

EXHIBIT C
FRANCHISE AGREEMENT



**PACIUGO FRANCHISING LP
FRANCHISE AGREEMENT**

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EXHIBITS

Exhibit A	Approved Location and Protected Territory
Exhibit B	State Addenda
Exhibit C	Owner Agreement
Exhibit D	Index of Defined Terms

PACIUGO FRANCHISING LP FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement"), dated and effective as of the Effective Date specified on the signature page of this Agreement (the "Effective Date") is between PACIUGO FRANCHISING LP, a Texas limited partnership ("we" or "us"), as franchisor, and the person or entity identified on the signature page of this Agreement, as franchisee ("you"). *Exhibit D* to this Agreement is an Index of Defined Terms, which shows the sections in this Agreement where each relevant term is defined. In consideration of the following mutual promises, the parties agree as follows:

SECTION 1: GRANT

1.1 Grant of Franchise. By virtue of a license from Paciugo Properties LLP, we have the right to use and to license to our franchisees a proprietary and distinctive system relating to the establishment and operation of outlets engaged in the retail sale of gelato, and other food items, beverage items, and other products, and in gelato catering services (the "System"). We also have the right to use and to license to our franchisees certain service marks, trademarks, trade names, trade dress, logos, slogans and commercial symbols used to identify the outlets or particular products and services offered (collectively, the "Marks"). Subject to all of the terms and conditions of this Agreement, we grant to you and you accept the franchise and license (the "Franchise") to use the Marks and the System in the establishment and operation of a Paciugo gelato shop ("Unit" or "Franchised Business"), beginning on the Effective Date and ending on the expiration or termination of this Agreement.

1.2 Trade Name. You will operate the Franchised Business under the trade name "Paciugo," or other trade name that we expressly authorize in writing. You will not adopt alternative, additional or secondary trade names unless you have our prior express written consent.

1.3 Approved Location. The Franchise granted by this Agreement is limited to a single Unit at the specific location ("Approved Location") set forth on *Exhibit A*, and for the type of Unit (stand-alone or kiosk) set forth on *Exhibit A*. The Unit must be located at the Approved Location. If a particular site has not been selected and approved at the time of execution of this Agreement, *Exhibit A* will describe the Approved Location in general terms. In that case, after we have approved a location for your Unit, the specific address of that location will automatically become the Approved Location as if originally set forth in *Exhibit A* instead of the general description. Other than in connection with approved catering operations pursuant to the System, you have no rights under this Agreement to use, and you will not use, the System or Marks at any other location, without our prior express written consent. You will not relocate the Unit without our prior express written consent.

1.4 Territory.

(a) Protected Territory. During the term of this Agreement, neither we nor any of our affiliates will establish or operate, or franchise any entity to establish or operate, a Unit using the Marks and System at any location within the market area ("Protected Territory") set forth on *Exhibit A*, subject to certain exceptions below. If a particular site has not been selected and approved at the time of execution of this Agreement, *Exhibit A* will describe the Protected Territory in general terms. In that case, we may unilaterally substitute a more detailed description of the relevant market area after we have approved a location for your Unit, and, if we do, the detailed description will automatically become the Protected Territory as if originally set forth in *Exhibit A* in place of the general description. You acknowledge and agree that the Franchise is nonexclusive. Other than the limited rights expressly granted to you under this Agreement in the Protected Territory, we (on behalf of our affiliates and us) reserve all rights to use the Marks and System, including the following rights, in any manner and on any terms and conditions we deem advisable, and without granting you any rights, accommodation or compensation:

(1) to own, acquire, establish and/or operate, and license others to establish and operate, businesses using the Marks and System outside the Protected Territory (even if there may be some impact to your business within the Protected Territory);

(2) to own, acquire, establish and/or operate, and license others to establish and operate, businesses under other proprietary marks or other systems, at any location within or outside the Protected Territory (even if these businesses are in competition with you);

(3) to sell or distribute, at retail or wholesale or otherwise, directly or indirectly, or license others to sell or distribute, any products which bear any proprietary marks, including the Marks, outside the Protected Territory;

(4) to wholesale products, to own, acquire, establish and/or operate, and license others to establish and operate, businesses using any proprietary marks or systems (including the Marks and System) at any airport, train station, other transportation facility, arena, ballpark, stadium, racetrack, other sports facility, theater, auditorium, concert hall, theme park, amusement park, cruise ship, casino, or other entertainment facility, or within any grocery store, within or outside the Protected Territory; and

(5) to acquire, or be acquired by, any competing system, including a competing system that has one or more units within your Protected Territory.

(b) Catering Territory. If you choose to offer catering services, we will assign to you a territory in which you will be authorized to offer and provide catering services under the System ("Catering Territory"). You have no rights under this Agreement to offer or provide, and you will not offer or provide, catering services outside your

Catering Territory, without our prior express written consent. You acknowledge and agree that we may unilaterally reduce or otherwise adjust your Catering Territory at any time, effective upon written notice to you.

1.5 Franchised Business and System Standards. The Franchise granted by this Agreement is limited to the operation of a Unit in strict accordance with the provisions of this Agreement and the standards we specify in writing, as they may be periodically amended, modified, supplemented or deleted, which we impose on our franchisees in connection with participation in the System, including all mandatory and suggested specifications, policies, rules, designs, layouts, techniques and procedures we promulgate about System operation or usage (collectively, the "System Standards"). You have no rights under this Agreement to use, and you will not use, the System, Marks or Unit premises in connection with any other business, activities, or unapproved products or services. You acknowledge and agree that, because absolute uniformity is not possible, we have the right to vary standards for any franchisee based on particular circumstances without granting any other franchisee similar variances. The Franchise granted by this Agreement is limited to the selling of the approved products and services at retail. You have no rights under this Agreement to sell, and you will not sell, any products at wholesale or to any purchaser whom you know (or have reasonable grounds to suspect) intends to resell the products.

1.6 Initial Term. The initial term of this Agreement begins on the Effective Date and will be continue for a term of 10 years, unless terminated sooner by either party. You have no rights under this Agreement to use, and you will not use, the System or Marks after expiration or termination of this Agreement. Some of your duties and obligations under this Agreement will survive after expiration or termination of this Agreement.

1.7 Renewal Option. You have the option to renew the Franchise for up to 2 additional terms of 5 years each, if you satisfy each of the following conditions:

(a) At least 6 months (but no more than 9 months) before the end of the initial term or the first renewal term, as the case may be, you must give us written notice of your desire to renew, and you must pay us a renewal fee of \$15,000.

(b) At least 2 months (but no more than 6 months) before the end of the initial term or the first renewal term, as the case may be, you must upgrade your Unit to make it consistent with the then-current System Standards for new Units.

(c) At the time that you give us your renewal notice and at the end of the initial term or the first renewal term, as the case may be, you must not be in default of any provision of this Agreement or any other agreement you have with us or any of our affiliates, and you must have substantially complied with all the provisions of this Agreement and any other relevant agreements during their respective terms.

(d) At least 1 month before the end of the initial term or the first renewal term, as the case may be, you must sign the then-current version of our franchise agreement,

which will completely supersede this Agreement. The provisions of that agreement may be significantly different from the provisions of this Agreement, and they might not be as favorable to you; however, you will not be required to pay the then-current initial franchise fee, the initial term of the renewal agreement will be for 5 years, and there will not be any additional options to renew the Franchise (other than the 2 option periods originally granted by this Agreement).

(e) At the end of the initial term or the first renewal term, as the case may be, you (and your Manager, if we require) must satisfy our then-current qualification and training requirements.

(f) At least 1 month before the end of the initial term or the first renewal term, as the case may be, you (and your owners, if we require) must sign and deliver to us a general release in a form we provide of all claims you may have against us and any of our affiliates (and their respective officers, directors, partners, owners, agents, and employees).

1.8 Owner Agreement. To induce us to enter into this Agreement, you must have each of your owners sign and deliver to us the Owner Agreement in the form attached as *Exhibit C* ("Owner Agreement"), if you are an entity.

SECTION 2: LOCATION AND LEASE

2.1 Site Selection. You are responsible for locating and leasing a suitable site for the Unit. Before leasing or purchasing space for your Unit, you must: submit to us a written description of the proposed site for our approval; provide to us other information regarding the proposed site according to the System Standards or as we reasonably request; and verify to us in writing that the proposed site meets our site selection criteria. We will then approve or disapprove the proposed site. If we disapprove the proposed site, you must select an alternate site and repeat the site approval process until we approve a proposed site for your Unit. You acknowledge and agree that our approval of a site does not constitute a representation or warranty that the proposed site will be a profitable location for your Unit.

2.2 Lease Provisions. If you will be leasing the approved site, we require that certain provisions be in your written lease agreement for our protection. You must provide us with a copy of your proposed lease agreement for approval before you sign it. You will not sign the proposed lease agreement until after you have our express written approval. All leases relating to the Unit's premises must contain the following provisions in contractual language acceptable to us:

(a) The use of the leased premises will be restricted solely to the operation of a Unit.

(b) The landlord, upon termination or expiration of the lease, consents to your removal (at your own expense) of the exterior and interior signs and trade fixtures, so long as you make repairs caused by the removal of these things.

(c) The landlord agrees to provide to us (at the same time they are sent to you) a copy of all lease amendments and assignments, and a copy of all letters and notices sent to you relating to your lease or the leased premises.

(d) We will have the right to enter the leased premises to make any modifications or alterations, at our own cost, necessary (in our opinion) to protect the System and the Marks and to cure, within the time periods provided by the lease, any default under the lease, all without being guilty of trespass or other tort.

(e) You may assign the lease to us (or our designee) with the landlord's consent (which consent will not be unreasonably withheld) and without payment of any assignment fee or similar charge or increase in any rent.

(f) The landlord agrees that, before the effective date of any assignment of the lease to us (or our designee), you will be solely responsible for all obligations, debts and payments under the lease.

(g) The landlord agrees not to amend or otherwise modify the lease in any manner that would affect any of the foregoing requirements without our prior written consent (which will not be unreasonably withheld).

(h) The total possible term of the lease (including the initial term and all renewal terms that are at your option) must be for at least 10 years.

This provision will not apply to any kiosk Unit to be located in a space that you already own or lease in connection with an existing business.

2.3 Buildout. Promptly after obtaining possession of the approved site for the Unit, you will: (a) select and submit to us for our approval a qualified architect and general contractor, if required for your Unit type; (b) following our approval, retain the services of the approved architect and approved contractor, if required for your Unit type; (c) have prepared and submit to us plans for the buildout of the site using our standard Unit plans and consistent with the System Standards and applicable law; (d) obtain all required permits, licenses, and zoning variances; (e) purchase all required equipment, furnishings, fixtures, signs (including menu boards) and décor as required by this Agreement and the System Standards; (f) complete the construction, buildout, and/or remodeling of the Unit premises consistent with the approved plans, the System Standards, and applicable law; (g) obtain all customary contractors sworn statements and waivers of liens; (h) install all necessary equipment, furnishings, fixtures, signs (including menu boards) and décor; and (i) otherwise have the Unit ready to open for business as required by this Agreement and the System Standards. You may not deviate from our System Standards relating to plans, layout, equipment, furnishings,

fixtures, signs (including menu boards) or décor, or otherwise relating to the appearance and other aesthetics of your Unit, unless you have our prior express written consent.

2.4 Alteration. You will not make any material alteration to the Unit's premises, equipment, furnishings, fixtures, signs (including menu boards) or décor without our prior express written approval.

SECTION 3: YOUR OPERATING OBLIGATIONS

3.1 Management. At all times during the term of this Agreement, you will employ a manager who will meet our educational, managerial and business experience standards, and who will devote full time, energy, attention and best efforts to the management and operation of the Unit ("Manager"). If you are an individual, you may serve as the Manager. You will designate to us in writing the identity of your initial Manager within 2 months after the Effective Date of this Agreement, and you will designate to us in writing the identity of each successor Manager as soon as possible after the prior Manager ceases to serve as Manager.

3.2 Opening the Unit. Unless we agree in writing to a later opening date, you will open the Unit and begin business within 6 months after the Effective Date of this Agreement. Before opening, you will complete all necessary construction and build out of the Unit, including installation of furnishings, fixtures, equipment and signs (including menu boards), pursuant to the System Standards and our approved plans and specifications, and your initial Manager must have successfully completed the initial training program. You must obtain our written approval before opening the Unit, and you must schedule the opening date for a mutually convenient date. If your Unit is not ready for opening on the scheduled opening date, you will pay us a per diem fee of \$500 per day per person for each of our opening representatives for time lost, and you will reimburse us for any additional expenses we incur as a result of the delayed opening.

3.3 Manager Training. Your initial Manager must, before the opening of the Unit, attend and complete to our satisfaction the initial training program we require. Any successor Manager you later employ must also satisfactorily complete the initial training program we require before (or as soon as we require after) being designated as Manager of the Unit. We will provide instructors, facilities and training materials for the training of your initial Manager free of charge. All other expenses incurred in your initial and successor Managers' training, including the cost of travel, transportation, meals, lodging and any wages, will be your responsibility. You will pay to us our then-current tuition (or then-current per diem fee) and expenses incurred by us for the initial training of any successor Manager you later employ, including the reasonable travel, transportation, meals and lodging expenses we incur if we elect to provide this training at your Unit.

3.4 Other Training. You and your Manager must attend any additional or refresher training programs that we designate as mandatory for franchisees and managers, respectively. You will be responsible for all travel, transportation, lodging, meals and incidental expenses and compensation of the people you send for additional or refresher training programs we offer, and you will pay us the cost of providing you the training materials (if any), and any tuition we may impose under Section 4.5. All training materials are confidential, and will remain our property.

3.5 Employee Training. You will maintain competent and conscientious personnel to operate the Unit in accordance with this Agreement and the Manual. You will train or cause the training of all your personnel as and when required by prudent business practices, our System Standards, or this Agreement. Throughout the term of this Agreement, beginning on the day your Unit first opens for business, you must have a trained production person on staff who will be responsible for making gelato, so that you are freed up for managerial duties, marketing and customer interaction.

3.6 Marketing.

(a) **Marketing Programs.** You will participate in all advertising, public relations, promotion, market research, and other marketing activities we may implement for the System ("Marketing Programs"). We may require you to pay for the production of marketing materials to be used in your market area (in addition to your contribution of Marketing Fees).

(b) **Local Marketing.** In order to provide your Unit with the best chance of success, you must spend at least 2% of your monthly Gross Sales on your own local advertising, public relations, promotional and other marketing programs for your Unit within your Protected Territory. You must submit to us proof of these expenditures within 30 days after the end of each month using the forms we require. Your marketing materials must use the Marks correctly, comply with System Standards and applicable law, and be expressly approved by us in writing before use. Upon our request, you will immediately stop using any marketing materials or programs that we, in our sole opinion, deem to be outdated, false, misleading, illegal, in violation of this Agreement, inconsistent with the System Standards, harmful to the System or Marks, or potentially harmful to the goodwill, reputation or customer relations of our franchisees, us or our affiliates.

(c) **Press Releases.** You will not issue any press release without our prior express written approval.

(d) **Contributions and Donations.** You will not make any contributions or donations of products, services or money to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf of any organization), without our prior express written consent.

(e) **Cooperative Marketing.** We may, in our discretion, form local or regional marketing cooperatives covering your Protected Territory and the territory of at least one other franchisee or company-owned or affiliate-owned Unit for the purpose of developing and implementing local or regional marketing programs. If we require you to join a local or regional marketing cooperative (the "Co-op"), then you must: join the Co-op; participate with other franchisees in the Co-op's marketing programs; and pay your share of the Co-op's marketing expense up to 2.5% of your monthly Gross Sales. Any payments you make for the Co-op's marketing will be applied toward your required minimum local marketing expenditures, but will not affect your obligation to pay marketing fees under this Agreement. The Co-op's marketing expenses will be allocated among its members based on the number of participating Units or on some other reasonable basis as we may determine. We or our designee will be responsible for administering the Co-op; however, we may delegate this authority to a committee of franchisees. The Co-op will operate under written governing documents prepared by us or our designee, which will be made available to you upon reasonable request. An accounting of the operation of the Co-op will be prepared annually by the Co-op, at the Co-op's expense, and made available to Co-op members upon request. We have the right, in our sole discretion, to modify, merge or dissolve any Co-op upon written notice to its members; however, a Co-op will not be dissolved until all of the money in the Co-op has been spent for marketing purposes.

(f) **Internet Marketing.** You will not, directly or indirectly, create or maintain an internet web page, web site address or internet directory listing relating in any way to your Unit, or which uses any Marks.

(g) **Grand Opening Marketing.** You must implement a grand opening marketing program for your Unit according to System Standards in connection with your opening.

3.7 Approved Menu Items, Products and Services. You will offer all approved menu items and other approved products and services pursuant to the System Standards for your Unit type, and no other menu items, products or services. You may not deviate from our approved flavors or offer unapproved flavors. You will prepare and offer for sale all required menu items using the recipes, ingredients, serving sizes, decorations, nomenclature and presentation exactly in accordance with the System Standards. If you desire to offer any unapproved menu items, flavors, products or services, you must first obtain our prior express written consent. You will refrain from deviating from our System Standards by the use or offer of non-conforming items or differing amounts of any items, without our prior express written consent. You will maintain at the Unit, at your expense, all inventory and supplies as required by the System Standards for your Unit type.

3.8 Hours of Operation. You will keep the Unit open and in normal operation for the minimum hours and/or days as required by the System Standards for your Unit type.

3.9 Maintenance of Unit. You will install and maintain at the Unit, at your expense, all furnishings, fixtures, equipment, and signs (including menu boards) as required by the System Standards for your Unit type. You will not install or permit to be installed on or about the Unit premises any furnishings, fixtures, equipment, signs, décor, vending machines, video games, or the like not previously approved by us. You will not display or distribute on or about the Unit premises any magazines, brochures, posters, business cards or other marketing materials for any other business not previously approved by us. You will maintain the Unit premises, and all furnishings, fixtures, equipment and signs (including menu boards) in a clean, attractive condition, and in good working order and repair. If we notify you of any deficiency as to the general state of repair or appearance of the Unit's premises, furnishings, fixtures, equipment, signs or décor, you must undertake the action we reasonably specify to correct the deficiency within the time period we specify.

3.10 Refurbishing the Unit. Within 6 months after our request, you will: (a) remodel, redecorate, and refurbish the Unit at your expense, to conform to the decor, color schemes, and presentation of trademarks and service marks consistent with our then-current image; and (b) upgrade, modify and/or replace furnishings, fixtures and equipment to conform to our then-current System Standards. You will not be required to make significant capital expenditures in this regard during the first 3 years of the term of this Agreement, but you may be required to purchase equipment necessary to prepare new menu items.

3.11 Lease Compliance. You will comply with all of the terms of your lease, sublease, and other agreements authorizing your use of the Unit premises, and will refrain from any activity which may jeopardize your right to remain in possession of, or to renew the lease or sublease for, the Unit premises.

3.12 Compliance with Laws and Good Business Practices. You will obtain and maintain in force, as and when needed, all governmental permits, licenses and approvals required by applicable law to establish and operate the Franchised Business at the Approved Location. You will pay when due (or properly and timely contest) all federal, state and local payroll, withholding, unemployment, permit, license, property, ad valorem, use, sales, gross receipts, income, property and other taxes, assessments, fees, charges, penalties and interest, which may be charged or levied against you as a result of your business operations, and will file when due all required governmental returns, notices and other filings. You will conduct your business operations under this Agreement in full compliance with all applicable laws, ordinances, regulations, rules, administrative orders, decrees and policies of any local, state, or federal government, governmental agency or department. You will, in all dealings with us, suppliers, customers and public officials, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You will refrain from any business practice which may harm our business, System or Marks, or other franchisees' businesses. You will cause your affiliates, employees, owners, representatives and agents to strictly comply with the provisions of this Agreement. You will notify us promptly if you obtain any

information that any aspect of the System does not comply with any applicable law, rule or regulation.

3.13 Reports and Accounting. You will prepare written periodic reports, in the forms required by the System Standards, containing the information we require about your operations during each reporting period. You will submit all monthly reports to us within 10 days after the month to which they relate, and all other reports within the time period required by the System Standards. You will prepare and submit other reports and information about your operations as we may reasonably request in writing or as required by the System Standards. We may require, at our option, that certain reports you submit be certified as true and correct by you, your owners or your chief financial officer, and that certain reports be submitted using the forms, formats and communication media that we specify. You will obtain, install and maintain any computer software we require for this purpose or for obtaining relevant information directly from your point-of-sale system or computer system. You will maintain accounting books and records in accordance with generally-accepted accounting principles, subject to this Agreement and other reasonable accounting standards we may specify periodically. You will prepare and submit to us your annual and semi-annual financial statements. We do not require that your financial statements be independently audited, but if you have them audited you will provide us with a copy of your audited statements. You will retain copies of all reports, and originals or copies of all other information, books, records, and other materials relating to operation of the Franchised Business for a period of 5 years following their respective dates.

3.14 Insurance. You will obtain before opening and maintain in force throughout the term of this Agreement, at your sole expense, insurance coverage from an insurance company acceptable to us, which complies with the System Standards for your Unit type specified in the Manual or otherwise by us in writing, as of the Effective Date and each time the policy is renewed. If you offer catering services, you must obtain and maintain additional insurance coverage in compliance with System Standards for these operations. Your policies must: name us as an additional insured; contain a waiver of the insurance company's right of subrogation against us; and provide that we will receive at least 30 days prior written notice of termination, expiration or cancellation of the policy. You will promptly provide us with current and updated certificates of insurance. Your obligations under this Section 3.14 are not limited in any way by reason of any insurance that we maintain, and your indemnity obligations under Section 11 are not affected by your insurance obligations under this Section 3.14.

3.15 Conferences. You (or, if you are an entity, one of your owners or officers) or your Manager will attend each franchisee conference and pay the conference fee we set for our franchisees, if and when we sponsor a franchisee conference. Mandatory training for our franchisees or their managers may be held at a conference. The conference fee we set will be the same for all of our franchisees. You will receive reasonable notice of each franchisee conference. You will be responsible for all travel, transportation, lodging, meals, and incidental expenses and compensation of the people you send to any franchisee conference.

3.16 Purchasing. You will purchase or procure certain designated items (including furnishings, fixtures, equipment, signs (including menu boards), inventory and supplies) and services in compliance with any minimum standards or specifications we may periodically establish, and from only the suppliers that we approve. You may purchase or procure any other approved goods or services for the Franchised Business from any competent source you select, so long as the goods and services meet or exceed our System Standards.

3.17 Goodwill. You will use reasonable efforts to protect, maintain and promote the trade name "Paciugo" (or other trade name approved by us) and its distinguishing characteristics, the other Marks and the System. You will not permit or allow your officers, directors, owners, Managers, employees, representatives or agents to engage in conduct which is unlawful or damaging to the goodwill or public image of the Marks or System. You will participate in all quality assurance, customer service and customer satisfaction programs we require in good faith. You will follow System Standards for identification of your operations and for you to avoid confusion on the part of customers, creditors, lenders, investors and the public as to the ownership and operation of the Franchised Business.

3.18 Non-Competition. You (and, if you are an entity, your officers, directors, and owners) and your Managers will not engage in, assist, acquire, advise, consult with, be employed by, own, or become associated in any way with, any business whose methods of operation, trade dress or business concept is the same as or similar to that of the System or the Marks, or which makes or sells gelato, other than the Franchised Business, unless you have our prior express written consent. You will not solicit or otherwise induce our employees or the employees of any of our affiliates or other franchisee to leave their employment. You will not divert or attempt to divert any business or customer of ours or any of our affiliates or franchisees to any competitor. You will, upon our request, require that your officers, directors and Managers sign covenants of non-competition regarding the matters specified in this Section 3.18 and in Section 14.7, and these covenants will be in a form acceptable to us and will identify us as a third-party beneficiary, with the independent right to enforce them.

3.19 Quality and Customer Service Standards. All products and services you provide under this Agreement will be of high quality, and will conform to the quality and customer service standards we may establish from time to time. If we determine, in our sole discretion, that any of the products and services you have provided are not in the conformance with our quality standards, we will give you written notice specifying in reasonable detail the facts and circumstances of your default. After you receive this notice, you will immediately undertake and diligently pursue the efforts we deem necessary to remedy the default, and to bring the products and services you offer into conformance with our quality standards within 1 month from your receipt of our notice. If, after this 1-month period, the products and services at issue do not, in our sole opinion, conform to our quality standards, then we have the right, at our option, to terminate this Agreement in its entirety, upon 1 month's written notice.

3.20 Telephone. You will obtain a telephone number for exclusive use in connection with the Franchised Business, and this telephone number will be deemed to be our property.

3.21 Directory Listings. You will obtain and maintain at your expense white pages and yellow pages listings for the Franchised Business, as required by System Standards, and in the form provided by or expressly approved by us, in the principal telephone directory serving your Approved Location. If other businesses franchised by us are served by the same directory, we may require a group listing of all relevant franchised businesses, and in that event the costs of this listing will be reasonably allocated among the applicable franchised businesses.

3.22 Point-of-Sale System and Computer System. You will, at your expense, purchase and maintain, any point-of-sale system, remote monitoring / remote management system, computer hardware and software, communication equipment, communication services, dedicated telephone and power lines, modems, printers, and other related accessories or peripheral equipment that we may specify from time to time for use in the Franchised Business. You will provide any assistance we require to connect your point-of-sale system, remote monitoring / remote management system or computer system with our computer system. We will have the right at any time to retrieve data and other information from your point-of-sale system or computer system as we, in our sole discretion, deem necessary or desirable. You will strictly comply with our standards and specifications for all items associated with your point-of-sale system, remote monitoring / remote management system, computer system and communication equipment and services. You will keep the point-of-sale system, remote monitoring / remote management system, computer system and communication equipment in good maintenance and repair, and you will promptly install, at your expense, any additions, changes, modifications or substitutions to your point-of-sale system, remote monitoring / remote management system, computer hardware, software, communication equipment, telephone and power lines, and other related accessories or peripheral equipment, and related services, as we may specify periodically. We may require that you license from us proprietary computer software for use in the Franchised Business, and, if so, you will sign the software license agreement we specify, and you will comply with all of its terms and conditions. You will utilize the point-of-sale system, remote monitoring / remote management system, computer system and communication equipment and services in connection with the Franchised Business pursuant to the System Standards.

3.23 Notification of Legal Proceedings. You will notify us in writing within 5 business days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, of which you become aware, and which may adversely affect the operation or financial condition of the Unit.

3.24 Catering. You have the option to offer gelato catering services in connection with the Franchised Business. If you choose to offer these services, you must offer

them pursuant to the applicable System Standards, which include requirements for the purchase of additional equipment and insurance. If you receive information relating to a possible opportunity for gelato catering services outside of your Catering Territory, you must refer that information to us, and we, in turn, will refer it to the appropriate franchisee or affiliate-owned Unit.

3.25 Uniforms. Your employees will wear uniforms as required by the System Standards.

3.26 Music. You will, at your expense, purchase or lease, maintain and use, any music system that we may specify from time to time for use in the Franchised Business, and you will use this music system to play music that we have approved, and no other music. If we require, you will enter into music service agreements for subscription music programming, at your expense.

3.27 Gift Cards. If we require, you will accept stored-value gift cards or other non-cash payment methods that we may specify from time to time for use in the Franchised Business to enable customers to purchase products and/or services offered by the Unit without cash. You will, at your expense, purchase or lease, maintain and use, any necessary hardware and/or software that we may specify in connection with these non-cash systems.

SECTION 4: OUR SERVICES AND OBLIGATIONS

4.1 Unit Location. We will provide you with our site selection criteria and standard Unit layout plans and specifications for your Unit type. We will also provide you with the assistance and consultation we deem advisable regarding the location, placement and layout of the Unit at the Approved Location.

4.2 Checklist. We will provide you with a detailed checklist (referred to as "Paciugo Turnkey") covering substantially all of the operating steps required to establish and open the Unit. It is your responsibility to ensure compliance with all applicable laws relating to the establishment and operation of the Franchised Business at the Unit premises.

4.3 Unit Construction. We will provide you with standard plans and specifications for construction and/or build out for the Unit, which you will have adapted to your Approved Location. We will provide you with the assistance and consultation we deem advisable regarding constructing, remodeling or decorating the Unit, and regarding the installation of equipment.

4.4 Manager Training. We will provide initial training for your initial Manager and each successor Manager, provided, however, that we may, in our sole discretion, elect not to provide the initial training to your Manager if your Manager has at least 6 months' prior experience in the management and operation of one or more Units. All initial

training we provide will be offered, in our sole discretion, at a Unit operated by a franchisee or an affiliate, at our training facility, at your Unit, or at some other location in the United States we select, and will be subject to the provisions of Section 3.3.

4.5 Other Training. We may in the future offer or require additional or refresher training for you or your Manager, if we determine, in our sole discretion, that this training is necessary or appropriate. Additional and refresher training will be held at one or more locations in the United States determined by us, and may be held in conjunction with a franchisee conference. We may charge you for the cost of providing you the training materials (if any), and a tuition for any additional or refresher training program. All additional and refresher training we provide will be subject to the provisions of Section 3.4.

4.6 Pre-Opening and Opening Assistance. We will provide you with pre-opening assistance and consultation we deem advisable. We will provide to you, at no charge, on-site assistance and supervision in connection with the opening of your Unit by 1 representative for 7 days, at times as may be mutually convenient to you and us. We will provide, at your expense, materials for an opening promotion and initial marketing for the Unit, which promotion and marketing will be conducted at your expense.

4.7 Marketing Programs.

(a) Marketing Activities. We will implement one or more Marketing Programs, and we (or our designee or affiliate) will administer the Marketing Programs. We will determine in our sole discretion: the nature and type of program; the nature and type of media placement; the allocation (if any) among national, regional and local markets; the nature and type of advertising copy and other marketing materials; and all other aspects of the Marketing Programs. We do not promise that you will benefit directly or proportionately from any Marketing Programs.

(b) Marketing Fees. We will use marketing fees we collect from our franchisees to pay for the Marketing Programs and to reimburse our reasonable direct and indirect costs, overhead and other expenses (and those of our designee or affiliates) of providing services and materials relating to the Marketing Programs. We are not obligated to supplement the marketing fees; however, Units owned and operated by our affiliates currently intend to contribute to the Marketing Programs on the same basis as our franchisees (except that affiliate-owned kiosk Units will not contribute).

(c) Duration. We have the right to terminate any Marketing Program, at our discretion. However, any termination will not be effective until all marketing fees we have collected for the Marketing Program have been expended.

4.8 Purchasing. Although you are responsible for purchasing or procuring goods and services for use in connection with the Franchised Business, we and/or our affiliates may offer optional assistance to you with purchasing or procuring goods or

services. We may require minimum standards or specifications for goods and services, specify approved goods and services, and restrict the suppliers authorized to sell or provide certain goods and services in order to control quality, provide for consistent service or obtain volume discounts. We will provide you with our System Standards for goods and services, our list of approved items, and our list of approved suppliers.

4.9 Continuing Consultations. We will assist you to understand your obligations under the System Standards and this Agreement, provide you with other continuing consultation, and may provide you with new proprietary methods and formulas relating to approved menu items or operation of the Unit, all on terms as we deem appropriate. To the extent possible, we will provide consultation during inspections and audits, through the System Standards, at training sessions (if any), and during franchisee conferences (if any). If you request additional operating assistance or services, we may require that you pay us our then-current per diem fee and the expenses we incur in providing additional assistance to you.

4.10 Suggested Retail Prices. We will provide you with suggested retail prices for the products and services offered by the Franchised Business; however, you are not bound by our recommended prices. In determining your prices, you must consider the general image of the Unit and the System.

4.11 Conferences. We may sponsor periodic conferences for our franchisees, at which seminars, workshops and other training may be conducted. We may require you (or one of your owners or officers) and/or your Manager to attend each conference. We may charge you a fee for any conference to cover our expenses.

4.12 Loan of Manual. With 15 days after execution of this Agreement, we will loan to you for the term of this agreement a copy of our current operations manual, and we will later provide you with all periodic modifications thereto and any other manual we develop specifying the System Standards (collectively, the "Manual"). If the copy of the Manual we loan to you is lost, stolen or destroyed before you return it to us, you will pay us a replacement fee of \$5,000, and we will loan you a replacement copy.

SECTION 5: FEES

5.1 Franchise Fee. Contemporaneously with the execution of this Agreement, you will pay us an initial franchise fee of \$30,000. The initial franchise fee will be deemed fully earned and nonrefundable when paid, in consideration of administrative and other expenses we incurred in entering into this Agreement, and for our lost or deferred opportunity to enter into a franchise agreement with others for the Approved Location or Protected Territory.

5.2 Royalty Fee. During the term of this Agreement, you will pay to us a continuing weekly royalty fee of 4.5% of each week's revenue you receive from the sale of all products and services, including the sale of food, beverages and merchandise, catering,

and all other income of every kind and nature related to the Unit, whether for cash or credit, and regardless of collection in the case of credit, but not including any sales taxes or other taxes you collect for transmittal to the appropriate taxing authority ("Gross Sales"). Your royalty fee payments must be made without any offset, credit or other deductions of any nature.

5.3 Marketing Fee. During the term of this Agreement, you will also pay to us, on a weekly basis, a marketing fee of 2.5% of each week's Gross Sales for the Unit.

5.4 Taxes. You will pay to us when due any federal, state or local sales, gross receipts, use, value added, excise or similar taxes levied or assessed against us on all fees and other payments to us under this Agreement, but not including any income tax, franchise or other tax levied or assessed against us for the privilege of doing business in your State.

5.5 Late Payment Penalty. All fees and other payments due to us under this Agreement but not timely paid by you will be subject to a late payment penalty after the due date at the rate of 1.5 % per month or the maximum rate permitted by applicable law, whichever is less, accruing until the amount is paid in full. This provision does not permit or excuse late payments.

5.6 Place and Method of Payment. You will pay us, without billing or demand, all weekly fees required by this Agreement, by Friday at 5 pm of the following week for the Gross Sales during the preceding calendar week. You will submit your weekly payments to us together with any weekly statements and reports required under Section 3.13. For any purchases of ingredients or other items or services from us or our affiliate, you will pay us or our affiliate within 48 hours after receipt of the relevant items or services. All fees and other payments due us under this Agreement will be made to us at our headquarters in Dallas, Texas, or as otherwise specified by us in writing. We have the right to require you to transmit fees and other payments to us by means of electronic fund transfers or other methods in accordance with procedures that we may establish in the Manual or otherwise specify in writing. If we require alternate means of payment, you will sign all documents we reasonably require, establish and maintain any required accounts, and otherwise cooperate with us to effectuate these means.

5.7 Catering Referral Fees. If you receive a lead from us that originated from another franchisee or affiliate-owned Unit that results in your performing catering services within your Catering Territory, you must pay the then-current catering fee to the originating party within 30 days after the completion of the relevant catering services.

SECTION 6: SYSTEM STANDARDS AND MANUALS

6.1 System Standards. At present, our System includes (a) the Marks; (b) trade secrets and other intellectual property, including Confidential Information (as defined in Section 8), the Manual and know-how; (c) marketing, advertising, publicity, public

relations and other promotional materials and programs; (d) System Standards; (e) training programs and materials; and (f) universal service quality and customer satisfaction standards and programs. You acknowledge and agree that every detail of the System is important to you, us, and other franchisees in order to develop and maintain high and uniform operating standards, increase the demand for the products and services marketed by all franchisees, and protect our reputation and goodwill. You will maintain our high System Standards with respect to your Unit's premises, facilities, equipment, services, products, and operations. You will strictly comply with all of the mandatory System Standards in the Manual or that we otherwise provide to you in writing. We may, in our sole discretion, by written notice, permit deviations from System Standards, based on local conditions and our assessment of the particular circumstances involved.

6.2 Modification of the Manual. In our sole discretion, we may change, delete from or add to the System, including any of the Marks or System Standards, by providing you with written notice thereof, or by modification of the Manual. You will implement any modifications promptly after written notice from us, provided that no addition or modification will alter your fundamental rights or status under this Agreement. If there is a dispute as to the contents or meaning of any part of the Manual, the version maintained by us at our principal office will be controlling. The Manual is confidential and will remain our property.

6.3 Ownership of the System. We own all rights, title and interest in and to the System. You will not acquire any proprietary interest in the System. Your rights to use the System are derived solely under this Agreement. Unauthorized use of the System by you will constitute a material breach of this Agreement.

6.4 Inurements. All present and future distinguishing characteristics, improvements and additions to, or associated with, the System by us, you or others, and the associated goodwill will be our property, and will inure to our benefit.

SECTION 7: MARKS

7.1 Ownership of the Marks. You acknowledge that our affiliate owns all rights, title and interest in and to the Marks. You will not acquire any proprietary interest in the Marks, and you will not challenge our ownership of the Marks or our right to use the Marks. Except as expressly provided herein, you will not acquire any rights in the Marks. Your rights to use the Marks are derived solely under this Agreement, and constitute a non-exclusive license.

7.2 Registration. We have taken and will take all steps reasonably necessary, in our sole opinion, to preserve and protect our ownership of, and the validity of, the Marks. You will not apply for governmental registration of the Marks, or contest the registration status of the Marks. You will display the Marks, and give notice of trademark registration and claims in the following manner: "Paciugo Italian Gelato

Renaissance®" (or as otherwise required in the Manual). You will cooperate fully and in good faith with us for the purpose of maintaining registrations and prosecuting applications for the Marks, and otherwise securing and preserving our rights in and to the Marks.

7.3 Use of the Marks. You will not use the Marks without our prior express written consent. Before each intended use of any material of any nature which bears any of the Marks, you will submit to us samples of the materials. You will use the Marks only as expressly authorized by this Agreement, our Manuals or as otherwise provided by us in writing. Unauthorized use of the Marks by you will constitute a breach of this Agreement, and an infringement of our rights in and to the Marks. You will take all steps necessary or appropriate to preserve the goodwill and prestige of the Marks. You will use the Marks only in connection with the Franchised Business. You will not use any Mark in your corporate name or legal name, but you may use a Mark in an assumed business or trade name if you have our prior express written consent. You will not use any Mark with any prefix, suffix or other modifying trademarks, logos, words, terms, designs or symbols or in any modified form. You will not use any Mark in connection with any unauthorized product or service, or in any manner not expressly authorized under this Agreement.

7.4 Inurements. All usage of the Marks and any goodwill associated with the Marks will inure exclusively to the benefit of our affiliate or us. All present and future service marks, trademarks, copyrights, service mark registration and trademark registration used or to be used as part of the System, and the associated goodwill, will be the property of us or our affiliate, and will inure to the benefit of our affiliate or us.

7.5 Infringements and Litigation. You will promptly notify us in writing of (a) any adverse or infringing uses of the Marks (or names or symbols confusingly similar), Confidential Information (as defined in Section 8) or other System intellectual property, and (b) any threatened or pending litigation related to the Marks or System against (or naming as a party) you or us, of which you become aware. We will handle disputes with third parties concerning use of all or any part of the Marks or System in any manner we deem appropriate, in our sole discretion. You will cooperate fully and in good faith with our efforts to resolve these disputes. We may bring suit in your name or join you as a party to the relevant proceedings. We may resolve any dispute by obtaining a license of the property for you at no expense to you, or by requiring that you discontinue using the infringing property or modify your use to avoid infringing the rights of others. We need not initiate suit against imitators or infringers who do not, in our sole opinion, have a material adverse impact on the Franchised Business, and we need not initiate any other suit or proceeding to enforce or protect the Marks or System in a matter we do not believe, in our sole opinion, to be material. We will defend you against any third-party claim, suit, or demand arising out of your use of the Marks. If we, in our sole discretion, determine that you have used the Marks in accordance with this Agreement, we will bear the cost of this defense, including the cost of any judgment or settlement. If we, in our sole discretion, determine that you have not used the Marks in accordance with this Agreement, you will bear the cost of this defense, including the cost of any judgment or

settlement. If there is any litigation relating to your use of the Marks, you will sign any documents and do whatever acts as may, in our opinion, be necessary to carry out this defense or prosecution, including becoming a nominal party to any legal action. Except to the extent that litigation results from your use of the Marks in a manner inconsistent with the terms of this Agreement, we will reimburse you for your out-of-pocket litigation costs in cooperating with us in the litigation.

7.6 Substitution of Marks. We reserve the right to substitute different proprietary marks for use in identifying the System, the businesses operating under the System, and/or the products or services offered, if the Marks no longer can be used, or if we, in our sole discretion, determine that substitution of different proprietary marks will be beneficial to the System. In these circumstances, the use of the substituted proprietary marks will be governed by the terms of this Agreement, and we will not compensate you for any substitution. You will promptly implement any substitution, at your expense.

SECTION 8: CONFIDENTIAL INFORMATION

8.1 Confidential Information. We possess certain nonpublic trade secrets, proprietary information, technical data, or know how which relate to our business, System, services or products, or to a Franchised Business, including the Manual, recipes, specialized preparation methods, quality-control systems, training materials, and information regarding salary, research, products, services, developments, inventions, processes, techniques, designs, marketing, finances, field operations, and computer hardware and software (collectively, "Confidential Information") that we will provide to you, and you will obtain other Confidential Information during the term of this Agreement. You acknowledge that your entire knowledge of the operation of a gelato shop, including the method of preparing gelato, recipes, specifications, standards, and procedures involved in the operation of a Unit is derives solely from Confidential Information we disclosed to you.

8.2 Protection of Confidential Information. You will use the Confidential Information only in the operation of your Franchised Business, and you will not disclose Confidential Information to others, except as expressly authorized by this Agreement. You will take all appropriate actions to preserve the confidentiality of all Confidential Information. Access to Confidential Information must be limited to only your employees who need the Confidential Information to perform their jobs and who are subject to your general policy on maintaining confidentiality as a condition of employment or who have first signed a confidentiality agreement. You will not copy or permit copying of Confidential Information. Your obligations under this section begin when you sign this Agreement and continue for trade secrets as long as they remain secret, and, for other Confidential Information, for as long as we continue to use the information in confidence (even if edited or revised) plus 3 years. We will respond promptly and in good faith to your inquiry about continued protection of any Confidential Information.

8.3 Disclosure of Confidential Information. Notwithstanding anything to the contrary in this Section 8, you may disclose Confidential Information if you are required by law to disclose it, provided that you give us at least 10 days notice, if feasible, of your intent to disclose. You may also disclose Confidential Information to your attorneys, accountants, financial and investment advisors, bankers or lending institutions, and other advisors and consultants of a similar nature, provided that any disclosure is only to the extent necessary for your advisors to perform their services for you, and provided that these persons have the obligation to, or otherwise agree, to keep the Confidential Information confidential. You will, upon our request, require that your officers, Managers, employees, agents and representatives who may have access to Confidential Information sign covenants to maintain the confidentiality of any information, and these covenants will be in a form acceptable to us and will identify us as a third-party beneficiary with the independent right to enforce them.

SECTION 9: INSPECTIONS AND AUDITS

9.1 Inspections and Audits. You will permit our employees, representatives and agents access to your offices, Unit premises, and other places of business, to perform inspections of your operations (including Unit premises, storage areas, furnishings, fixtures, equipment, signs, inventory and supplies) files, documents, records, products and Mark usage, and to audit your financial and operating books and records (including tax returns) relating to the Franchised Business, with or without prior notice of the inspection or audit. The inspections and audits will occur during normal business hours, although we may observe your operations and accounting activity at any time. You, your officers, Managers, employees, agents, and representatives will cooperate with our inspectors and auditors in the performance of their duties and you will permit us, our representatives and agents to, among other things: take photographs, movies, videotapes or sound recordings; interview your Managers, employees, agents, and representatives; interview your customers; make copies of your books, records and other documents relating to the Franchised Business; and take samples of documents, inventory, supplies, products and other materials relating to the Franchised Business.

9.2 Payments. You will pay us any underpayment of, and we will pay you or credit your account for any overpayment of, royalty fees or marketing fees discovered by an audit. You will pay the reasonable travel, lodging and meal expenses, and costs of our inspection or audit if you fail to cooperate with our auditors or inspectors, or if the audit reveals that you paid us less than 97% of the correct amount of fees for any month. We may publish or disclose the results of our inspections and audits. Our rights under this Section 9 survive for 2 years after termination of this Agreement.

SECTION 10: RELATIONSHIP OF THE PARTIES

10.1 Independence. You are an independent contractor. You are not our legal representative or agent, and you have no power to obligate us for any purpose

whatsoever. We and you have a business relationship based entirely on and circumscribed by this Agreement. No partnership, joint venture, agency, fiduciary or employment relationship is intended or created by reason of this Agreement. You will exercise full and complete control over and have full responsibility for your contracts, daily operations, labor relations, employment practices and policies, including the recruitment, selection, hiring, disciplining, firing, compensation, work rules, and schedules of your employees. At all times, including in connection with all uses of any of the Marks, in connection with the operation of the Franchised Business, and in connection with all dealings with customers, suppliers, public officials, the general public, and others, you will conspicuously indicate your status as an independent contractor, including in all contracts, advertising, publicity, promotional and other marketing materials, and on any signage and uniforms, and in the manner as specified in the Manual or otherwise by us in writing from time to time. You will not make any express or implied agreements, guarantees or representations, or incur any debt in our name or on our behalf. You will not represent that the relationship between you and us is anything other than a franchise relationship. We will not be obligated by or have any liability under any agreements or representations made by you, and we will not be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Franchised Business.

10.2 Joint Status. If you comprise 2 or more persons or entities (notwithstanding any agreement, arrangement or understanding between or among these persons or entities), the rights, privileges and benefits of this Agreement may only be exercised and enjoyed jointly. The liabilities and responsibilities under this Agreement will be the joint and several obligations of all these persons or entities.

SECTION 11: INDEMNIFICATION

11.1 Your Indemnification of Us. Independent of your obligation to procure and maintain insurance, you will indemnify, defend and hold us and our affiliates, the respective officers, directors, partners, shareholders, employees, agents and contractors of these entities, and the successors, assigns, personal representatives, heirs and legatees of all these persons or entities, (collectively, the "Indemnitees") harmless, to the fullest extent permitted by law, from and against all payments or obligations to make payments either (a) to or for third party claimants by any Indemnitees, including refunds, or (b) incurred by any Indemnitees to investigate, respond to or defend a matter, including investigation and trial charges, costs and expenses, attorneys' fees, experts' fees, court costs, settlement amounts, judgments and costs of collection (collectively, "Losses and Expenses"), incurred by any Indemnitee for any investigation, claim, action, suit, demand, administrative or alternative dispute resolution proceeding, actually or allegedly, directly or indirectly, relating to, arising out of, or resulting from or in connection with: any transaction, occurrence or service involving the Franchised Business; your marketing, selling, or serving of products and services; and any breach or violation of any agreement (including this Agreement), or any law, regulation or ruling by, or any act, error or

omission (active or passive) of, you, any party associated or affiliated with you or any of the owners, officers, directors, Managers, employees, and agents of you or your affiliates, including when the active or passive negligence of any Indemnitee is alleged or proven.

11.2 Your Indemnification Duties. You will respond promptly to any matter described in Section 11.1, and defend the Indemnitee. You will reimburse the Indemnitee for all costs of defending the matter, including attorneys' fees, incurred by the Indemnitee if your insurer or you do not assume defense of the Indemnitee promptly when requested. We must approve any resolution or course of action in a matter that could directly or indirectly have any adverse effect on us, the Marks or the System, or could serve as a precedent for other matters.

11.3 Our Indemnification of You. We will indemnify, defend and hold you harmless from and against all investigation and trial charges, costs and expenses, attorneys' fees, experts' fees, court costs, settlement amounts, judgments and costs of collection you incur in any action or claim, actually or allegedly, arising out of or resulting from or in connection with the gross negligence or intentional misconduct of us or any of our employees while acting within the course and scope of their employment.

SECTION 12: ASSIGNMENT, TRANSFERS AND CONVEYANCES

12.1 Transfer by Us. We will have the right to transfer or assign all or any part of our rights or obligations under this Agreement to any person or legal entity. With respect to any assignment which results in the subsequent performance by the assignee of all of our obligations under this Agreement, the assignee will expressly assume and agree to perform these obligations, and will become solely responsible for all obligations of us under this Agreement from the date of assignment. Without limiting the foregoing, you expressly acknowledge that we may sell our assets, Marks, or System; may sell our securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

12.2 Transfer by You. You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted these rights in reliance on your business experience, skill, financial resources and personal character (and that of your officers, owners, Managers and guarantors, if any). Accordingly, neither you, nor any immediate or remote successor to any part of your interest in this Agreement, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns any interest in you will sell, encumber, assign, transfer, convey, pledge, merge or give away any direct or indirect interest in this Agreement, and you, or in all or substantially all of the assets of the Franchised Business (collectively, a "Transfer"), unless you first comply with Sections 12.3 and 12.4, and obtain our prior express written consent. Any transaction requiring our consent under this Section 12.2 for which our express written consent is not first obtained will be void,

as between you and us. In that event: we may terminate this Agreement under Section 13.2; you will remain responsible for performing the post-termination obligations in Section 14; and your transferee may not operate the Franchised Business under the Marks or the System.

12.3 Conditions. We may, to the extent permitted by applicable law, condition and withhold our consent to a Transfer, when required under Section 12.2 until the transferee and you meet certain conditions. If a Transfer is to occur: (a) the proposed transferee must qualify to be a franchisee in our sole discretion; (b) you or the proposed transferee must provide to us in writing the circumstances of the proposed Transfer; (c) the proposed transferee must provide the same supporting documents as a new franchise applicant; (d) you or the proposed transferee must pay a transfer fee equal to one-half the initial franchise fee we would then charge a new franchisee; (e) the proposed transferee must sign the form of franchise agreement we then offer to prospective franchisees; (f) the proposed transferee and its manager must complete to our satisfaction the initial training we then require for new franchisees and their managers; (g) you or the proposed transferee must refurbish the Unit to conform to our then-current standards and specifications; (h) we must receive general releases from you and each of your owners, and payment of all amounts then owed to us and our affiliates by you, your owners, your affiliates, the transferee, its owners and affiliates, under this Agreement or otherwise; (i) you must not be in default under this Agreement or any other agreement with us or any of our affiliates; (j) you must give us at least 30 days prior written notice of any proposed Transfer; and (k) you must provide us with any information about you, your owners, the proposed Transfer, and the proposed transferee as we may reasonably request. Our consent to the transaction will not be effective until these conditions are satisfied.

12.4 Right of First Refusal. Any individual or entity holding any direct or indirect interest in this Agreement or in a substantial portion of the assets of the Unit or in you (if you are an entity) and who desires to accept any bona fide offer from a third party to purchase the relevant interest or assets will notify us in writing of each offer, and will provide any information and documentation relating to the offer as we may require. We will have the right and option, exercisable within 15 days after receipt of this written notification, to send written notice to the seller that we intend to purchase the seller's interest on the same terms and conditions offered by the third party. If we or our nominee elect to purchase the seller's interest, closing of the purchase will occur within 45 days from the date of notice to the seller of the election to purchase by us or our nominee. If we decline to purchase the seller's interest, the seller will have 75 days from the date it gives written notice to us of its purchase offer to sell its interest on the same terms and conditions and to the same transferee as described to us in the written notice. Any material change thereafter in the terms of the offer from a third party will constitute a new offer which will be subject to our right of first refusal under this Agreement. Our failure to exercise the option afforded by this Section 12.4 will not constitute a waiver of any other provision of this Agreement, including all of the other requirements of Section 12 with respect to the proposed Transfer. If the consideration, terms or conditions offered by a third party are of the type that we, or our nominee, may

not reasonably be able to furnish the same consideration, terms or conditions, then we or our nominee may purchase the relevant interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration terms or conditions offered by the third party, then each party will select an independent appraiser. The two appraisers will then have up to 15 business days to agree on a reasonable equivalent in cash. If they cannot agree during that period, then they will jointly select a third independent appraiser, whose decision will be final and binding on the parties.

SECTION 13: DEFAULT AND TERMINATION

13.1 Default. You will be in default under this Agreement if: (a) you do not pay us when a payment is due; (b) you do not perform one or more of your other obligations when this Agreement or the System Standards required, or (c) if you otherwise breach this Agreement. If your default is not cured within 10 days after you receive written notice from us that you have not filed your monthly report, paid us any amount that is due or breached your obligations regarding Confidential Information, or within 30 days after you receive written notice from us of any other default (except in the case of a default described in Section 13.2 for which we may terminate immediately without opportunity to cure), then we may terminate this Agreement pursuant to Section 13.2. We will not exercise our right to terminate if you have completely cured your default (unless you have 2 or more defaults within a 1-year period).

13.2 Termination by Us. We may terminate this Agreement, effective when we send written notice to you or any later date as stated in the notice, when (a) you do not cure a default as provided in Section 13.1, (b) you discontinue, renounce, abandon, or materially reduce your operations under this Agreement, (c) you are in material default under your lease for the Unit's premises, (d) you or, if you are an entity, any of your owners (owning directly or indirectly at least 15% of the equity) are indicted or convicted of a felony, a crime involving moral turpitude, or any other crime or offense that we believe, in our sole opinion, is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or our interests therein, (e) you suffer the termination of another agreement with us or one of our affiliates, (f) you intentionally maintain false books and records or submit a materially false report to us, (g) you (or any guarantor) generally fail to pay debts as they come due in the ordinary course of business, (h) you or any of your owners or agents misstated to us or omitted to tell us a material fact to obtain or maintain this Agreement with us, (i) you receive 2 or more notices of default from us in any 1-year period (whether or not you cure the defaults), (j) you attempt a Transfer without our prior express written consent, (k) you contest in court the ownership or right to franchise and/or any part of the System or the validity of any of the Marks, (l) you (or any guarantor) become subject to any voluntary or involuntary bankruptcy, liquidation, dissolution, receivership, assignment, reorganization, moratorium, composition or a similar action or proceeding, (m) you operate your business in a manner that endangers the health or safety of the public or your customers, or that violates applicable laws, (n) your assets are condemned,

expropriated, seized or otherwise taken over by a governmental authority, (o) you fail to timely begin operation of the Unit as required under this Agreement, (p) you fail to obtain or maintain required insurance coverage, or (q) your initial Manager does not, in our sole opinion, successfully complete, or will not be able to successfully complete, the initial training program to our satisfaction, and you fail to promptly tender a substitute initial Manager who can complete the training program to our satisfaction.

13.3 Our Other Remedies. We may deny you the benefits of the System for any default or failure to pay or perform under this Agreement, and discontinue System benefits to you for the duration of this suspension after giving notice of nonperformance, nonpayment or default. We may institute proceedings to collect amounts due under this Agreement without first issuing a default or termination notice. Our consent or approval as may be required under this Agreement or the System Standards may be withheld while you are in default under this Agreement or may be conditioned on the cure of all your defaults.

13.4 Termination by You. You have the right to terminate this Agreement if we breach any provision of this Agreement and do not cure the breach, or furnish evidence of diligent and continuing action undertaken by us to cure the breach, within 90 days after written notice of breach is delivered to us.

SECTION 14: RIGHTS AND OBLIGATIONS UPON EXPIRATION OR TERMINATION

14.1 Payment of Amounts Due to Us. Upon expiration or termination of this Agreement, you will pay all amounts owed to us under this Agreement within 10 days. You will continue to owe us royalty fees and marketing fees on Gross Sales as long as your operations are identified under the System or any Marks. At the time you make payments to us following termination, you will provide us with a complete accounting of all amounts due.

14.2 System Usage Ceases. Upon expiration or termination of this Agreement, you will immediately stop using the System to operate your business. You must return to us, within 10 days after expiration or termination, all of our proprietary software (including archive and backup copies), all copies of the Manual and training materials, Confidential Information, and all other personal property of ours which are in your possession, custody or control. If you fail to completely do so, we have the right, to the extent permitted by applicable law and without prior notice, to enter your premises and any other parcels, and remove these items. You must also delete from you computer equipment any electronic versions of the Manuals and all other Confidential Information.

14.3 Mark Usage Ceases. Upon expiration or termination of this Agreement, you will immediately stop using the Marks to operate and identify your business, and all of your rights relating to the Marks are immediately assigned and revert to us. You will sign any documents we request in this regard, without additional consideration.

14.4 Change of Identification. Upon expiration or termination of this Agreement, you will remove or obliterate the Marks from all products, marketing materials, supplies, signage and other items bearing any Marks, and you will follow the other steps we may require in the Manuals or otherwise in writing for changing the identification of your operations. You will promptly paint over or remove the distinctive System trade dress, color schemes, signage and other physical features. You will not use any reproduction, counterfeit copy, or colorable imitation of the Marks either in connection with any business or the promotion thereof, which is likely to cause confusion, mistake, or deception or which is likely to dilute our exclusive rights in and to the Marks, and you will not utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with us so as to constitute unfair competition. You will make any modifications or alterations to the Unit premises immediately upon expiration or termination of this Agreement as may be necessary to prevent any association between us or the System and any business later operated by you or others, and will make specific additional changes thereto as we may reasonably request for that purpose. If you fail or refuse to comply with the requirements of this Section 14.4, we will have the right to enter upon the Unit premises to make or cause to be made the changes as may be required at your expense which expense you agree to pay upon demand. We will exercise reasonable care in making these changes, but we will have no obligation or liability to restore your premises to its condition before we make these changes. We will have the right to remove or obliterate the Mark-bearing portion of your supplies and equipment, and you will promptly pay or reimburse us for our costs of doing so.

14.5 Transfer of Telephone Numbers. Upon expiration or termination of this Agreement, you will immediately, upon our demand, cease to use any telephone numbers obtained or used in connection with the Franchised Business, and you will transfer these telephone numbers to us or our designee. You will immediately notify the telephone company of any transfer, and you will use your best efforts to assist us in an orderly transfer.

14.6 Cancellation of Assumed Name Registration. Upon expiration or termination of this Agreement, you will take all action necessary to cancel or assign to us or our designee any assumed name or equivalent registration which contains any Mark, and you will furnish us with evidence satisfactory to us of compliance with this obligation within 30 days after expiration or termination of this Agreement. If you fail or refuse to do so, we may, in your name, on your behalf, and at your expense, sign any necessary documents, and you hereby irrevocably appointed us as your attorney-in-fact to effectuate the foregoing obligation.

14.7 Non-Competition. In order to protect our proprietary trade secrets and other Confidential Information, you, your owners and Managers will not, for a period of 2 years following termination or expiration of this Agreement or following a Transfer: (a) engage in, assist, acquire, advise, consult with, be employed by, own or become associated in any way with any business whose methods of operation, trade dress, or

business concept is the same as or similar to that of the System or the Marks, or which sells primarily gelato; (b) engage in, assist, acquire, advise, consult with, be employed by, own or become associated in any way with any business which sells gelato and which is located within a radius of 25 miles from your former Unit location, or the location of any Units of any of our affiliates or other franchisees; (c) solicit or otherwise induce our employees or the employees of any of our affiliates or other franchisee to leave their employment; and (d) divert or attempt to divert any customer of ours or any of our affiliates or franchisees to any competitor. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 14.7 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of the relevant covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 14.7.

14.8 Right to Purchase Assets. We will have the right (but not the obligation), to be exercised by notice of intent to do so within 30 days after termination or expiration of this Agreement, to purchase for cash any of the assets of the Unit including inventory, furnishings, fixtures, equipment, products, supplies, signs, and marketing materials, as well as all items bearing our Marks, at your cost or fair market value, whichever is less. If the parties cannot agree on fair market value within 15 days after we provide you with our notice of intent to purchase, each party will designate an independent appraiser, and the appraisers' joint determination of fair market value will be binding. If the appraisers cannot agree on fair market value, then the average of the appraisals will be binding. If we elect to exercise our right to purchase assets under this Section 14.8, closing will take place within 30 days after the purchase price has been determined. We will have the right to offset all amounts due from you under this Agreement, and our cost of the appraisal, if any, against any payment therefor. We also have the right to an assignment of your lease for the Unit premises, if provided for in your lease under Section 2.2.

14.9 Survival of Certain Provisions. Sections 3.12, 3.13, 3.17, 5, 6, 7, 8, 9, 10, 11, 14, 15 and 16 survive termination or expiration of this Agreement or a Transfer by you, regardless of whom initiates termination or whether termination is wrongful. You will continue to comply with your obligations under these sections following termination or expiration of this Agreement or a Transfer by you until these obligations, by their nature or by the relevant express provisions, expire.

SECTION 15: DISPUTE RESOLUTION

15.1 Informal Dispute Resolution. Before initiating any mediation, arbitration or litigation proceeding for any dispute arising under or relating to this Agreement, the party intending to initiate the proceeding will notify the other party in writing of the existence and nature of the dispute. Within 15 business days after the other party's

receipt of the notice, one of our officers or managers will meet with you, or if you are an entity, one of your owners, officers or Managers, at our principal place of business, or other mutually agreeable location, to negotiate in good faith in an effort to resolve the dispute amicably. If this informal attempt to resolve the dispute is unsuccessful, either party may initiate mediation as subscribed in Section 15.2.

15.2 Mediation. If the dispute has not been resolved by negotiation as provided in Section 15.1, the parties will attempt in good faith to resolve the dispute by non-binding mediation, before initiating any arbitration. Either party may initiate a mediation proceeding by a request in writing to the other party, and both parties will then be obligated to engage in confidential mediation in the city in which we then have our principal place of business, or other mutually-agreeable location. The request for mediation will set forth the nature of the dispute, the amount involved, if any, and the remedies sought. The proceeding will be conducted in accordance with mutually-agreed procedures before a mutually-agreed mediator. If the parties have not agreed within 30 days of the request for mediation on the selection of a mediator willing to serve, either party may request any judge of the U.S. Federal District Court for the Northern District of Texas – Dallas Division to appoint the mediator. If the parties have not agreed within 30 days of the request for mediation on the selection of the applicable procedures, the mediator will select the procedures. Efforts to reach a settlement will continue until the conclusion of the mediation proceeding, which is deemed to occur when a written settlement is reached, or the mediator concludes and informs the parties in writing that further efforts would not be useful, or the parties agree in writing that an impasse has been reached. Neither party may withdraw from mediation before the conclusion of the proceeding. The parties will equally share the mediator's fees and expenses, unless otherwise agreed following mediation.

15.3 Arbitration. If the dispute has not been resolved by negotiation as provided in Section 15.1 or mediation as provided in Section 15.2, the parties will submit the dispute for binding arbitration in the city in which we then have our principal place of business, or other mutually agreeable location, before a single arbitrator who is familiar with legal disputes of the type at issue and has at least 10 years experience as a lawyer or in the franchise business. Either party may initiate the arbitration proceeding by written demand to the other party, and both parties will then be obligated to engage in arbitration. The demand for arbitration must be served on the other party within the period provided by the applicable statute of limitations, and will contain a statement setting forth the nature of the dispute, the amount involved, if any, and the remedies sought. A demand for arbitration will not operate to stay, postpone or rescind the effectiveness of any termination of this Agreement. Arbitration will not proceed until any protest of arbitrability is resolved by an appropriate court, if necessary. The parties will mutually agree on the selection of the arbitrator, but if the parties have not agreed within 30 days of the arbitration demand on the selection of an arbitrator willing to serve, the American Arbitration Association, or any successor thereto, will select a qualified arbitrator upon request of either party. The arbitration will be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association, or any successor thereto, and judgment upon the award rendered may be entered in any court

having jurisdiction thereof. After the arbitrator has been selected, the arbitrator will hold a preliminary hearing within 30 days thereafter, and discovery will be conducted and concluded not less than 180 days after the preliminary hearing concludes. The arbitration hearing will begin not later than 60 days after discovery concludes, and will itself conclude not later than 30 days thereafter. The arbitrator will render his decision within 10 days after the conclusion of the arbitration proceeding and will issue a written opinion explaining his decision within 30 days after the conclusion of the arbitration proceeding. The parties will use due diligence to meet the foregoing time schedule, and the arbitrator will have the right to impose appropriate sanctions against any party who fails to comply with the agreed-upon time schedule. The arbitrator will use his best efforts to comply with the foregoing time schedule, but may unilaterally modify it, in his opinion, modification is necessary for a proper resolution of the dispute. The parties may modify the agreed-upon time schedule subject to the arbitrator's approval. The arbitrator will have authority to assess actual damages sustained by reason of any breach or wrongful termination of this Agreement, but will have no authority to assess punitive damages or to amend or modify the terms of this Agreement. The arbitrator will also have authority to impose specific performance and other appropriate injunctive relief. The parties each will bear all of their own costs of arbitration; provided that the arbitration award will provide that the substantially prevailing party will recover from the other party its actual costs and expenses (including attorneys' fees and expenses) incurred in connection with the arbitration.

15.4 Provisional Remedies. Notwithstanding Sections 15.1, 15.2 and 15.3, each party will have the right to seek from an appropriate court provisional remedies including temporary restraining orders or preliminary injunctions before, during or after informal dispute resolution, mediation or arbitration. Neither party is required to await the outcome of any informal dispute resolution, mediation or arbitration before seeking provisional remedies. The seeking of provisional remedies will not be deemed to be a waiver of either party's right to compel informal dispute resolution, mediation or arbitration. You acknowledge that any failure to fully and strictly comply with Section 14 will result in irreparable injury to us for which there is no adequate remedy at law, and you agree that, in the event of any noncompliance with any of Section 14, we will be entitled to temporary, preliminary, and permanent injunctions and all other equitable relief that any court with jurisdiction may deem just and proper. An action seeking provisional remedies will be brought in any state or federal court within the jurisdiction in which we then have our principal place of business, or in any state court or federal district court with proper jurisdiction. The parties consent to the exercise of personal jurisdiction over them by these courts, and to the propriety of venue in these courts for the purpose of this Section 15.4, and the parties waive any objections that they would otherwise have in this regard.

15.5 Litigation. Notwithstanding Sections 15.1, 15.2 and 15.3, the following disputes may be litigated without first being submitted to informal dispute resolution, mediation, or arbitration: (a) any dispute involving the Marks; (b) any dispute involving termination of this Agreement under Section 13.2; (c) any dispute involving your nonpayment of fees to us; (d) any dispute involving enforcement of the confidentiality provisions in the

Agreement; (e) any dispute involving enforcement of the covenants not to compete in this Agreement; (f) any disputes for which either party seeks provisional remedies under Section 15.4; (g) any disputes involving any protest of arbitrability; and (h) any dispute involving enforcement of any guaranty of this Agreement. All litigation between the parties relating to or arising under this Agreement will be brought in any state or federal court within the jurisdiction in which we then have our principal place of business. The parties consent to the exercise of personal jurisdiction over them by these courts, and to the propriety of venue in these courts for the purpose of this Section 15.5, and the parties waive any objections that they would otherwise have in this regard. The prevailing party will be entitled to recover from the other party its actual costs and expenses (including attorneys' fees and expenses) incurred in connection with any litigation between the parties relating to or arising under this Agreement.

SECTION 16: GENERAL PROVISIONS

16.1 Partial Invalidity. If all or any part of a provision of this Agreement violates applicable law, the relevant provision or part will not be given effect. If all or any part of a provision of this Agreement is declared invalid or unenforceable, for any reason, or is not given effect by reason of the prior sentence, the remainder of the Agreement will not be affected, and the parties will modify the invalid or unenforceable provision to the extent required to be valid and enforceable. However, if in our judgment this result substantially impairs the value of this Agreement to us, then we may at any time terminate this Agreement by written notice to you, without penalty or compensation owed by either party.

16.2 Waivers, Modifications and Approvals. Whenever this Agreement requires our prior approval or consent, you will make a timely written request to us therefore, and we may withhold, condition or withdraw our consent in our sole discretion. If we allow you to deviate from this Agreement, we may insist on strict compliance at any time after written notice. Our silence or inaction will not be or establish a waiver, consent, course of dealing, implied modification or estoppel. To be effective, any modifications, waivers, approvals and consents of or under this Agreement by us must be designated as such, in writing, and signed by our authorized representative.

16.3 Notices. All notices, reports and other information and documents permitted or required to be delivered under this Agreement will be in writing and delivered to us at 9761 Clifford Drive, Suite 170, Dallas, Texas 75220, or to you at the address of the address listed on the signature page of this Agreement. Either party may modify its address from time to time by written notice to the other party. Notices will be effective if in writing and delivered to the appropriate party by first class, prepaid certified or registered mail, return receipt requested. Notices will be effective on the date delivered or date of first attempted delivery, if delivery is refused.

16.4 Remedies. Remedies specified in this Agreement are cumulative and the exercise of any remedy under this Agreement does not exclude any remedies available

at law or in equity. The non-prevailing party will pay all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party to enforce this Agreement or collect amounts owed under this Agreement.

16.5 Force Majeure. Despite anything in this Agreement to the contrary, neither party will be in default under the Agreement by reason of its delay in performance of, or failure to perform, any of its obligations under this Agreement, if this delay or failure is caused by strikes or other labor disturbance; acts of God, or the public enemy, riots or other civil disturbances, fire, or flood; interference by civil or military authorities; compliance with governmental laws, rules, or regulations which were not in effect and could not be reasonably anticipated as of the date of this Agreement; delays in transportation, failure of delivery by suppliers, or inability to secure necessary governmental priorities for materials; or, any other fault beyond its control or without its fault or negligence. In this case, the time required for performance of the relevant obligation will be the duration of the unavoidable delay.

16.6 Miscellaneous. This Agreement takes effect upon its acceptance and execution by us in Texas, and it will be governed by and construed under the laws of the State of Texas applicable to contracts made and to be wholly performed therein without regard to its conflicts of law rules; provided, however, that this provision is not intended to subject this Agreement to any franchise or similar law, rule or regulation of the State of Texas to which it would not otherwise be subject. Except as expressly provided in this Agreement, there are no third party beneficiaries. No agreement between us and anyone else is for your benefit. The section headings in this Agreement are for convenience of reference only. All references in this Agreement to Sections or Exhibits refer to the relevant sections and exhibits, respectively, of this Agreement. This Agreement, together with the exhibits and any addenda attached, is the entire agreement, and supersedes all prior representations, agreements and understandings (oral or written) of the parties. This Agreement may be signed in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. Except as expressly provided in this Agreement, this Agreement is binding on and will inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns. Time is of the essence.

16.7 State Addenda. The laws of certain states may supersede some of the provisions of this Agreement, and certain states require us to supplement or modify the provisions of this Agreement. If applicable, these supplements and modifications are contained in State Addenda attached as *Exhibit B*. When you sign this Agreement, you will also properly sign the addenda if appropriate. If multiple state addenda are made part of this Agreement, these state addenda will be construed and applied as narrowly as possible, consistent with applicable state law, in order to avoid potential conflicts between them.

SECTION 17: ACKNOWLEDGMENTS

17.1. Accurate Information. You represent that all information in any applications, financial statements and submissions you provided to us is true, complete and accurate in all respects. You acknowledge that we are relying upon the truthfulness, completeness and accuracy of that information in our decision to enter into this Agreement with you.

Your initials: _____

17.2 Proper Disclosure. You acknowledge that we or our agent have provided you with our current franchise offering circular not later than the earlier of: (a) the first personal meeting held to discuss the sale of the Franchise, or (b) 10 business days before the execution of this Agreement, or (c) 10 business days before any payment of any consideration in connection with this transaction. You acknowledge that we have provided you with a copy of this Agreement and all related documents, fully completed, at least five 5 business days before you sign this Agreement.

Your initials: _____

17.3 Consultation and Understanding. You represent and acknowledge that: (a) you have read and understood this Agreement and our franchise offering circular; (b) we have fully and adequately explained the provisions of each document to your satisfaction; (c) we have advised you to consult with your own attorneys, accountants, or other advisers about the potential benefits and risks of entering into this Agreement; (d) you have had ample opportunity to consult with advisors of your own choosing; and (e) our attorneys have not advised or represented you with respect to any matters.

Your initials: _____

17.4 Independent Investigation of Risks. You represent that you have conducted an independent investigation of the business contemplated by this Agreement, and you acknowledge that, like any other business, an investment in the Franchised Business involves unavoidable business risks. You acknowledge that the success of the Franchised Business is primarily dependent upon the business abilities and efforts of you and your Manager and employees.

Your initials: _____

17.5 No Warranty or Guarantee. You acknowledge that you have not received or relied upon any warranty or guarantee, express or implied, as to the potential revenues, income, profits, volume or success of the business venture contemplated by this Agreement. You acknowledge that you have read this Agreement and our franchise offering circular, and that you have no knowledge of any representation by us or any of our officers, directors, shareholders, employees or agents that are contrary to the statements made in our franchise offering circular or contrary to the terms of this Agreement. We expressly disclaim the making of any warranty, guarantee or representations of this type.

Your initials: _____

17.6 Reasonable Covenants. The covenants not to compete in this agreement are fair and reasonable and will not impose any undue hardship on you or your owners, since you and your owners have other considerable skills, experience and education which afford you and your owners the opportunity to derive income from other endeavors.

Your initials: _____

17.7 No Other Agreements. You acknowledge that this Agreement, the documents referred to in this Agreement, the attachments hereto, and other agreements signed concurrently with this Agreement, if any, constitute the entire, full and complete Agreement between us and you concerning the subject matter covered in this Agreement. This Agreement terminates and supersedes any prior agreement between the parties concerning the same subject matter, and any oral or written representations which are inconsistent with the terms of this Agreement or our franchise offering circular.

Your initials: _____

17.8 No Business Opportunity Representations. You acknowledge that neither we nor any of our officers, directors, shareholders, employees or agents have made any representation that: (a) we may purchase any or all products made, produced, fabricated or modified by you; (b) we guarantee that you will derive income from the Franchised Business which will exceed the initial franchise fee; (c) we guarantee that we will refund all or part of the initial franchise fee if you are not satisfied with the Franchise; or (d) we will provide a sales program or marketing program which will enable you to derive income from the Franchised Business which exceeds the initial franchise fee.

Your initials: _____

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IN WITNESS WHEREOF, the parties have signed and delivered this Agreement as of the Effective Date.

YOU, as Franchisee:

Entity name (if any): _____

Entity Type: _____

State of Formation: _____

Franchisee's Address for Notices:

By: _____

Print Name: _____

Title: _____

By: _____

Print Name: _____

Title: _____

Date Signed: _____

**PACIUGO FRANCHISING LP
as Franchisor:**

By: _____

Name: _____

Title: _____

Effective Date: _____