i) faxing a copy to Pita Pit Inc. at (208) 763-0442, or (ii) emailing a copy to Pita Pit Inc. at kathleen.brueher@pitapitusa.com.