



**FRANCHISE DISCLOSURE DOCUMENT  
HOT PALETTE AMERICA INCORPORATED**

**A California Corporation**  
**2625 Townsgate Road, Suite 340**  
**Westlake Village, California 91361**  
**Phone: (424) 247-2014**  
**franchise@pepperlunchrestaurants.com**  
**www.pepperlunchrestaurants.com**

Hot Palette America Incorporated, a California corporation, offers franchises for the operation of fast casual Japanese specialty restaurants ("**Pepper Lunch Restaurants**"). Pepper Lunch Restaurants offer do-it-yourself meals of beef, chicken and seafood cooked on iron griddles accompanied by our signature pepper rice and pasta and proprietary sauces and a variety of other related food products, side dishes and non-alcoholic beverages for on-premises and off-premises consumption under the trade name and service mark "**Pepper Lunch**" and other related trademarks, service marks, logos and commercial symbols (the "**Pepper Lunch Marks**").

You sign a Franchise Agreement to operate a single Pepper Lunch Restaurant. The total investment necessary to begin operations of a single Pepper Lunch Restaurant ranges from approximately \$690,800 to \$1,678,300. This includes \$65,000 to \$66,500 that must be paid to us or our affiliate.

If you sign a Multi-Unit Development Agreement, we will assign you a defined area within which you must develop and operate a minimum of 5 Pepper Lunch Restaurants within a specified period of time. The total investment necessary to begin operations of a minimum of 5 Pepper Lunch Restaurant under the Multi-Unit Development Agreement ranges from \$176,000 to \$182,500. This includes \$175,000 that must be paid to us or our affiliate. For each Pepper Lunch Restaurant, you will incur the costs of the total initial investment for development of a Restaurant.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Troy Hooper, CEO, 2625 Townsgate Road, Suite 340, Westlake Village, California 91361, Phone: (661) 261-0811; E-mail: franchise@pepperlunchrestaurants.com.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising. There may also be laws on franchising in your state. Ask your state agencies about them.

**ISSUANCE DATE: APRIL 23, 2026**

## How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

| <b>QUESTION</b>                                                                          | <b>WHERE TO FIND INFORMATION</b>                                                                                                                                                                                                                          |
|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>How much can I earn?</b>                                                              | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit I. |
| <b>How much will I need to invest?</b>                                                   | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.                                                                  |
| <b>Does the franchisor have the financial ability to provide support to my business?</b> | Item 21 or Exhibit F includes financial statements. Review these statements carefully.                                                                                                                                                                    |
| <b>Is the franchise system stable, growing, or shrinking?</b>                            | Item 20 summarizes the recent history of the number of company-owned and franchised outlets.                                                                                                                                                              |
| <b>Will my business be the only Pepper Lunch business in my area?</b>                    | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.                                                                                                             |
| <b>Does the franchisor have a troubled legal history?</b>                                | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.                                                                                                                      |
| <b>What's it like to be a Pepper Lunch Franchisee?</b>                                   | Item 20 or Exhibit I lists current and former franchisees. You can contact them to ask about their experiences.                                                                                                                                           |
| <b>What else should I know?</b>                                                          | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.                                                   |

## **What You Need To Know About Franchising *Generally***

**Continuing responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.

**Business model can change.** The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplier restrictions.** You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor.** Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal.** Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

**When your franchise ends.** The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

### **Some States Require Registration**

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit G.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The Franchise Agreement requires you to resolve disputes with us by litigation only in California. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to participate in litigation with us in California than in your home state.
2. **Short Operating History.** The franchisor is at an early stage of development and has limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
4. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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

**HOT PALETTE AMERICA INCORPORATED  
FRANCHISE DISCLOSURE DOCUMENT  
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## ITEM 1

### THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, “**Franchisor**”, “**we**” and “**us**” means Hot Palette America Incorporated; “**you**” or “**Franchisee**” means the business entity, person or persons who purchase the franchise rights.

#### **Hot Palette America Incorporated**

Hot Palette America Incorporated, a California corporation (“**Franchisor**”) was organized on March 1, 2022 and is the franchisor for Pepper Lunch Restaurants in the United States. Our principal place of business is 2625 Townsgate Road, Suite 340, Westlake Village, California 91361.

We conduct business under our corporate name, Pepper Lunch and Pepper Lunch Restaurants. We have offered our franchises for sale since July 2023. We do not own or operate any businesses of the type being franchised. Except as stated, we are not involved in other business activities and we have not offered franchises in any other line of business. As of issuance date, there were 11 franchised locations open in the United States.

Our agents for service of process are identified by state in **Exhibit G**.

#### **Franchisor’s Parents, Predecessors and Affiliates**

Our parent company, Hot Palette Holdings Co., Ltd. (“**Parent Company**”), which is also our predecessor, is a corporation formed under the laws of Japan in June 2020 and is headquartered at Forecast Kameido 5F, 2-27-7 Kameido, Koto-city, Tokyo, Japan 136-0071. The former management of the Pepper Lunch brand, Pepper Food Service Co., Ltd. (“**PFSC**”), a corporation formed under the laws of Japan in 1985, offered sublicenses for Pepper Lunch Restaurants in California in 2015, in Guam in 2019, and in Nevada and Texas in 2019. In June 2020, PFSC underwent a corporate split-up, resulting in the Pepper Lunch business being divested to a new company called JP Co., Ltd. (“**JP**”) owned by PFSC. In August 2020, all shares of JP were sold to PLHD Co., Ltd. (“**PLHD**”) and JP underwent a name change, becoming Hot Palette Holdings Co., Ltd. (“**OLD HP**”). In January 2022, PLHD absorbed OLD HP and changed its name from PLHD to Parent Company. Our Parent Company is a master franchisor and direct franchisor of 425 Pepper Lunch Restaurants of the type being franchised under this Disclosure Document located outside of the United States, and owns and operates 130 Pepper Lunch Restaurants of the type being franchised under this Disclosure Document in Asia including Japan. Except as stated these entities have not offered franchises in any line of business and do not conduct any other business.

Except as stated, we do not have any other predecessors, parents, or affiliates to be disclosed in Item 1.

#### **The Pepper Lunch Franchise**

We own the Pepper Lunch System (“**Pepper Lunch System**”) in the United States for the operation of Pepper Lunch Restaurants that offer do-it-yourself meals of beef, chicken and seafood cooked on iron griddles accompanied by our signature pepper rice and pasta and proprietary sauces and ancillary related products for on-premises and off-premises consumption that use the trade name “**Pepper Lunch**” and other related trademarks, service marks, logos and commercial symbols (collectively “**Pepper Lunch Marks**”). The Parent Company owns the “**Pepper Lunch Marks**” and has issued a license to us to use and sublicense the Pepper Lunch Marks for the sale of single unit

and multi-unit development franchises for Pepper Lunch Restaurants within the United States. We may offer subfranchises for Pepper Lunch Restaurants for sale under a separate Franchise Disclosure Document (our “**Subfranchisor Franchise Disclosure Document**”).

**Single Restaurant.** You sign a Franchise Agreement (**Exhibit A**) to operate a single Pepper Lunch Restaurant at a location which you choose and we accept (the “**Franchised Location**”). Owners are required to sign a personal guarantee.

**Multi-Unit Development.** If you sign a Multi-Unit Development Agreement (**Exhibit B**), we will agree to a defined area (the “**Development Area**”) within which you, as a multi-unit developer (“**Multi-Unit Developer**”), must develop and operate a minimum of 5 Pepper Lunch Restaurants within a specified period of time. You must sign the then-current Franchise Agreement for each Pepper Lunch Restaurant that you will open under the Multi-Unit Development Agreement. You may require you to sign the Franchise Agreement for your first Pepper Lunch Restaurant (**Exhibit A**) when you sign the Multi-Unit Development Agreement. The form Franchise Agreement may change over time and contain terms and conditions that are materially different from the form of Franchise Agreement attached to this Disclosure Document as **Exhibit A**.

### **Competition**

The typical Pepper Lunch Restaurant is on a major thoroughfare or adjacent to a retail shopping center. You will compete in the fast-casual food business with various established independent local restaurants and regional or national chain outlets specializing in Japanese food for both on-premises and off-premises consumption, both take-out service and full service as well as with other restaurants and take-out facilities selling other kinds of food or specialty foods. You may also compete with other Pepper Lunch Restaurants, both franchised and company-operated outlets. Many restaurants specialize in Japanese cuisine and competition in the restaurant business in general and the fast-casual food industry in particular is relatively non-seasonal and intense.

### **Special Industry Regulation**

Federal, state and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Pepper Lunch Restaurant, including those which: establish general standards, specifications and requirements for the construction, design and maintenance of the Pepper Lunch Restaurant premises; regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for restaurants; employee practices concerning the storage, handling, cooking and preparation of food and food labeling; restrictions on smoking; availability of and requirements for public accommodations, including restrooms; set standards pertaining to employee health and safety; set standards and requirements for fire safety and general emergency preparedness; regulate data privacy and security; regulate the proper use, storage and disposal of waste, insecticides, and other hazardous materials; and regulate the sale of alcohol. The Payment Card Industry Data Security Standard (“**PCI**”) requires that all companies that process, store, or transmit credit or debit card information maintain a secure environment. PCI applies to all organizations or merchants, regardless of size or number of transactions, that accepts, transmits or stores any cardholder data. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your Pepper Lunch Restaurant and should consider both their effect and cost of compliance. You must have a beer and/or wine license before you open your Pepper Lunch Restaurant. The difficulty and cost of obtaining a beer and/or wine license, and the procedures for securing the license, vary greatly from area to area. There is also wide variation in state and local laws and regulations that govern the sale of alcoholic beverages. In addition, State Dram Shop laws

give rise to potential liability for injuries that are directly or indirectly related to the sale and consumption of alcohol.

## **ITEM 2 BUSINESS EXPERIENCE**

### **Troy Hooper, Chief Executive Officer**

Mr. Hooper has served as our Chief Executive Officer since February 2023. Since March 2018 to the present, Mr. Hooper also serves as the Chief Executive Officer for Kiwi Restaurant Partners LLC in Valencia, California.

### **Mark Bailey, Chief Operating Officer**

Mr. Bailey has been our Chief Operating Officer since January 2024. Since March 2018, he has been Senior Vice President of Restaurant Operations for Kiwi Restaurant Partners LLC in Santa Clarita, California. Since June 2015, Mr. Bailey has been Senior Franchise Operations Consultant for SL Franchise Group (formerly known as DCV Franchise Group) in Woodland Hills, California.

### **Yuto Tago, Director**

Mr. Tago has served as our Director since March 2022. From November 2021 to the present, Mr. Tago also serves as the Managing Director, Overseas Business & Procurement Division for our Parent Company in Tokyo, Japan. From January 2021 to October 2021, Mr. Tago served as the Managing Director for D&N Coffee and Restaurant in Kuala Lumpur and Penang, Malaysia. From December 2020 to October 2021, Mr. Tago served as the Managing Director of Sea Master Food in Kuala Lumpur, Malaysia. From June 2020 to October 2021, Mr. Tago served as the Executive Director of Sushi King Holding in Kuala Lumpur, Malaysia. From June 2020 to October 2021, Mr. Tago served as the Director of Otafuku Sauce Malaysia in Kuala Lumpur, Malaysia. From December 2019 to October 2021, Mr. Tago served as the Managing Director of Malaysia in Penang, Malaysia. From January 2018 to October 2021, Mr. Tago served as the Managing Director of Wildpack Food Services in Penang, Malaysia.

### **Sky Chee, Treasurer**

Mr. Chee has been our Treasurer since March 2024. He has been Finance Director with Hot Palette (Asia Pacific) Pte. Ltd. in Singapore since January 2024. From July 2020 to November 2023, he was Finance Director for Classic Fine Foods (S) Pte. Ltd. in Singapore.

### **Chong Wei Yen, Secretary**

Ms. Chong has been our Secretary since March 2024. She has been Manager, Legal Department for Hot Palette (Asia Pacific) Pte. Ltd. in Singapore since June 2022. From February 2020 to June 2022, Ms. Chong was Paralegal (Intellectual Property Department) at RHTLaw Asia, LLP in Singapore.

## **ITEM 3 LITIGATION**

No litigation is required to be disclosed in this Item.

## **ITEM 4 BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

## **ITEM 5 INITIAL FEES**

### **Single Restaurant**

You must pay us an initial franchise fee (the “**Initial Franchise Fee**”) of \$50,000 when you sign the Franchise Agreement (**Exhibit A**).

### **Multi-Unit Development**

If you sign the Multi-Unit Development Agreement (**Exhibit B**), you pay us a development fee (the “**Development Fee**”) of \$35,000 for each Pepper Lunch Restaurant you agree to develop. You must develop a minimum of 5 Pepper Lunch Restaurants, with total development fee due of \$175,000. There is no additional fee due when you sign the then-current Franchise Agreement for each Pepper Lunch Restaurant.

### **Certified Managers Training Fee**

For your first Pepper Lunch Restaurant, we will provide you with a Managers Training Course to Certify not less than 3, up to 4 store managers/restaurant operators for your Pepper Lunch Restaurant for \$10,000. The fee is due 30-60 days prior to commencement of training upon request from us.

### **Pre and Post Opening Support Fee**

We provide pre- and post-opening support onsite at your Pepper Lunch Restaurant for each Restaurant opening. This support package is mandatory for every new Restaurant opening. The fee for this support is \$5,000. This fee is due 14 days prior to each Restaurant’s grand opening.

### **Site Review**

At no charge, we will perform up to three (3) site visits to review locations you identify for the Pepper Lunch Restaurant. Site visits may be done remotely. If we make visits to the trade area, we will charge you \$1,500 per visit plus the incurred reasonable travel expenses.

\*\*\*\*\*

The Initial Franchise Fee and Development Fee are fully earned by us when paid and are not refundable under any circumstances. During our last fiscal year, no franchisee paid an amount different from that stated in this Item. We do not provide financing for the Initial Franchise Fee or Development Fee.

**ITEM 6  
OTHER FEES<sup>1</sup>**

| <b>Name of Fee</b>                | <b>Amount</b>                                                                                                                     | <b>Due Date</b>                                 | <b>Remarks</b>                                                                                                                                                                                                                                                                                                                                           |
|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Royalty Fee <sup>2, 3</sup>       | 5% of Gross Sales of the Pepper Lunch Restaurant.                                                                                 | Transmitted daily via electronic funds transfer | Gross Sales definition in Note 4. Gross Sales reports due as we require; we may access such reports via installed software.                                                                                                                                                                                                                              |
| Brand Building Fund Contribution  | Currently, 2%. Contribute up to 3% of Gross Sales.                                                                                | Same as Royalty                                 | The Brand Building Fund Contribution will be in addition to your local advertising expenditure. We reserve the right to increase the Brand Building Fund Contribution up to 3% of Gross Sales upon 60 days' written notice to you.                                                                                                                       |
| Cooperative Advertising           | As determined by each co-op                                                                                                       | Established by cooperative                      | If established, you must contribute to the co-op. As of the Issuance Date, we do not have any cooperatives.                                                                                                                                                                                                                                              |
| Technology Fee                    | Currently, \$300 per month (subject to increases) but will not exceed \$500 per month.                                            | Monthly                                         | Includes cost for support for your POS system, loyalty program and online ordering, and our development and maintenance of online management platforms and corporate intranet, including a trading platform and marketing portal. We have the right to increase the Technology Fee upon 30 days' written notice to you, not to exceed \$500 a per month. |
| Induction Cooker - Rental         | For each new Induction Cooker: \$200 per month <sup>5</sup>                                                                       | Monthly                                         | You begin paying this amount once the induction cookers are installed.                                                                                                                                                                                                                                                                                   |
| Late Charge                       | \$200 plus 1.5% on the amount outstanding per month, not to exceed the maximum interest rate allowed by law                       | Continues to accrue until paid                  | Payable if any electronic or other payment is unpaid because of insufficient funds, or if any sums due to us are not paid promptly when due. Due from the date payment was due until paid in full.                                                                                                                                                       |
| Post-Opening Initial Training Fee | \$5,000 for each of your employees who attends Post-Opening Initial Training Programs, plus our out-of-pocket expenses, including | On demand                                       | If, following the opening date of your Pepper Lunch Restaurant, you request us to provide additional Initial Training Programs for new or replacement supervisorial or managerial                                                                                                                                                                        |

| <b>Name of Fee</b>                                          | <b>Amount</b>                                                                                                                                                                                  | <b>Due Date</b>                                                                    | <b>Remarks</b>                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                             | transportation, food and lodging.                                                                                                                                                              |                                                                                    | personnel, you must pay this Post-Opening Initial Training Fee. You are also responsible for any expenses you or your employees incur in connection with attendance of any Post-Opening Initial Training Programs.                                                                                                                                                          |
| Post-Opening Additional/Remedial Training Program Daily Fee | \$250 for each of our training representatives, per day, if we provide post-opening Additional Training Programs, plus our out-of-pocket expenses, including transportation, food and lodging. | On demand                                                                          | We may require you, your Principal Owner, and your Pepper Lunch Restaurant Manager(s) to attend additional and remedial training programs, at our discretion. You are also responsible for any expenses you or your employees incur in connection with attendance of any Post-Opening Additional Training Programs. A maximum of 4 persons can be trained at the same time. |
| Inspection Fee                                              | Currently, \$500 per re-inspection.                                                                                                                                                            | On demand                                                                          | Payable if we must revisit the Pepper Lunch Restaurant for another inspection after you have already been notified of any deficiency or unsatisfactory condition at the Pepper Lunch Restaurant within a 30 day period, including quality, cleanliness, service, and health.                                                                                                |
| Insurance                                                   | Amount of unpaid premiums and our out of pocket costs.                                                                                                                                         | On demand                                                                          | Payable only if you fail to obtain and maintain required insurance coverage and we elect to obtain coverage for you.                                                                                                                                                                                                                                                        |
| Non-Cash Payment System                                     | All costs associated with non-cash payment systems.                                                                                                                                            | As incurred                                                                        | You must accept debit cards, credit cards, stored value gift cards or other non-cash payment systems we specify to enable customers to purchase Authorized Pepper Lunch Products.                                                                                                                                                                                           |
| Default Reimbursement                                       | Our costs and expenses (including reasonable attorneys' fees) from your default.                                                                                                               | Within 5 days after you cure your default or on demand if the default is not cured | Payable only if you default under the Franchise Agreement.                                                                                                                                                                                                                                                                                                                  |

| <b>Name of Fee</b>               | <b>Amount</b>                                                                                                                                                                                               | <b>Due Date</b>                                                      | <b>Remarks</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Audit                            | Cost of audit and franchisor's travel, lodging, and wage expenses and reasonable accounting and legal expenses plus 1.5% interest per month (18% per year), but not exceeding the maximum legal rate.       | On demand                                                            | Payable only if audit shows an understatement of 3% or more of Gross Sales.                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Renewal Fee                      | As required by us at renewal                                                                                                                                                                                | When you deliver a renewal notice to us for your Franchise Agreement | This amount will be an amount not to exceed the then-current initial franchise fee.                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Gross-Up Fees                    | Varies with circumstances.                                                                                                                                                                                  | On demand                                                            | To ensure that we receive the full amount of Continuing Royalty Fees and Brand Building Fund Contributions that are due, you must pay us, whether in arrears, in advance, in a lump sum or in the same manner that you pay us Continuing Royalty Fees and Brand Building Fund Contributions, if applicable, the amount of all taxes we must pay on revenue we earn or collect based upon your use of our intellectual property or other intangibles or based upon the existence of the Franchise Agreement. |
| New Product and Supplier Testing | Actual cost of inspection and testing, including travel and living costs related to inspecting and auditing the proposed supplier's facilities, equipment, and products. \$1,000 must be paid as a deposit. | As incurred, deposit paid before inspection                          | If you propose to purchase any goods or materials from a supplier that we have not previously approved, you must submit a written request to us for approval or you must request the supplier itself to do so. We have the right to require, as a condition of our approval, that the proposed supplier agrees in writing to: provide free samples upon request, comply with our specifications, sell products bearing our trademarks only to our                                                           |

| <b>Name of Fee</b>                                    | <b>Amount</b>                                                             | <b>Due Date</b>                                                                                                                         | <b>Remarks</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------|---------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                       |                                                                           |                                                                                                                                         | franchisees subject to a trademark license agreement with us, provide duplicate purchase invoices issued to franchisees, permit our representatives to inspect the proposed supplier's facilities, deliver to us and/or to an independent, certified laboratory designated by us, all information, specifications and samples that we designate for testing, and otherwise comply with our reasonable requests. You must pay us a fee which will not to exceed the actual cost of the inspection and testing. |
| Post-Termination Gross Sales Fee                      | 5% of all revenue derived from the operation of the Competitive Business. | 15 <sup>th</sup> day of each month on the Post Termination Gross Sales of the Competitive Business during the preceding calendar month. | Payable if you operate a Competitive Business after the expiration, termination or assignment of your Franchise Agreement in violation of the covenants in your Franchise Agreement.                                                                                                                                                                                                                                                                                                                          |
| Annual Franchisee Conference Fee                      | \$500 per person                                                          | Upon demand at least 30 days before the date of the Annual Franchise Conference.                                                        | You must pay us a Franchisee Conference Fee to reimburse us for a portion of our direct costs to provide the Annual Franchisee Conference, whether or not you attend the conference.                                                                                                                                                                                                                                                                                                                          |
| Sanitation and Food Safety Audits                     | Cost of the inspection; we estimate to be \$600 to \$2,500 per audit.     | On demand                                                                                                                               | We may, in our sole discretion, contract with a third party to conduct sanitation and food safety audits during the term of your Franchise Agreement.                                                                                                                                                                                                                                                                                                                                                         |
| Reimbursement for Payments Made to Approved Suppliers | Varies.                                                                   | As incurred                                                                                                                             | If we receive notice from an Approved Supplier that you are over 60 days past due on any payment owed to the Approved Supplier, and you have not previously provided notice to the Approved Supplier disputing the overdue amount, we will have the right, but not the obligation, to make payment to the Approved                                                                                                                                                                                            |

| Name of Fee                                                             | Amount                                                                                                                                                                                                     | Due Date                                                               | Remarks                                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                         |                                                                                                                                                                                                            |                                                                        | Supplier on your behalf and to reimburse our self for the amount we paid by electronic funds transfer from your bank account.                                                                                                                                                                                  |
| Transfer Fee (Franchise Agreement and Multi-Unit Development Agreement) | 50% of the then-current Initial Franchise Fee (subject to state law).                                                                                                                                      | Before transfer                                                        | Payable if you transfer/assign your Franchise Agreement or Multi-Unit Development Agreement.                                                                                                                                                                                                                   |
| Private Offering Fee                                                    | \$10,000 or such greater amount as is necessary to reimburse us for our actual costs and expenses with reviewing the proposed offering.                                                                    | Before offering                                                        | Payable for each proposed private offering of securities, partnership or other ownership interests in Franchisee.                                                                                                                                                                                              |
| Relocation Fee                                                          | \$2,500                                                                                                                                                                                                    | When we approve your request to relocate your Pepper Lunch Restaurant. | You must obtain our consent to the relocation of your Pepper Lunch Restaurant.                                                                                                                                                                                                                                 |
| Indemnification                                                         | Amount of Losses and Expenses.                                                                                                                                                                             | On demand                                                              | You must pay “ <b>Losses and Expenses</b> ” incurred in connection with any litigation or procedure, claim, demand, investigation, or formal or informal inquiry or settlement, which arises directly or indirectly from, as a result of, or in connection with the operation of your Pepper Lunch Restaurant. |
| Attorneys’ Fees                                                         | Amount of fees and costs incurred to enforce the agreement                                                                                                                                                 | On demand                                                              | Only be assessed in the event we are the prevailing party in a legal action enforcing the agreement.                                                                                                                                                                                                           |
| Liquidated Damages                                                      | The Royalty Fees paid or payable during the forty eight (48) months immediately preceding the effective date of termination (or such shorter period if the remaining Term is less than forty-eight months. | Within 30 days of the termination date                                 | Only due if you abandon the Franchised Business or you default under the Franchise Agreement and we terminate the Franchise Agreement.                                                                                                                                                                         |

**NOTES:**

1. Unless otherwise noted above, all fees are uniformly imposed by and payable to us by electronic funds transfer or other automatic payment mechanism we designate and are non-refundable.
2. If state or local law in the state in which your Pepper Lunch Restaurant is located prohibits or restricts in any way your ability to pay and our ability to collect Royalty Fees or other amounts due to us based on revenue derived from the sale of alcoholic beverages at the Pepper Lunch Restaurant, we will reset the amount of the Royalty Fees or other sums payable to us and redefine Gross Sales to exclude the payment of Royalty Fees on revenue derived from the sale of alcoholic beverages to an amount that will have the same basic economic result for both you and us.
3. If you fail to submit the Gross Sales statements, we may withdraw from your designated bank account the estimated Royalty, Brand Building Fund Contribution and Technology Fees based upon 125% of the Gross Sales stated in the most recent statement. Upon submission of actual Gross Sales statements, any over or under payment will be addressed.
4. **Gross Sales** means the total of all revenues derived from sales of products and services of any nature or kind whatsoever from the Franchised Restaurant, as well as the proceeds from any business interruption insurance related to the non-operation of the Franchised Restaurant, and whether evidenced by cash, services, property, barter, or other means of exchange, including orders taken in or from the Franchised Restaurant although filled elsewhere. **Gross Sales** shall include the full value of meals Franchisee provides to its employees as incident to their employment (less the value of any discounts against Gross Sales given during the month in which the meals were provided) and all proceeds from the redemption of coupons, gift certificates, store value cards or vouchers, as well as the full amount of any fees or amounts assessed or charged on the delivery of products for or on behalf of the Franchised Restaurant. **Gross Sales** shall exclude the amount of bona fide refunds paid to customers, the amount of any sales or use taxes collected and paid to any Governmental Authority and the retail price of any coupons, gift certificates and vouchers when they are sold.
5. For refurbished Induction Cooker, the amounts may be lower. You have no right to request refurbished Induction Cookers.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

| Type of Expenditure                | Amount           |                   | Method of Payment <sup>1</sup> | When Due                          | To Whom Payment is to be Made |
|------------------------------------|------------------|-------------------|--------------------------------|-----------------------------------|-------------------------------|
|                                    | Low <sup>1</sup> | High <sup>1</sup> |                                |                                   |                               |
| Initial Franchise Fee <sup>2</sup> | \$50,000         | \$50,000          | Lump Sum                       | When you sign Franchise Agreement | Us                            |

| Type of Expenditure                                  | Amount           |                   | Method of Payment <sup>1</sup> | When Due    | To Whom Payment is to be Made      |
|------------------------------------------------------|------------------|-------------------|--------------------------------|-------------|------------------------------------|
|                                                      | Low <sup>1</sup> | High <sup>1</sup> |                                |             |                                    |
| Architects & Engineers <sup>3</sup>                  | \$20,000         | \$30,000          | As Incurred                    | As invoiced | Approved Supplier                  |
| Site Review Fee <sup>4</sup>                         | \$0              | \$1,500           | As incurred                    | As invoiced | Us                                 |
| Studies & Site work <sup>5</sup>                     | \$2,500          | \$5,500           | As Incurred                    | As invoiced | Third Party                        |
| Business Licenses & Permits <sup>6</sup>             | \$1,500          | \$5,000           | As Incurred                    | As invoiced | Third parties, government agencies |
| Professional Fees Legal/Accounting <sup>7</sup>      | \$1,000          | \$7,500           | As Incurred                    | As arranged | Financial and Legal Advisors       |
| Beer/Wine License <sup>6</sup>                       | \$0              | \$15,500          | As Incurred                    | As arranged | Licensing Authority                |
| First Month's Rent and Security Deposit <sup>8</sup> | \$5,000          | \$35,000          | As arranged                    | As arranged | Landlord                           |
| Utilities and Related Deposits <sup>9</sup>          | \$5,000          | \$10,000          | As arranged                    | As arranged | Landlord                           |
| Insurance - Annual Premium <sup>10</sup>             | \$9,000          | \$25,000          | As arranged                    | As invoiced | Insurance Carrier                  |
| Tenant Improvements/Construction <sup>11</sup>       | \$189,000        | \$800,000         | As arranged                    | As arranged | Approved Suppliers, Contractors    |
| Design & Décor <sup>11</sup>                         | \$35,000         | \$70,000          | As arranged                    | As arranged | Approved Suppliers                 |
| Equipment <sup>12</sup>                              | \$125,000        | \$210,000         | As arranged                    | As arranged | Approved Suppliers                 |
| Furniture and Fixtures <sup>12</sup>                 | \$95,000         | \$150,000         | As arranged                    | As arranged | Approved Suppliers                 |
| Smallwares <sup>13</sup>                             | \$12,000         | \$18,000          | As arranged                    | As arranged | Approved Suppliers                 |
| Office Supplies <sup>14</sup>                        | \$500            | \$1,500           | As arranged                    | As arranged | Third parties                      |
| Uniforms <sup>15</sup>                               | \$1,800          | \$3,800           | As                             | As          | Us & Approved                      |

| Type of Expenditure                                         | Amount           |                    | Method of Payment <sup>1</sup> | When Due                         | To Whom Payment is to be Made                    |
|-------------------------------------------------------------|------------------|--------------------|--------------------------------|----------------------------------|--------------------------------------------------|
|                                                             | Low <sup>1</sup> | High <sup>1</sup>  |                                |                                  |                                                  |
|                                                             |                  |                    | arranged                       | arranged                         | Suppliers                                        |
| Signage <sup>16</sup>                                       | \$7,500          | \$30,000           | As arranged                    | As arranged                      | Approved Suppliers                               |
| Computers & POS <sup>17</sup>                               | \$20,500         | \$25,000           | As arranged                    | As arranged                      | Approved Suppliers                               |
| Initial Inventory & Supplies <sup>18</sup>                  | \$15,000         | \$25,000           | As arranged                    | As arranged                      | Approved Supplier                                |
| Initial Training Expenses <sup>19</sup>                     | \$25,000         | \$35,000           | As arranged                    | As arranged                      | Various vendors – airlines, hotels, restaurants. |
| Pre-Opening Labor <sup>20</sup>                             | \$15,000         | \$30,000           | As arranged                    | As arranged                      | Your Employees                                   |
| Pre-Opening Advertising <sup>21</sup>                       | \$1,500          | \$3,500            | As arranged                    | As arranged                      | Approved Supplier                                |
| Grand Opening Campaign <sup>22</sup>                        | \$7,500          | \$15,000           | As arranged                    | As arranged                      | Approved Supplier                                |
| Grand Opening Kit <sup>23</sup>                             | \$5,500          | \$8,500            | As arranged                    | As arranged                      | Approved Supplier                                |
| Certified Managers Training Fee <sup>24</sup>               | \$10,000         | \$10,000           | As arranged                    | As stated in Franchise Agreement | Us                                               |
| Pre and Post Opening Support Fee <sup>24</sup>              | \$5,000          | \$5,000            | As Arranged                    | As stated in Franchise Agreement | Us                                               |
| Miscellaneous Opening Costs <sup>25</sup>                   | \$1,000          | \$3,000            | As arranged                    | As arranged                      | Various Suppliers                                |
| Additional Funds - Working Capital (3 months) <sup>26</sup> | \$25,000         | \$50,000           | As arranged                    | As arranged                      | Approved Supplier, Various Vendors               |
| <b>Grand Total<sup>27</sup></b>                             | <b>\$690,800</b> | <b>\$1,678,300</b> |                                |                                  |                                                  |

**MULTI-UNIT DEVELOPMENT AGREEMENT (A MINIMUM OF 5 RESTAURANTS)  
YOUR ESTIMATED INITIAL INVESTMENT PER RESTAURANT\***

| Type of Expenditure                                       | Amount           |                  | Method of Payment | When Due                           | To Whom Payment is to be Made |
|-----------------------------------------------------------|------------------|------------------|-------------------|------------------------------------|-------------------------------|
|                                                           | Low              | High             |                   |                                    |                               |
| Development Fee                                           | \$175,000        | \$175,000        | Lump Sum          | Upon Signing Development Agreement | Us                            |
| Professional Fees Legal/Accounting <sup>7</sup>           | \$1,000          | \$7,500          | As Incurred       | As arranged                        | Financial and Legal Advisors  |
| <b>Total Amount Due for Five Pepper Lunch Restaurants</b> | <b>\$176,000</b> | <b>\$182,500</b> |                   |                                    |                               |

\*For each Pepper Lunch Restaurant developed under the Multi-Unit Development Agreement, you will incur the costs for a single unit less the initial franchise fee.

**NOTES TO ITEM 7 TABLES:**

- (1) Amount and Method of Payment. Costs paid to us are not refundable. Whether any costs paid to third parties are refundable will vary based on the third parties' business terms. We do not provide any direct or indirect financing to you for any amounts listed. If you meet the credit requirements determined by third party vendors, you may be able to obtain financing. The availability and terms of financing will depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of the financial institutions from which you request a loan. We do not determine the terms and conditions of any financing and we do not provide any guarantees for any financing provided to you by third parties.
- (2) Initial Franchise Fee. The manner in which the Initial Franchise Fee is paid is explained in detail in Item 5. If you develop multiple Pepper Lunch Restaurants under a Multi-Unit Development Agreement, Item 5 explains how the Development Fee is calculated.
- (3) Architects and Engineers. You must use the licensed, bonded and qualified architects and engineers that we have approved to prepare plans for the Pepper Lunch Restaurant. You must use our approved design firm to prepare the plans.
- (4) Site Review Fee. At no charge, we will perform up to three (3) site visits to review locations you identify for the Pepper Lunch Restaurant. The site review fee applies to visits to your trade area.
- (5) Studies and Site Work. You may need to conduct studies and pre-construction site work.
- (6) Business Licenses and Permits / Alcohol License. These are general estimates for permits and licenses that may be required by local and state governments. Local, municipal, county and state regulations vary with regard to the licenses and permits you will need to operate your Pepper Lunch Restaurant. You are responsible for obtaining and maintaining all required

permits and licenses necessary to operate the Pepper Lunch Restaurant, including any permit or license required to distribute or dispense alcohol at the Pepper Lunch Restaurant.

The cost of obtaining an alcohol license and related permits will vary greatly from state to state and local municipalities. Note also, in many cases, the licenses are issued based on availability and our approval of the Franchised Location for your Pepper Lunch Restaurant is not a guarantee that you will be able to obtain an alcohol license for that location. There may also be costs for training required by some authorities that grant alcohol licenses. If you already have an alcohol license, you will not incur this cost. In addition, in certain circumstances, we may not require you to have a beer and wine license.

- (7) Professional Fees. These fees are representative of the costs for engagement of professionals for the start-up of a restaurant business, including attorneys and accountants to review this franchise opportunity, this disclosure document, and the Franchise Agreement or Multi-Unit Development Agreement. It is also advisable to consult these professionals to review any lease or other contracts that you will enter into as a part of developing the Pepper Lunch Restaurant. It is best to ask your professional advisors for a fee schedule prior to engaging them to perform any services on your behalf.
- (8) First Month's Rent and Security Deposit. This range of expense is typical for what commercial landlords charge for initial rents for spaces occupied by restaurants. Pre-paid rent is generally non-refundable. The security deposits can vary. Security or other deposits may be refundable either in full, or in part, depending upon the contract or arrangement with the vendor. Security deposit requirements will depend on a variety of factors, including your credit and financial condition.
- (9) Utilities and Related Costs. This amount is for equipment lease deposits, sewer hookup charges, and utility deposits. These estimates exclude any special connection and/or tap fees.
- (10) Insurance. This estimate includes the cost of insurance deposits and premiums for one year. You will need to check with your local carrier for actual premium quotes and costs, as well as the actual cost of the deposit. The cost of coverage will vary based upon the area in which your business will be located, your experience with the insurance carrier, the loss experience of the carrier, your estimated sales / revenues or payrolls for employees, and other factors beyond our control. You should also check with your insurance agent or broker regarding any additional insurance that you may wish to carry above our stated minimums.
- (11) Tenant Improvements / Construction. Pepper Lunch Restaurants range in size from approximately 1,700 square feet to 2,300 square feet and are typically located on a major thoroughfare or adjacent to a retail shopping center. The estimate assumes you will be leasing a site where the interior has been prepped with heating/cooling delivery systems, lighting, electrical switches and outlets, lavatories, a finished ceiling, walls that are prepped for painting, plumbing and other utilities to stub, and a concrete slab floor. The estimated costs cover all interior improvements, millwork, electrical, flooring, HVAC (heating, ventilation, air conditioning), structural changes, and restrooms. These numbers include fees typically charged by licensed professionals (such as project managers, general contractors and licensed tradesman), who are contracted to install electrical, plumbing, and HVAC. In some instances, landlords may provide monetary allowances for materials or work, or rent credits during the time of construction, however such allowances or credits are not reflected in the range represented here. Your costs may be less or more than this estimate,

depending upon where you are planning to open your Pepper Lunch Restaurant, size and condition of the space, pre-construction costs, and costs of materials and labor. We recommend that you interview several contractors and check their references before engaging a contractor. We anticipate that you will lease the real estate rather than purchase it; therefore, we have not included any costs for purchase of the land in our estimates.

- (12) Equipment and Furniture, Fixtures & Decor. These figures represent the purchase of the equipment and furniture, fixtures & décor needed for open and operate the Pepper Lunch Restaurant. The equipment includes rice washer, rice dispenser and soup dispenser. The range of cost recognizes instances where restaurant configurations differ, and different pieces, sizes or models may be recommended by our team based on the specific location attributes.
- (13) Smallwares. These figures represent the purchase of tools used in connection with food preparation and storage.
- (14) Office Supplies. These figures represent the purchase of office supplies such as paper, printer ink, and other similar items.
- (15) Uniforms. These figures represent the purchase of standard logo'ed uniforms as required by us for approximately 18 employees.
- (16) Signage. This estimate includes the cost to produce signage for the Pepper Lunch Restaurant. All signage must be in compliance with our standards and your local building and other codes. These amounts represent the cost for interior and exterior building signage, ranging from standard exterior signage, monument/blade signs. Does not include more expensive free-standing signs on high-rise poles or highway signs. The cost of signage may vary significantly depending on the location of the Pepper Lunch Restaurant, market conditions and local ordinances.
- (17) Computer and POS. This estimate covers the purchase of the computer equipment, a point of sale system hardware and software, back office hardware (including a computer, monitor, printers, keyboard and iPads). This estimate also includes a Kitchen Display System (KDS), Digital Signage Boards, Kiosk ordering systems, food locker boxes, and related hardware and software. This estimate does not include taxes, shipping and installation labor and materials, charges to start phone and internet services, and accounting, payroll or back office inventory software. Also excludes third party integration for off-premise delivery platforms.
- (18) Initial Inventory and Supplies. This estimate covers initial inventory for stocking the Pepper Lunch Restaurant for training and opening of the operation.
- (19) Initial Training Expenses. Although there are no fees charged by us for up to 4 people to participate in our Initial Training Program, you will incur expenses associated with our program. The estimate assumes that you will pay for the travel, meals, auto, and lodging, for up to four individuals for training in Los Angeles, California or at a restaurant located near our office (or at another site that we choose). The cost you incur will vary depending upon factors such as the distance traveled, mode of transportation, per diem expenses actually incurred, and the number of persons who will attend training, as well as your chosen style of travel and accommodations. This estimate does not include wages you may choose to pay individuals participating in our training.

- (20) Pre-Opening Labor. This estimate is for costs you will incur for salaries, benefits, etc. to hire a management team and staff prior to opening. All managers and staff must be on-site during any pre-opening and opening training we provide.
- (21) Pre-Opening Advertising. This estimate covers the costs of the Grand Opening Marketing Program. You must spend at least the amount noted in the low range. See Item 11 for more information.
- (22) Grand Opening Campaign. You must conduct the Grand Opening Plan that you develop and we approve. See Item 11 for more detail.
- (23) Grand Opening Kit. This estimate covers the cost of point of sale branded marketing materials that you must use.
- (24) Certified Managers Training Fee and Pre and Post Opening Support Fee. These fees are described in Items 5 and 11.
- (25) Miscellaneous Opening Costs. Because opening a new restaurant may include unpredictable costs, the Miscellaneous Opening Costs are miscellaneous opening costs you may incur.
- (26) Additional Funds – 3 Months (Working Capital). This is an estimate of the additional working capital you may need to operate your Pepper Lunch Restaurant during the first three months of operation and is net of any revenue you receive during this period. This estimate is based upon the experience of our affiliates, parent and management team with opening restaurant concepts. The estimate includes items such as pre-opening wages that you pay your staff, but does not include an owner's salary. The estimate also includes items, such as initial payroll taxes, Royalty Fees, Technology Fees, professional and accounting fees, advertising, insurance, health insurance and workers' compensation, repairs and maintenance, bank charges (including interest), miscellaneous supplies and equipment, initial staff recruiting expenses, state tax and license fees, depreciation and amortization, deposits and prepaid expenses (if applicable) and other unforeseen miscellaneous items.
- (27) Development Fee. Your estimated initial investment under the Development Agreement will vary depending on the number of Pepper Lunch Restaurants you develop within the Development Area. The estimated initial investment chart reflects the minimum number of five (5) development commitments. No part of this initial investment is refundable.

## **ITEM 8**

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

Except as described below, you have no obligation to purchase or lease from us or from suppliers approved by us or according to specifications we issue:

**Franchised Location**. You are solely responsible for locating your Pepper Lunch Restaurant site at the Franchised Location, subject to our acceptance. After you sign your Franchise Agreement, you must identify one or more sites that meet our then-current standards and specifications. If your Pepper Lunch Restaurant has not yet been constructed, or does not meet our current standards for new Pepper Lunch Restaurants, you must cause the Pepper Lunch Restaurant to be constructed, equipped and improved in compliance with our prototype plans and our specifications in the Manuals. You must use licensed architect, engineer and contractor we approve to construct your Pepper Lunch Restaurant and the approved designer we specify.

**Approved Suppliers.** You may only use suppliers that we have accepted and approved (“**Approved Suppliers**”) because they have demonstrated to us their ability to supply products and services for Pepper Lunch Restaurants meeting our specifications as to brand names, models, contents, manner of preparation, ingredients, quality, freshness, compliance with governmental standards and regulations, reliability with respect to delivery and consistency in the quality of their products or services. We will provide you with the names of our Approved Suppliers and specifications, standards and restrictions on your purchase of products and services after you sign your Franchise Agreement. We may update our list of Approved Suppliers from time to time. You must operate your Franchised Restaurant in strict compliance with the standard procedures, policies, rules and regulations contained in the Manuals. All “**Pepper Lunch Branded Products**”, “**Pepper Lunch Proprietary Products**” and “**Non-Proprietary Products**” designated by us for use and sale at or from the Franchised Restaurant must be purchased from Approved Suppliers. “**Pepper Lunch Branded Products**” are products that bear any of the Pepper Lunch Marks, including products that are prepared, sold and/or manufactured in strict accordance with our, methods, standards and specifications, including pre-packaged food and beverage products, clothing, souvenirs and novelty items. In addition to other third party suppliers that you buy from directly, we and our affiliates may be Approved Suppliers or the sole Approved Supplier for certain items from time to time.

Approximately 90% of your start-up expenses and 80% of your ongoing expenses, other than fees disclosed in Items 5 and 6, will be for purchases from Approved Suppliers or purchases according to our specifications. We may receive payments from suppliers and distributors based upon franchisee purchases. We will provide you with our Manuals and various supplemental bulletins and notices that will contain the specifications, standards and restrictions on your purchase of products and services. You must operate your Pepper Lunch Restaurant in strict compliance with the standard procedures, policies, rules and regulations contained in the Manuals.

Currently, we are the only Approved Supplier for induction cookers that you must use in your Franchised Business and you must lease the induction cookers from us. We also sell uniforms and certain smallwares to franchisees. In addition, we or our affiliates may import supplies for Pepper Lunch Restaurants, sell those supplies to third party distributors who will then sell and distribute the supplies to Pepper Lunch Restaurants. We may create an affiliated company to run, manage or operate the supply chain for supplies. We will derive revenue and profit from leasing induction cookers and selling certain items to franchisees. During our last fiscal year, we derived revenue from required leases or purchases by franchisees in the amount of \$159,836.

**Authorized Pepper Lunch Products and Proprietary Products.** You must serve all and only the products we authorize (“**Authorized Pepper Lunch Products**”). We may specify proprietary food products, sauces, beverages, packaging and products which are produced or manufactured according to our trade secrets, proprietary recipes, specifications and/or formulas (collectively, the “**Pepper Lunch Proprietary Products**”). You must buy Pepper Lunch Proprietary Products only from us or our affiliates (if we or they sell them) or directly from an Approved Supplier (and those purchases from third party Approved Suppliers do not pass through us or our affiliates). If you purchase Pepper Lunch Proprietary Products from us or one of our affiliates, we or they may derive profits from these purchases. We will not be obligated to reveal our trade secrets or the recipes, specifications and/or formulas of Pepper Lunch Proprietary Products to you or any third party. You must purchase, use, and maintain in stock a sufficient amount of Authorized Pepper Lunch Products and Pepper Lunch Proprietary Products to operate your Pepper Lunch Restaurant.

**Non-Proprietary Products.** We may designate selected non-proprietary food products, condiments, beverages, raw materials, fixtures, furnishings, equipment, uniforms, supplies, paper goods, menus, packaging, forms, customer comment cards, POS Systems, computer hardware, software, modems

and peripheral equipment and other products, supplies, services and equipment, other than Pepper Lunch Proprietary Products, which you may or must use or sell at the Pepper Lunch Restaurant (“**Non-Proprietary Products**”). You may use, offer or sell only those Non-Proprietary Products that we expressly authorize. You may purchase them from us or one of our affiliates (if we or they sell them) or directly from an Approved Supplier (and those purchases from third party Approved Suppliers do not pass through us or our affiliates). Each supplier we approve must comply with our usual and customary requirements regarding insurance, indemnification, and non-disclosure, and satisfy us that it will supply products meeting our specifications (which may include particular brand names, model, contents, quality, freshness and compliance with governmental standards), reliably deliver consistent quality products or services, and meet any other requirements we determine is in the best interest of the Pepper Lunch System. We may limit items to a particular brand or brands set by us. To purchase items from us or one of our affiliates, you must use the form of purchase order we provide. We may change our prices, delivery terms and other terms upon prior written notice, but our prices to you will be the same as the prices charged to similarly situated franchisees.

**Fixtures, Furnishings and Equipment.** You must purchase and install, at your expense, all fixtures, furnishings, equipment (including a POS System), décor, and signs as we direct. You must rent the induction cookers from us or one of our affiliates. You may not install on or about your Pepper Lunch Restaurant any furnishings, interior or exterior décor items, supplies, fixtures, equipment or utensils unless they have been approved by us in writing. You must purchase these items from Approved Suppliers.

**Computer Equipment.** You must purchase, lease or license all computer hardware and software designated by us for the Pepper Lunch Restaurant at your expense. You must maintain and update all computer hardware and software as required by us. (See Item 11).

**Recommended Suppliers.** If you wish to procure any items from a supplier other than us or an Approved Supplier, you must obtain our approval in the manner described in Section 8.2 of the Franchise Agreement. You must identify the proposed supplier, its name and address, and the item(s) you desire to purchase from that supplier. We may require the supplier you propose to deliver a sample of their product. Our specifications and standards for supplier approval are generally available upon written request. If product specifications for the item are not in the Manuals, we will furnish the general, but not manufacturing, specifications for Non-Proprietary Products to you at your request. We may condition our approval on the supplier agreeing in writing not to disclose any confidential information regarding us or our operations, to comply faithfully with our specifications for the items it sells, to sell any materials bearing our marks only to our franchisees, and on the supplier demonstrating to our reasonable satisfaction that it is able to supply commodities meeting our specifications on a continuing basis, and that the supplier is, and will continue to be, of good standing in the business community with regard to its financial soundness and the reliability of its product and service. We also have the right to require, as a condition of approval, that our representatives are permitted to inspect the supplier’s facilities and that the supplier you propose deliver to us and/or to an independent, certified laboratory designated by us, all information, specifications and samples that we reasonably designate for testing. You must pay us a fee not to exceed the actual cost of the inspection and the testing. In addition to product testing, a facility audit may be required. You will be responsible for any additional costs and expenses, if any, associated with the inspection of the facility and shall pay us, in advance, a deposit of up to \$1,000, before we begin any inspection. We will use our good faith efforts to notify you of our decision in writing of our approval or disapproval of a proposed supplier within 60 days after we receive your request for approval and all requested back-up information. You may not use a supplier unless we notify you of our approval in writing. We may revoke a supplier’s approval for failure to comply with our requirements and specifications. We will disapprove or withdraw our approval of any supplier by written notice to you.

Presently there are no purchasing or distribution cooperatives.

Neither we nor our owners are the owners of any suppliers.

**Rebates.** We may, from time to time, receive rebates from Approved Suppliers based on the aggregate volume of items purchased by franchisees from Approved Suppliers. In addition, we may negotiate certain arrangements, including price terms, for the purchase of certain items, such as logoed paper products and cups for the benefit of our franchisees. We do not provide material benefits to franchisees (for example, renewal or granting additional franchises) based upon their purchase of particular products or services or use of particular suppliers. Your purchase of items from unapproved suppliers, however, constitutes a breach of your Franchise Agreement, which may lead to termination of your Franchise Agreement and other remedies under applicable law. We receive rebates from certain Approved Suppliers that vary based upon the item purchased (for example, the amounts for certain beverages are \$1 to \$15 per case or \$1 to \$2 per gallon and the amounts for other products or services is 3% to 5% of sales).

**Insurance.** You must obtain and maintain throughout the term of your Franchise Agreement the types and amounts of insurance required by us and you must provide us with proof of coverage and Certificates of Insurance for all policies of insurance. You must obtain worker's compensation insurance with limits in compliance with your state law and employer's liability insurance with at least \$1,000,000 combined single limit coverage, as well as any other insurance that may be required by statute or rule of the state in which your Pepper Lunch Restaurant is located or operated. Additionally, you must obtain: (i) comprehensive general liability insurance and product liability insurance with limits of at least \$1,000,000 combined single limit coverage including the following: broad form contractual liability and personal injury coverage (employee and contractual inclusion deleted) insuring us and you against all claims, suits, obligations, liabilities and damages, including attorneys' fees, for actual or alleged personal injuries or property damage relating to your Pepper Lunch Restaurant business, provided that the required amounts may be modified periodically by us to reflect inflation or future experience with claims; (ii) food borne illness/trade name restoration with at least \$500,000 in coverage; (iii) builder's risk during construction with then-current required limits; (iv) automobile liability insurance on company vehicles, including owned, hired and non-owned vehicle coverage, with a combined single limit of at least \$1,000,000; (v) loss of income insurance (in an amount sufficient to cover the continuing license fee and other fees due under the Franchise Agreement for a period of at least 12 months); (vi) rental value insurance (in an amount sufficient to cover the rents and other fees due the landlord and/or merchants' association under the lease, if any, during any period of business interruption or inability to operate your Pepper Lunch Restaurant) or any greater amounts of insurance as required by the Lease for the Franchised Location; (vii) dramshop coverage with limits of liability not less than \$1,000,000 combined single limit for both bodily injury and property damage (this may be included within the umbrella coverage); (viii) employment practices liability insurance with limit of at least \$1,000,000; (ix) employee non-owned automobile insurance with limits of \$1,000,000; (x) cyber-liability insurance with then-current required limits; and (x) additional insurance and types of coverage as required by the terms of any Lease for the Franchised Location, including an umbrella policy with limit of at least \$1,000,000. We reserve the right to change our insurance requirements during the term of your Franchise Agreement, including the types of coverage and the amounts of coverage, and you must comply with those changes. If you do not obtain any insurance as required, we have the right (but not the obligation) to purchase insurance on your behalf and you must reimburse us for our costs related to the purchase of insurance.

**Credit Cards.** You are required to honor all credit, charge, courtesy and cash cards approved by us in writing. To the extent you store, process, transmit or otherwise access or possess cardholder data

in connection with selling Authorized Pepper Lunch Products, you are required to maintain the security of cardholder data and adhere to the then-current Payment Card Industry Data Security Standards (“**PCI DSS**”), currently found at [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org) for the protection of cardholder data throughout the Term of your Franchise Agreement. You are responsible for the security of cardholder data in the possession or control of any of subcontractors you engage to process credit cards. All subcontractors must be identified to and approved by us in writing prior to sharing cardholder data with the subcontractor. You must, if requested to do so by us, provide appropriate documentation to us to demonstrate compliance with applicable PCI DSS requirements by you and all identified subcontractors.

**Gift Cards, Loyalty and CRM Programs, Social Media Software, Online and Mobile Ordering.**

You may not create or issue any gift certificates or gift cards and may only sell gift certificates or gift cards that have been issued or approved by us that are accepted at all Pepper Lunch Restaurants. You must participate in all gift certificate and/or gift card administration programs as we may designate from time to time. You must honor all coupons, gift certificates, gift cards and other programs or promotions we direct. You must fully participate in all guest loyalty, CRM or frequent customer programs now or in the future adopted or approved by us. You must not issue coupons or discounts of any type for use at the Pepper Lunch Restaurant except as approved by us in writing. We may change the designated suppliers of these or similar services in our discretion. You must change, purchase or subscribe to the additional programs or software, as applicable, after we give you notice to do so.

**Music and Music Selection.** You must use only the approved provider of music and play only the music and music selections that we approve. You must install the equipment necessary to receive and play approved music, at your cost including any licensing fees.

**Food Delivery Services.** You may only accept and fulfill delivery orders received from approved third-party food-ordering platforms (“**Food Delivery Services**”) in your Protected Area. You must advise all Food Delivery Services of these delivery restrictions.

## ITEM 9 FRANCHISEE’S OBLIGATIONS

**This table lists your principal obligations under the Franchise Agreement and Multi-Unit Development Agreement. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.**

| <b>Obligation</b>                                      | <b>Section(s) In Agreement</b>                                                                                                         | <b>Disclosure Document Item</b> |
|--------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|
| a. Site selection and acquisition/lease                | Section 5 of the Franchise Agreement; Sections 5.1-5.2 of the Multi-Unit Development Agreement                                         | Items 8, 11 and 12              |
| b. Pre-opening purchases/leases                        | Sections 5 and 6.1 of the Franchise Agreement; Section 5.3 of the Multi-Unit Development Agreement                                     | Item 5, 7, 8 and 11             |
| c. Site development and other pre-opening requirements | Sections 5, 6.1 and 6.4, of the Franchise Agreement; Section 2, Sections 6.1-6.2 and Exhibit B of the Multi-Unit Development Agreement | Items 7, 8 and 11               |

| <b>Obligation</b>                                      | <b>Section(s) In Agreement</b>                                                                                                                                                                            | <b>Disclosure Document Item</b> |
|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|
| d. Initial and ongoing training                        | Sections 6.1-6.4, 6.6-6.8, 7.2-7.6 of the Franchise Agreement                                                                                                                                             | Items 6, 11 and 15              |
| e. Opening                                             | Section 5.4 of the Franchise Agreement                                                                                                                                                                    | Item 11                         |
| f. Fees                                                | Sections 1, 3, 4, 5.5, 6, 7.2-7.5, 7.7, 7.22, 7.25, 14.4.6, 14.7, 15.2, and Exhibit G of the Franchise Agreement; Sections 1, 4, 8.4, 9.4.7 and 9.6 and Exhibit B of the Multi-Unit Development Agreement | Items 5, 6 and 7                |
| g. Compliance with standards and policies/Manuals      | Section 5.4, 6.5, 6.6, 7.1, 7.8, 7.9, 7.11, 7.14, 7.18, 7.21, 7.23 - 7.25, 10.3, 10.6, 12.2 and 14.4 of the Franchise Agreement; Sections 6.2 and 11.3 of the Multi-Unit Development Agreement            | Item 11 and 16                  |
| h. Trademarks and proprietary information              | Sections 5.4, 5.5, 6.7, 7-9, 11 and 15.10 of the Franchise Agreement; Sections 2.5, 2.8, 5.3, 6, 7, 8, 11.2 and 13.9 of the Multi-Unit Development Agreement                                              | Items 11, 13, 14 and 16         |
| i. Restrictions on products/services offered           | Section 7.1 and 8 of the Franchise Agreement; Sections 2.4, 6.2 and 8.1 of the Multi-Unit Development Agreement                                                                                           | Items 8 and 16                  |
| j. Warranty and customer service requirements          | Not Applicable                                                                                                                                                                                            | Not Applicable                  |
| k. Territorial development and sales quotas            | Sections 2.1 - 2.4, 2.6, 5.1, 6.1, 9.3, and 12.1 of the Multi-Unit Development Agreement and Exhibit B                                                                                                    | Item 12                         |
| l. Ongoing product/service purchases                   | Sections 7.8 and 7.15, Section 8 and Section 10.5 of the Franchise Agreement                                                                                                                              | Items 8 and 16                  |
| m. Maintenance, appearance and remodeling requirements | Sections 5.3, 5.5, 7.13, 7.17, 7.19 and 7.20 of the Franchise Agreement                                                                                                                                   | Items 7 and 16                  |
| n. Insurance                                           | Section 13 of the Franchise Agreement                                                                                                                                                                     | Items 7 and 8                   |
| o. Advertising                                         | Section 10 of the Franchise Agreement; Section 2.4 of the Multi-Unit Development Agreement                                                                                                                | Items 6 and 11                  |
| p. Indemnification                                     | Section 18.4 of the Franchise Agreement; Section 14.4 of the Multi-Unit Development Agreement                                                                                                             | Items 12 and 17                 |
| q. Owner's participation/management/staffing           | Sections 6.1, 6.3, 7.9 and Exhibit B of the Franchise Agreement; Exhibit A of Multi-Unit Development Agreement                                                                                            | Item 15                         |

| <b>Obligation</b>                 | <b>Section(s) In Agreement</b>                                                                                      | <b>Disclosure Document Item</b> |
|-----------------------------------|---------------------------------------------------------------------------------------------------------------------|---------------------------------|
| r. Records and reports            | Section 12 of the Franchise Agreement                                                                               | Items 6 and 17                  |
| s. Inspections and audits         | Section 5.3, 6.7, 6.8, 7.6, 12.3 and Exhibit G of the Franchise Agreement                                           | Items 6 and 17                  |
| t. Transfer                       | Section 14 of the Franchise Agreement; Sections 9 and 10 of the Multi-Unit Development Agreement                    | Items 6 and 17                  |
| u. Renewal                        | Sections 3.2-3.5 of the Franchise Agreement                                                                         | Items 6 and 17                  |
| v. Post-termination obligations   | Section 17 of the Franchise Agreement; Section 12 of the Multi-Unit Development Agreement                           | Items 6 and 17                  |
| w. Non-competition covenants      | Section 15 of the Franchise Agreement; Section 13 of the Multi-Unit Development Agreement                           | Item 17                         |
| x. Dispute resolution             | Section 19 of the Franchise Agreement; Section 15 of the Multi-Unit Development Agreement                           | Item 17                         |
| y. Taxes & Permits                | Sections 4.5, 4.7, 7.14, 7.27, 12.2 and 12.3 and Exhibit G of the Franchise Agreement                               | Items 1, 7 and 11               |
| z. Computer hardware and software | Section 6.5, 7.7, and 10.6 of the Franchise Agreement                                                               | Items 8 and 11                  |
| Other: Security Interest          | Sections 14.2.1, 17.5 and Exhibit C of the Franchise Agreement; Section 9.6 of the Multi-Unit Development Agreement | Item 7                          |

## **ITEM 10 FINANCING**

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

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

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

### **Pre- Opening Obligations**

We have the following obligations to you before you open your Pepper Lunch Restaurant for business:

1. **Site Selection Assistance.** You are solely responsible for selection of the proposed site of your Pepper Lunch Restaurant, which will be subject to our review and acceptance. We may, without

obligation, assist you in locating a proposed site, only after you sign the Franchise Agreement and pay the Initial Franchise Fee. The factors we consider in accepting Franchised Locations include general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings and lease terms. You must open the Pepper Lunch Restaurant within 1 year after signing your Franchise Agreement. We do not own and lease sites to franchisees. (**Franchise Agreement, Sections 5.1 and 5.4**). At no charge, we will perform up to three (3) site visits to review locations you identify for the Pepper Lunch Restaurant. Site visits may be done remotely. If we make visits to the trade area, we will charge you \$1,500 per visit.

2. **Site Design Assistance**. We will provide you with standard architectural plans and specifications for a prototype Pepper Lunch Restaurant, including exterior and interior design, and layout, fixtures, furnishings and signs. You are responsible for the costs of preparing architectural, engineering and construction drawings and site and space layout and exterior signage plans. You must use our approved licensed architect and designer for your Pepper Lunch Restaurant. You are responsible for the cost of construction and remodeling of your Pepper Lunch Restaurant. (**Franchise Agreement, Section 5.3**).

3. **Pre-Opening Initial Training Program**. For the first Pepper Lunch Restaurant you open, we will provide our Pre-Opening Initial Training Program in Los Angeles, California or at such other location as we may determine for up to 4 supervisorial or managerial personnel, selected by you, who must include the Principal Owner and Restaurant Manager / Kitchen Manager. We may charge a daily fee if you send additional individuals to training. (**Franchise Agreement, Section 6.1**). We may provide any or all portions of the Pre-Opening Initial Training Program, and/or pre-opening on-site opening assistance remotely over a virtual communication platform designated by us. (**Franchise Agreement, Section 6.8**).

4. **Pre and Post Opening Support**. We provide certain pre and post opening support either remotely or onsite at your Pepper Lunch Restaurant. (**Franchise Agreement, Section 6.4**). This support package is mandatory for every new Restaurant opening.

5. **Managers Training**. For your first Pepper Lunch Restaurant (or any subsequent Restaurant in our sole discretion), we will provide you with a managers training course to certify not less than 3 and up to 4 store managers. This training is on site at your Pepper Lunch Restaurant. (**Franchise Agreement, Section 6.4**).

6. **Manuals**. After you sign your Franchise Agreement, we will loan (or provide electronic access) to our Operations and Training Manuals ("**Manuals**") to use during the term of the Franchise Agreement. The Manuals contain our standard operational procedures, policies, rules and regulations with which you must comply.

The Manuals currently contain 369 pages. We may, from time to time, update or change the Manuals in our sole discretion. (**Franchise Agreement, Section 6.5**). The current table of contents for the Manuals is attached as **Exhibit C**. You must operate your Pepper Lunch Restaurant in compliance with the terms of your Franchise Agreement and the Manuals. You alone will exercise day-to-day control over all operations, activities and elements of your Pepper Lunch Restaurant, including over your employees. Under no circumstance will we do so or be deemed to do so. The various requirements, restrictions, prohibitions, specifications and procedures of the Pepper Lunch System with which you must comply under the Franchise Agreement and the Manuals do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your Pepper Lunch Restaurant, but only constitute standards to which you must

adhere when exercising your control over the day-to-day operations of your Pepper Lunch Restaurant consistent with our policies. (**Franchise Agreement, Section 7.1**).

7. **Approved Suppliers**. We will designate our Approved Suppliers for you after you sign your Franchise Agreement. All Pepper Lunch Branded Products, Pepper Lunch Proprietary Products and Non-Proprietary Products that we designate for use and sale at your Pepper Lunch Restaurant must be purchased from Approved Suppliers. You must rent the induction cookers from us or one of our affiliates. (**Franchise Agreement, Section 8.1**).

### **Post-Opening Obligations**

We have the following obligations to you during the operation of your Pepper Lunch Restaurant:

1. **Post-Opening Consultation**. We may provide regular consultation and advice to you in response to inquiries from you regarding administrative and operating issues that you bring to our attention. We may make recommendations that we deem appropriate to assist your efforts. However, you alone will establish all requirements, consistent with our policies, regarding (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees; (ii) the individuals to whom you will offer and sell your products and services; and (iii) the suppliers from whom you obtain any products or services used in or at the Pepper Lunch Restaurant for which we have not established Approved Suppliers. (**Franchise Agreement, Section 6.6**).

2. **Post-Opening Initial Training Programs**. Following the Opening Date of the Pepper Lunch Restaurant, we may, if requested, and at our discretion, provide additional Initial Training Programs for new or replacement supervisory or managerial personnel of yours. (**Franchise Agreement, Section 6.2**).

3. **Post-Opening Additional and Remedial Training Programs**. We may provide additional and remedial training programs. (**Franchise Agreement, Section 6.3**). We may provide all or any portions of the Post-Opening Initial Training Programs, Post-Opening Additional Training Programs, post-opening on-site opening assistance, post-opening consultations and/or post-opening inspections remotely over a virtual communication platform designated by us. (**Franchise Agreement, Section 6.8**).

4. **Products**. We will designate Pepper Lunch Branded Products, Pepper Lunch Proprietary Products and Non-Proprietary Products which you may or must stock and promote. (**Franchise Agreement, Sections 8.3**).

5. **Inspections**. We may examine the Pepper Lunch Restaurant to confer with your supervisory or managerial employees, inspect and check operations, food, beverages, furnishings, interior and exterior décor, supplies, fixtures and equipment, and determine whether the Pepper Lunch Restaurant is being operated in accordance with the Franchise Agreement, the Pepper Lunch System and the Manuals. (**Franchise Agreement, Sections 6.7**).

6. **Pricing Guidelines**. We may provide pricing guidelines for Authorized Pepper Lunch Products, subject to applicable law. (**Franchise Agreement, Section 7.28**).

7. **Manuals**. We will continue to provide you with access to our Manuals during the term of your Franchise Agreement which may include audio, video, compact disks, computer software, other electronic media and/or written materials. We may, from time to time, update or change the Manuals

in our sole discretion. You will be given the opportunity to view the Manuals before you sign the Franchise Agreement. (**Franchise Agreement, Section 6.5**).

8. **Pepper Lunch Marks and System**. We will permit you to use the Pepper Lunch Marks and Pepper Lunch System at your Franchised Location during the term of your Franchise Agreement. (**Franchise Agreement, Section 2.1**).

9. **Confidential Information**. We will provide you with access to our confidential information during the term of your Franchise Agreement. (**Franchise Agreement, Section 11.1**).

10. **Toll Free Telephone Number and Online Programs**. We may now or in the future establish a toll free telephone number or online programs for the purpose of accepting and confirming customer orders nationwide, customer service, and customer follow-up and satisfaction surveys. If we establish a toll free number or online programs, you must comply with our procedures for implementing the nationwide service as we specify in the Manuals or otherwise in writing. (**Franchise Agreement, Section 6.10**).

### **Length of Time to Open Pepper Lunch Restaurant**

You must deliver a fully executed copy of the Lease to us promptly following its execution, in the form and on the terms previously accepted by us, and you must open your Pepper Lunch Restaurant for business within 1 year after signing your Franchise Agreement, unless we agree otherwise. (**Franchise Agreement, Sections 5.2 and 5.4**). A Pepper Lunch Restaurant usually opens for business 9 to 12 months after the Franchise Agreement is signed or the location is accepted. Factors which may affect the length of time between signing of the Franchise Agreement and opening for business include the time necessary to: identify a location which we will accept; obtain any financing you need; obtain required permits and governmental agency approvals; fulfill local ordinance requirements; complete construction, remodeling, alteration, and improvement of the Franchised Location, including the installation of fixtures, equipment, and signs; and complete the hiring and training of personnel. Delay in construction may be caused by inclement weather, material or labor shortages, labor actions, slow deliveries, equipment shortages and similar factors. You may open a Pepper Lunch Restaurant under the Multi-Unit Development Agreement only by signing a Franchise Agreement after you obtain a Franchised Location.

### **Site Selection/Lease/Purchase of Real Estate**

If you do not already have a location when you sign your Franchise Agreement, you must purchase or lease a site for your Pepper Lunch Restaurant promptly after you sign the Franchise Agreement. You must submit your proposed lease to us to allow us at least 15 days to review; the lease must include the Lease Addendum (**Exhibit E to the Franchise Agreement**). You must provide us with a fully signed copy within 180 days of signing your Franchise Agreement. (**Franchise Agreement, Section 5.2**). Our acceptance of your lease is based solely on our own interests and does not represent any guarantee or endorsement by us of the Franchised Location or confirmation that the lease complies with applicable law or that the terms of the lease are favorable to you. We will accept or reject a proposed site within 30 days after we receive all of the information that we require to evaluate the site. (**Franchise Agreement, Section 5.1**). If we accept the proposed site, we will notify you of our preliminary acceptance of the site. Your lease must not (i) obligate us in any manner, or (ii) contain any provision inconsistent with your Franchise Agreement. You and we must agree on a site and you must obtain all permits required to construct, remodel, renovate, and equip the Pepper Lunch Restaurant and complete construction of the Pepper Lunch Restaurant within 1 year after signing the Franchise Agreement. (**Franchise Agreement, Section 5.3**). If you are purchasing the

Franchised Location, you must submit the contract for purchase and sale to us for approval before you sign it, and provide a fully signed copy of the contract following signing. If you and we fail to agree on a site within the required time limit, we can terminate your Franchise Agreement. **(Franchise Agreement, Section 16.2.15)**.

At the time you sign each Franchise Agreement under a Multi-Unit Development Agreement, you will be required to locate the site for your Pepper Lunch Restaurant, but we must approve the site and our then-current standards for Pepper Lunch Restaurant sites will apply. After you have located a site, you must submit it to us for our review, all demographic and other information regarding the proposed site and neighboring areas that we require, in the form we require, and request us to consider and approve the site. Promptly following receipt of our acceptance of a site, you must negotiate a lease or purchase agreement for the site and submit a copy to us. **(Multi-Unit Development Agreement, Section 5.2)**. You may not enter into any Lease for a site unless and until we have approved the site and the Lease in writing. **(Franchise Agreement, Section 5.2)**.

You may not open your Pepper Lunch Restaurant at the Franchised Location for business until you have received our written authorization, which may be subject to our satisfactory inspection of the Pepper Lunch Restaurant at the Franchised Location. **(Franchise Agreement, Section 5.4)**.

### **POS System; Computer Hardware and Software; Sound System**

You must purchase, use and maintain a computerized point of sale cash collection system (including a POS System network router, computer, cameras and DVR, back-office computer and printer and other related hardware and software) for the Pepper Lunch Restaurant as specified in the Manuals or by us in writing (the “**POS System**”). Your POS System must be capable of accessing the Internet for the purpose of implementing software, transmitting and receiving data, and for ordering and maintaining the POS System. The POS System must be electronically linked to us, and you must allow us to poll the POS System on a daily or other basis at the times and in the manner established by us, with or without notice, and to retrieve transaction information including sales, sales mix, usage, and other operations data that we deem appropriate. There are no limitations on our access to your systems. We may require that you update, upgrade or replace the POS System, including hardware and/or software, upon written notice, provided that you will not be required to replace the POS System any more frequently than once every 3 years. Neither we nor an affiliate are obligated to provide on-going repairs, upgrades or updates to your POS System. The POS System must include the required technology to permit you to accept online orders of Pepper Lunch products and services at your Pepper Lunch Restaurant and to accept and process Pepper Lunch gift cards sold in other Pepper Lunch Restaurants. In addition, you must purchase, lease or license all computer hardware and software designated by us for your Pepper Lunch Restaurant at your expense. During the term of your Franchise Agreement, you must maintain and update all computer hardware and software as required by us. **(Franchise Agreement, Section 7.7)**. Currently, our integrated POS system provider is Toast, however we may change the POS system vendor. It will cost you between \$3,500 and \$5,500 to buy the POS system from our Approved Supplier and approximately \$500 per month for maintenance and update requirements. You must upgrade the POS System if and when we instruct you to do so. In addition to the POS System, as noted in Item 7, you must purchase other computer equipment, hardware (including a computer, monitor, printers, keyboard, kiosk ordering systems and digital menu boards and iPads) and software. The initial cost of those items may be up to an additional \$27,700.

## **Internet**

We have registered the Internet domain name [www.pepperlunchrestaurants.com](http://www.pepperlunchrestaurants.com) and have established a site using this domain name. You acknowledge that the domain name is our sole property (or the sole property of Parent Company). You may not use in any manner, any computer medium or electronic medium (for example, any Internet home page, e-mail address, website, domain name, URL, bulletin board, newsgroup or other Internet related medium or activity) that contains the Pepper Lunch Marks, or any other words, symbols or terms confusingly similar to the Pepper Lunch Marks without our express prior written consent. We may include on our Internet website interior pages that identify all Pepper Lunch Restaurants, including your Pepper Lunch Restaurant. (**Franchise Agreement Sections 10.6 and 10.7**).

We have the sole right to market on the Internet and use the Pepper Lunch Marks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, cobranding and other arrangements, and in all other forms of electronic media. You may not separately register any domain name or any portion of a domain name containing the Pepper Lunch Marks or participate or market on any website or other form of electronic media (including social technology, social media and social networking platforms) using the Pepper Lunch Marks unless you first obtain written approval from us. Your general conduct on the Internet or other forms of electronic media, including your use of the Pepper Lunch Marks or any advertising, is subject to the terms and conditions of the Franchise Agreement and any other rules, requirements or policies that we may identify. (**Franchise Agreement Sections 2.3 and 10.7**).

## **Social Media**

In order to maintain a consistent image and message and to protect the Pepper Lunch Marks and Pepper Lunch System, you must not participate or market through the use of social technology, social media such as Facebook, Instagram, Pinterest and Twitter, social networking platforms or other forms of electronic media not yet developed (“**Social Media Platforms**”) using the Pepper Lunch Marks, or in connection with your Pepper Lunch Restaurant, without our prior written consent. If you separately register any Social Media Platform account (a “**Social Media Account**”) containing the Pepper Lunch Marks or related to your Pepper Lunch Restaurant, whether with our prior consent or not: (i) you must promptly notify us and provide us with all necessary information related to the Social Media Account we require or demand, without compensation to you; and (ii) the Social Media account will become our property, without compensation to you. Subject to any rights held by our Parent Company, we will be the sole owner of all related intellectual property rights in all Social Media Accounts and all content posted on Social Media Accounts. (**Franchise Agreement, Section 10.6**).

## **WiFi Service**

You must provide free WiFi service at your Pepper Lunch Restaurant for use by your customers in compliance with our requirements for bandwidth included in the Manuals or other directives from us. We will control the WiFi gateway and all emails collected will be our property, with no restrictions on our use or distribution of email addresses. (**Franchise Agreement, Section 10.6**).

## **Intranet**

We do not currently operate an Intranet, but may establish one in future. We reserve the right to establish an Intranet in the future through which our franchisees may communicate with each other, and through which we may communicate with you and may disseminate the Manuals, updates and

other confidential information to you. If implemented, we may discontinue the Intranet at any time in our sole discretion. If implemented, you may be required to establish and maintain an electronic connection with the Intranet that allows us to send messages to and receive messages from you and pay a fee for service. You may incur a fee for such service, which we estimate will be approximately \$10 per month. We will have sole discretion and control over all aspects of the Intranet, including the content and functionality of the Intranet. You will have the privilege, but not the right, to use the Intranet, subject to your compliance with our policies. (**Franchise Agreement Section 7.18**).

### **Pepper Lunch Brand Building Fund**

We have established the Brand Building Fund (the “**Brand Building Fund**”) to promote and enhance the image, brand identity and patronage of Pepper Lunch Restaurants. (**Franchise Agreement, Section 4.3**). You must contribute to the Brand Building Fund the amount of Brand Building Fund Contribution that we specify, which will be up to three percent (3.0%) of Gross Sales. Company-Owned Pepper Lunch Restaurants may, but are not required to, contribute to the Brand Building Fund. If they do, they may not be required to contribute the same percentage as you and may stop contributing at any time without notice to you. (**Franchise Agreement, Section 10.1**).

The Brand Building Fund will be administered by us (or an affiliate) and will be used to meet the costs of conducting marketing and promotional activities. The Brand Building Fund may be used to pay the costs of preparing and producing video, audio and written marketing materials employing marketing agencies, sponsorship of sporting, charitable or similar events, administering international, national, regional and multi-regional marketing programs including purchasing direct mail and other media marketing, and employing marketing agencies to assist with marketing efforts, supporting public relations, market research and other marketing and promotional activities, campaigns, test marketing, marketing surveys, public relations activities, website development/operation for portal, Internet, Intranet and URL services and for 800 or similar numbers. (**Franchise Agreement, Section 10.1.1**). The Brand Building Fund is intended to maximize general public recognition and acceptance of the Pepper Lunch Marks for the benefit of Pepper Lunch System. The administrator will not be obligated, in administering the Brand Building Fund, to make expenditures for you in your Protected Area that are equivalent or proportionate to your contribution, or to ensure that you benefit directly or pro rata from the marketing or promotion conducted under the Brand Building Fund. The Brand Building Fund may be used inside or outside the United States. (**Franchise Agreement, Section 10.1.2**). Advertising materials may be created by in-house departments or third party advertising agencies.

Your Brand Building Fund Contributions will be held in an account separate from our other funds. Your Brand Building Fund Contributions will not be used to defray any expenses of ours or the administrator's, except for the reasonable costs and overhead, if any, as each may incur, such as the costs of personnel for creating and implementing promotional and marketing programs. Any unused monies in the Brand Building Fund at the end of any year will be used in the next fiscal year.

Our printed materials and website may also contain references stating that “Franchises Are Available” and/or that “Each Pepper Lunch Restaurant Franchise Is Independently Owned and Operated” to promote the sale of franchises for Pepper Lunch Restaurants. With this exception, no portion of the Brand Building Fund will be used to solicit or to sell Pepper Lunch Restaurant franchises to prospective franchisees. (**Franchise Agreement, Section 10.1.3**).

No more than once a year, we will prepare an unaudited accounting of the Brand Building Fund and upon request distribute the accounting to Pepper Lunch Restaurant franchisees. The accounting will state the total amount of money collected and spent by the Brand Building Fund during the previous

year and will list, by general category, the manner in which we spent the money. The report will not be separately audited and paid for by the Brand Building Fund. (**Franchise Agreement, Section 10.1.1**).

During our last fiscal year, the Brand Building Fund collected \$68,006, which was spent as follows: 48.11% for administrative expenses and salaries; 40.10% for asset creation; 9.08% for marketing events; 1.11% for ad spend; 0.80% for direct referral; and 0.79% for influencer payments. At the end of our last fiscal year, the Brand Building Fund had a deficit of \$-196,324.

### **Local Advertising**

In addition to any Brand Building Fund Contributions, you may spend an amount you determine for local advertising and promotion of your Pepper Lunch Restaurant. All advertising must meet our specifications in our Manuals. You must submit to us before use, samples of all local advertising materials, and descriptions of all local advertising programs, not prepared or previously approved by us, for our approval. You may not use any advertising material or program or use the Pepper Lunch logo or trademarks in any public manner without our prior written approval. (**Franchise Agreement, Section 10.2**).

### **Cooperative Advertising Programs**

We may, in the future, establish programs for co-operative marketing (“**Cooperative Advertising Programs**”) to coordinate advertising, marketing efforts and programs, to serve as a conduit for the collection and expenditure of the contributed funds and to maximize the efficient use of local and/or regional marketing media. If we create a Cooperative Advertising Program for a defined coverage area (a “**Advertising Coverage Area**”) in which your Pepper Lunch Restaurant is located, you (and, if we or an affiliate own a Pepper Lunch Restaurant in the Advertising Coverage Area, then we and/or our affiliate), must become a subscriber and member of the Cooperative Advertising Program and must participate in the Cooperative Advertising Program in the manner we prescribe. The size and content of an Advertising Coverage Area will be binding upon you and all other similarly situated Pepper Lunch Franchisees. Each participating Pepper Lunch Franchisee will be entitled to one vote for each Pepper Lunch Restaurant located within the Advertising Coverage Area as we may determine. (**Franchise Agreement, Section 10.3**).

You and all other members of the Advertising Coverage Area whose Franchise Agreements require their participation in the Cooperative Advertising Program, will contribute to the Cooperative Advertising Program the amounts that are determined by us and 50% or more of the participating Pepper Lunch Restaurants in the Cooperative Advertising Program. (**Franchise Agreement, Section 10.3.1**).

We will administer the Cooperative Advertising Program and determine the policies of the Cooperative Advertising Program and the use of the available funds for media time, production of media materials, radio, television, newspapers or local marketing materials such as flyers or posters, or for any other type of advertising or marketing use. We reserve the right to establish general standards concerning the operation of the Cooperative Advertising Program, advertising agencies retained by the Cooperative Advertising Program, and marketing conducted by the Cooperative Advertising Program. Any disputes (other than pricing) arising among or between you, other Pepper Lunch Franchisees, and/or the Cooperative Advertising Program will be resolved by us and our decision will be final and binding on all parties. (**Franchise Agreement, Section 10.3.2**).

We have no Cooperatives as of the Issuance Date.

## **Grand Opening Advertising and Promotion**

At least 60 days before the opening of your Pepper Lunch Restaurant, you must submit a Grand Opening Promotional Plan (“**Grand Opening Plan**”) to us which outlines your proposal for grand opening marketing and promotion of your Pepper Lunch Restaurant. You must obtain our written consent to the Grand Opening Plan before you implement it. You must modify the Grand Opening Plan as we request, and, thereafter, you may not make any substantial changes to the Grand Opening Plan without our advance written consent. You must, during the period beginning 30 days before the scheduled opening of your Pepper Lunch Restaurant and continuing for 15 days after your Pepper Lunch Restaurant opens for business, spend \$7,500 - \$15,000 to conduct grand opening marketing and promotion for your Pepper Lunch Restaurant. Within 60 days after your opening date, you must provide us with copies of all invoices, statements, canceled checks or other forms of payment that you have issued which evidence your expenditure and payment for the Grand Opening Plan. (**Franchise Agreement, Section 10.4**).

In addition to the Grand Opening Plan, you may spend an additional \$1,500 to \$3,500 on other pre-opening advertising that has been approved by us and you must purchase a Grand Opening Kit that includes branded marketing materials to use at your Pepper Lunch Restaurant. The cost of the Kit is \$6,000 to \$12,000.

## **Promotional Campaigns**

We may conduct promotional campaigns on an international, a national or a regional basis to promote products or marketing themes. You must participate in all promotional campaigns which we may establish for the region in which your Pepper Lunch Restaurant is located. (**Franchise Agreement, Section 10.5**).

## **Franchise Advisory Council**

We may establish a franchise advisory council (the “**Council**”) to provide advice and suggestions regarding specified matters to us. If Council is formed, it will consist of Pepper Lunch Franchisees selected by us (“**Franchisee Members**”). Franchisee Members must be in good standing and are selected from any national or international regions that we decide. The Franchisee Members are not required to be from different regions. The Council may also consist of our corporate employees and/or members of a public relations firm selected by us. If a Council is formed, the purpose of the Council will be to provide constructive, open and two-way communications between Pepper Lunch Franchisees and us. In particular, the Council will provide a cooperative forum for the Council members to receive and discuss information, to provide input, advice and planning regarding various limited and specified matters and to encourage each franchise owner to remain in good standing as the Pepper Lunch System grows and develops through fostering communications between Pepper Lunch Franchisees and us. (**Franchise Agreement, Section 6.9**).

## **Pre-Opening Initial Training Program**

We will provide a Pre-Opening Initial Training Program in the Pepper Lunch System and methods of operation in Los Angeles, California or at such other location as we may determine for up to 4 supervisory or managerial persons selected by you who must include the Principal Owner and the Restaurant Manager/Kitchen Manager. If you send more than 4 people to the Initial Training Program, you must pay our then-current Pre-Opening Additional Initial Training Fee per additional trainee. Your supervisory and managerial personnel must attend and complete the Pre-Opening Initial Training Program to our satisfaction. If the Pepper Lunch Restaurant is the first Pepper Lunch

Restaurant to be operated by you, we will provide training, instructors, a training manual, and other materials at no charge to your supervisory and managerial personnel. The Pre-Opening Initial Training Program consists of 3-4 weeks of training at our training facilities prior to the opening of your first Pepper Lunch Restaurant that must be completed a minimum of 30 days before the Pepper Lunch Restaurant Opens for business.

We will not be obligated to provide any initial training or the Pre-Opening Initial Training Program to you if you, your affiliates or Owners own a Pepper Lunch Restaurant upon signing the Franchise Agreement. However, we may, upon your request, and if we choose and believe it is necessary, provide you and/or your supervisory and managerial personnel with 1-2 weeks of training in such circumstances. You must pay all travel, living, compensation, and other expenses incurred by you and your supervisory and managerial personnel to attend the Pre-Opening Initial Training Program. **(Franchise Agreement, Section 6.1).**

### TRAINING PROGRAM

| Subject                                               | Hours of Classroom Training | Hours of On-The-Job Training | Location                                           |
|-------------------------------------------------------|-----------------------------|------------------------------|----------------------------------------------------|
| Pepper Lunch Concept & Philosophy                     | 2                           | 2                            | Los Angeles, CA, or an other location we designate |
| Hospitality Host, Opening, Closing, Daily Task        | 1                           | 12                           | Los Angeles, CA, or an other location we designate |
| Dishup, Opening, Closing, Daily Task                  | 0                           | 38                           | Los Angeles, CA, or an other location we designate |
| Service Opening, Closing, Daily Task                  | 0                           | 14                           | Los Angeles, CA, or an other location we designate |
| Kitchen Opening, Closing, Daily Task                  | 0                           | 26                           | Los Angeles, CA, or an other location we designate |
| Pre-Opening Marketing                                 | 1                           | 0                            | Los Angeles, CA, or an other location we designate |
| Business Compliance                                   | 1                           | 0                            | Los Angeles, CA, or an other location we designate |
| Products, Recipes, Prep & Ingredients                 | 2                           | 14                           | Los Angeles, CA, or an other location we designate |
| Position Training, Customer Service & Quality Control | 1                           | 10                           | Los Angeles, CA, or an other location we designate |
| Product Ordering & Inventory                          | 1                           | 12                           | Los Angeles, CA, or an other location we designate |

| Subject                          | Hours of Classroom Training | Hours of On-The-Job Training | Location                                           |
|----------------------------------|-----------------------------|------------------------------|----------------------------------------------------|
| POS Training                     | 0                           | 6                            | Los Angeles, CA, or an other location we designate |
| Financial & Accounting           | 1                           | 0                            | Los Angeles, CA, or an other location we designate |
| Cleaning & Maintenance           | 1                           | 6                            | Los Angeles, CA, or an other location we designate |
| Personnel Management             | 1                           | 4                            | Los Angeles, CA, or an other location we designate |
| Marketing & Advertising          | 1                           | 0                            | Los Angeles, CA, or an other location we designate |
| Day to Day Operations Management | 5                           | 16                           | Los Angeles, CA, or an other location we designate |
| <b>TOTALS:</b>                   | 18                          | 160                          |                                                    |

The Pre-Opening Initial Training Program will be conducted as often as necessary to ensure that franchisees complete training before their Pepper Lunch Restaurant opens; we anticipate we will hold training 4 to 8 times per year. The primary instructional material for the Pre-Opening Initial Training Program will be the Manuals and other materials, lectures, discussions, and on the job demonstrations and practice. There will be no additional charge for training material. The Pre-Opening Initial Training Program will be overseen by Justin Rono, the Head Trainer of Pepper Lunch located in Westlake Village, CA. Mr. Rono has 3 years of experience with Pepper Lunch restaurant operations and training. We have a team of trainers who will assist Mr. Rono.

Your Principal Owner and Restaurant Manager or other supervisory or managerial personnel must faithfully attend all phases of the Pre-Opening Initial Training Program and complete it to our satisfaction, as certified by us in writing. Your failure to successfully complete any aspect of the Pre-Opening Initial Training Program, at least 30 days before opening your Franchised Business, as we determine in our sole discretion, constitutes grounds for termination of your Franchise Agreement. (**Franchise Agreement, Section 7.2**). We may allow you to retake the Pre-Opening Initial Training Program in our sole discretion. You must pay expenses of travel, lodging, meals and wages incurred by you and your supervisory and managerial personnel while attending any of our training programs.

### **Certified Managers Training**

For your first Pepper Lunch Restaurant (or any subsequent Restaurant in our sole discretion), we will provide you with a Managers Training Course to certify **not less than 3, up to 4** store managers/restaurant operators for your Pepper Lunch Restaurant. We will not be required to provide this assistance for your second and subsequent Pepper Lunch Restaurants. We select the representatives providing the training and we may vary the length of time of the training. (**Franchise Agreement, Section 6.4**). You must notify us at least 30 days in advance of the scheduled date (the "**Turnover Date**") that (i) all construction and remodeling of the Franchised Location will be

completed; (ii) Franchisee will have all permits necessary to open the Pepper Lunch Restaurant; and (iii) the Pepper Lunch Restaurant will be ready for turn-over to you by the general contractor, to allow us to schedule a date for the training. We will provide you with a turnover checklist approximately 14 days before the scheduled Turnover Date and will schedule a conference call with you approximately 8 days before the scheduled Turnover Date to confirm the Turnover Date so that we can book travel arrangements for our representatives who will provide the on-site training. Approximately 3 days before the scheduled Turnover Date, we will schedule a final conference call with you to confirm the Turnover Date and the date on which our representatives will arrive at your Pepper Lunch Restaurant. If, after the final conference call, the Turnover Date is delayed or accelerated by more than 2 days from the date specified during the conference call, you must reimburse us for any and all costs and expenses we incur to change the travel arrangements for our representatives who were scheduled to provide post-opening on-site opening assistance. (**Franchise Agreement, Section 7.3**).

### **Post-Opening Initial Training Programs**

If, following the opening date of your Pepper Lunch Restaurant, you request us to provide additional Initial Training Programs for new or replacement supervisory or managerial personnel and we agree to do so, you must pay us our then-current Post-Opening Initial Training Fee for each of your employees that attends the Post-Opening Initial Training Programs to defray our direct costs to provide the additional Post-Opening Initial Training Programs. You must also pay all transportation costs, food, lodging and similar expenses incurred in connection with your employees' attendance at the Post-Opening Initial Training Programs. (**Franchise Agreement, Section 7.4**).

### **Post-Opening Additional Training Program**

In our discretion, we may require you, your Principal Owner, Restaurant Manager and/or other supervisory or managerial personnel to attend additional and remedial training programs ("**Post-Opening Additional Training Programs**") from time to time. If we provide you with any Post-Opening Additional Training Programs, you must pay us our then-current daily fee each of our representatives that provides the Post-Opening Additional Training Programs to defray our direct costs of providing the Post-Opening Additional Training Programs. (**Franchise Agreement, Sections 6.3 and 7.5**). In addition, you must pay all transportation costs, food, lodging and similar costs incurred in connection with your and their attendance at the Post-Opening Additional Training Programs. (**Franchise Agreement, Section 7.5**).

### **Virtual Training and Assistance**

We may provide all or any portions of the Pre-Opening Initial Training Program, Post-Opening Initial Training Programs, Post-Opening Additional Training Programs, post-opening on-site assistance and/or post-opening consultations remotely over a virtual communication platform designated by us. (**Franchise Agreement, Sections 6.8 and 7.6**).

### **Annual Franchisee Conference**

We may hold an Annual Franchisee Conference for all Pepper Lunch Franchisees each year. Your Principal Owner and each Restaurant Manager must attend the Annual Franchisee Conference. You must pay us a Franchise Conference Fee of \$500 per person to reimburse us for a portion of the direct costs to provide the Annual Franchisee Conference. You must pay the Franchise Conference Fee upon demand at least 30 days before the date of the Annual Franchisee Conference, whether or not you attend the Annual Franchisee Conference. (**Franchise Agreement, Section 7.22**).

## ITEM 12 TERRITORY

You will not receive an exclusive territory under the Franchise Agreement or the Multi-Unit Development Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

### **Franchise Agreement**

You will be permitted to operate your Pepper Lunch Restaurant at a specific location which we accept, as described in the Franchise Agreement (**Exhibit A**). Our acceptance of your Franchised Location will be based upon a variety of factors which may include the viability of the then-current location and demographics including, number of households, household income, vehicular traffic, and number of Pepper Lunch Restaurants near the proposed new location.

You will be granted a protected territory ("**Protected Area**"), which may be a radius around your Pepper Lunch Restaurant as described in the Franchise Agreement. Your Protected Area will be determined by us and designated before you sign your Franchise Agreement. Factors that we consider in determining the size of your Protected Area include the demographics, population size, age and income levels, neighboring and adjacent retail tenants, road visibility, traffic patterns and proximity of other Pepper Lunch Restaurants or competitors serving the same market area. Provided you are not in default under your Franchise Agreement and subject to our reserved rights, we will not own, operate, sell or issue a franchise to another franchisee in your Protected Area. There are no other radius restrictions or minimum population requirements that limit where we can franchise or operate another Pepper Lunch Restaurant.

We expressly reserve the exclusive, unrestricted right, in our sole and absolute discretion, directly and indirectly to: (i) develop, own and operate, and to grant franchises to third parties to develop, own and operate, Pepper Lunch Restaurants outside the Protected Area; (ii) develop, own and operate, and to grant franchises to third parties to develop, own and operate any other business, including a restaurant business, other than a "**Competitive Business**," under marks and systems different from the Pepper Lunch Marks and the Pepper Lunch System within and outside the Protected Area; (iii) sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, Authorized Pepper Lunch Products within and outside the Protected Area, through the Internet, mail order catalogs, direct mail advertising, ghost kitchens, virtual kitchens, and through other distribution methods; (iv) market on the Internet and use the Pepper Lunch Marks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media; (v) develop, own or operate and to grant licenses or franchises to third parties to develop, own or operate Pepper Lunch Restaurants at "**Non-Traditional Venues**" within and outside of the Protected Area regardless of their proximity to the Pepper Lunch Restaurant; (vi) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Pepper Lunch Restaurants and to franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating; (vii) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any business providing products and services similar to those provided at Pepper Lunch Restaurants, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses; and (viii) engage in all other activities that the Franchise Agreement does not expressly prohibit. We are not required to pay you any compensation if we exercise any of the rights specified above inside your Protected Area.

**“Competitive Business”** means any restaurant business which prepares, offers and sells do-it-yourself meals of beef, chicken and seafood cooked on iron griddles and other authentic Japanese food as primary menu items and any restaurant business which looks like, copies, imitates, or operates with similar trade dress or décor to a Pepper Lunch Restaurant. **“Non-Traditional Venues”** means a broad variety of atypical sites, including, without limitation, a site or location within a captive market site, another primary business or in conjunction with other businesses or at institutional settings such as office buildings, business complexes, arenas, stadiums and entertainment venues, recreational facilities, beaches, parks, airports, train and bus stations, travel plazas, food service fulfillment centers, toll road facilities and other transportation terminals, educational, medical, governmental and other types of institutional facilities, virtual spaces, sites in retail locations (for example, a kiosk within a grocery store), cafeterias and casinos, and any site for which the lessor, owner or operator limits the operation of its beverages and/or food service facilities to a master concessionaire or contract food service provider.

No restrictions exist on us or any of our franchisees as to the areas (including those outside their Protected Areas) from which they may solicit or accept business and we and all of our franchisees are free to advertise or solicit business from any area desired, subject to the general controls on advertising contained in the Franchise Agreement.

There are no restrictions as to whom you may sell the goods or services. However, you may only accept and fulfill delivery orders received from approved third-party food-ordering platforms (“Food Delivery Services”) in your Protected Area. You must advise all Food Delivery Services of these delivery restrictions.

Under the Franchise Agreement, continuation of your location rights does not depend upon the volume of sales generated or on your penetration of the market potential. You do not have the right to acquire additional franchises, options, rights of first refusal or similar rights to acquire additional franchises, although you may apply for the right to operate additional Pepper Lunch Restaurants under separate Franchise Agreements.

You are not permitted to use and display the Pepper Lunch Marks or use the System at any location other than the Franchised Location, nor do you have the right to use other channels of distribution to make sales outside your Franchised Location. Other than the rights granted under your Protected Area, you do not have any right to exclude, control, or impose conditions on the location or development of any Pepper Lunch Restaurant, other restaurant, store or any other method of distribution under the Pepper Lunch trademark or any other trademark.

You may not relocate your Pepper Lunch Restaurant to any other location during the term of the Franchise Agreement without our prior written consent. Our consent, which will not be unreasonably withheld, but may be conditioned on factors we determine. You must submit to us in writing the materials we require to consider your request, including information concerning the proposed new location for your Pepper Lunch Restaurant, and you must pay us a Relocation Fee when you request our consent to a relocation of your Pepper Lunch Restaurant.

### **Multi-Unit Development Agreement**

Under the Multi-Unit Development Agreement, we grant you the right to develop and operate a minimum of 5 Pepper Lunch Restaurants at venues in a specified Development Area, subject to our approval. The Development Area may be one or more cities, counties, states, or some other defined area. You will have limited exclusive rights in the Development Area; but we expressly reserve the exclusive, unrestricted right, in our sole and absolute discretion, directly and indirectly to: (i) develop,

own and operate, and to grant franchises to third parties to develop, own and operate, Pepper Lunch Restaurants outside the Development Area; (ii) develop, own and operate, and to grant franchises to third parties to develop, own and operate any other business, including a restaurant business, other than a competitive business, under marks and systems different from the Pepper Lunch Marks and the Pepper Lunch System within and outside the Development Area; (iii) sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, Authorized Pepper Lunch Products within and outside the Development Area, through the Internet, mail order catalogs, direct mail advertising, ghost kitchens, virtual kitchens and through other distribution methods; (iv) market on the Internet and use the Pepper Lunch Marks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media; (v) acquire, open and operate and grant licenses and franchises to third parties to develop, open and operate, other restaurants or food service businesses at any location within or outside of the Development Area; (vi) open or operate and to franchise or license others to open or operate Pepper Lunch Restaurants at any Non-Traditional Venue within and outside of the Development Area regardless of their proximity to any Pepper Lunch Restaurants developed or under development by you; (vii) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Pepper Lunch Restaurants or franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating; (viii) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any business providing products and services similar to those provided at Pepper Lunch Restaurants, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses; and (ix) engage in all other activities that the Multi-Unit Development Agreement does not expressly prohibit. We are not required to pay you any compensation if we exercise any of the rights specified above.

If you fail to meet any of your obligations under the Multi-Unit Development Agreement, including the development obligations, or commit a material breach of any Franchise Agreement signed by you under the Multi-Unit Development Agreement, or a material breach of any other agreement between you and us, we may terminate your right to develop, open and operate new Pepper Lunch Restaurants in the Development Area. The termination of your right to develop Pepper Lunch Restaurants in your Development Area, however, will not terminate any rights granted under the Franchise Agreements then in effect between you and us, absent a breach of the Franchise Agreement itself. After the expiration of the term of your Multi-Unit Development Agreement, we may own, operate, franchise or license others to operate additional restaurants anywhere, without restriction, including in your Development Area, subject only to the territorial rights reserved to you in the individual Franchise Agreements.

Upon the termination or expiration of the Multi-Unit Development Agreement; (i) you will have no further right to develop additional Pepper Lunch Restaurants in the Development Area and no further rights or obligations under the Multi-Unit Development Agreement; (ii) you will have the right to continue to own and operate all Pepper Lunch Restaurants you opened prior to the expiration date under Franchise Agreements with us that remain in full force and effect on the expiration date; and (iii) we may, but are not required to, develop, own and operate, and grant franchises to third parties to develop, own and operate Pepper Lunch Restaurants at any location within or outside of the Development Area, without restriction, subject only to the territorial rights that are granted to you under your Franchise Agreements for your Pepper Lunch Restaurants in the Development Area.

You are not granted any options, rights of first refusal or similar rights to acquire additional franchises within the Development Area. If we believe that the renewal development obligation proposed by

you is acceptable, we will deliver our then-current Multi-Unit Development Agreement to you. If the proposed additional development obligation is not acceptable to us, we will agree to negotiate with you in good faith for 60 days to try to agree upon a mutually acceptable development schedule. If you do not exercise your right to sign a new Multi-Unit Development Agreement, we may own, operate, franchise or license others to operate additional Pepper Lunch Restaurants in your Development Area subject only to the territorial rights reserved to you in the individual Franchise Agreements.

We have not established other franchises or affiliate-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark. Except for any other franchise program that we may develop in the future, neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or affiliate-owned facilities which provide similar products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

### ITEM 13 TRADEMARKS

You will be licensed to use and display the trade name Pepper Lunch, and the marks using it, during the term of your Franchise Agreement and only for the operation of the Pepper Lunch Restaurant and the sale of products described on the Pepper Lunch standard menu. You may not license or sublicense any trademarks, service marks, trade names, logotypes or commercial symbols owned by us or our affiliates.

Our Parent Company is the owner of all right, title and interest in the trade names, trademarks and service marks and has received registration of the following marks on the Principal Register of the U.S. Patent and Trademark Office (“USPTO”):

| MARK                                                                                | REGISTRATION NUMBER | REGISTRATION DATE                           |
|-------------------------------------------------------------------------------------|---------------------|---------------------------------------------|
|  | 3261554             | July 10, 2007<br>(Renewed January 19, 2018) |
|  | 6015150             | March 17, 2020                              |
| PEPPER LUNCH                                                                        | 7363956             | April 23, 2024                              |
| SIZZLE IT YOUR WAY                                                                  | 7332941             | March 19, 2024                              |

By Trademark License Agreement dated March 8, 2026 (and effective April 1, 2026), our Parent Company licensed us to use and sublicense the Pepper Lunch Marks for the sale and operation of Pepper Lunch Restaurants within the United States. The license does not limit our right to use or

license the use of any of the trademarks in any manner material to the franchise. Our rights under that agreement may be terminated by the Parent Company with 6 months written notice, by mutual agreement or if we default. Upon termination, our Parent Company will assume our obligations under existing franchise and development agreements. No other agreements are currently in effect that limit our use of the trademarks in any manner material to the franchise.

We claim common law rights to the trade and service marks we license to you. We or our Parent Company will file all required affidavits when they become due, as prescribed by law. There are no currently effective material determinations of the Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any opposition or cancellation proceeding, or any pending litigation involving the trade name Pepper Lunch or the licensed marks. We are not aware of any prior superior rights or infringing uses actually known to us that could materially affect your use of the licensed trade name, trademarks, or service marks. We have not, however, conducted an exhaustive search of users of names which may be the same or similar to the Pepper Lunch Marks.

You must use the trade name Pepper Lunch without any suffix or prefix attached to it to identify the Pepper Lunch Restaurant. You are prohibited from using our trade name, trademarks, or service marks as part of any corporate name or using the Pepper Lunch trade name with any prefix, suffix, or other modifying words, terms, designs, or symbols. You are obligated to file a fictitious business name statement and do all other things necessary to prevent the use of the Pepper Lunch trade name, trademarks, or service marks by you from diminishing or destroying the legal protection to which they are entitled.

You must notify us of any infringement of, challenge to, or unauthorized use of the licensed name or Pepper Lunch Marks which comes to your attention, including any claim, suit or demand against you. We may take actions we deem appropriate to protect our name or Pepper Lunch Marks but we are not obligated by the Franchise Agreement to do so. We have the sole right to control any litigation involving our trade name or Pepper Lunch Marks and to compromise or settle any claim, in our discretion, at our sole cost and expense, using lawyers of our own choosing, and you must cooperate fully in defending any claim, and you may participate at your own expense in the defense or settlement. You may not make any demand against any alleged infringer, prosecute any claim or settle or compromise any claim by a third party without our prior written consent. You agree in the Franchise Agreement not to contest, directly or indirectly, our ownership, right, title, or interest in its names or Pepper Lunch Marks, or contest our sole right to register, use, or license others to use those names and Pepper Lunch Marks.

We may add to, delete, or modify any or all of the Pepper Lunch Marks. You must modify or discontinue the use of a Mark, at your expense, if we modify or discontinue it. We will not compensate you if we modify or discontinue the Pepper Lunch Marks.

#### **ITEM 14**

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

We do not own any rights in or to any patents. There are no pending patent or copyright applications that are material to the franchise. We have no registered copyrights, but we claim copyright protection for the Manuals and all advertising material that may be distributed by us.

We will loan (or provide electronic access) you one copy of the Manuals for confidential use in the Pepper Lunch Restaurant. You may not disclose, publish, sell, show, or reproduce the Manuals and

you must return the Manuals to us intact upon termination or expiration of the Franchise Agreement or Multi-Unit Development Agreement.

We regard our recipes, our particular method of producing our menu items and food products and operating fast casual Japanese specialty restaurants, and all the information contained in the Manuals, as proprietary information owned by us. You agree, as part of the Franchise Agreement, not to contest our exclusive ownership of the copyrights, trade secrets, recipes, processes, methods, procedures, formulae, techniques, and other proprietary information to which we claim exclusive rights. You are not given any rights in other trade secrets or proprietary or confidential information developed by us in the future. You must implement any reasonable procedures we may adopt to protect our trade secrets including restrictions on disclosures to your employees and requiring employees who will have access to our trade secrets to sign non-disclosure and non-competition agreements.

There are no prior superior rights or infringing uses actually known to us that could materially affect your use of the copyrights, trade secrets, processes, methods, procedures, or other proprietary information described above. There are no agreements currently in effect that limit our rights to use or license the above-mentioned copyrights in any manner.

All ideas, concepts, techniques or materials created by you while you are a Pepper Lunch Franchisee, whether or not protectable intellectual property, must be promptly disclosed to us and will become our exclusive property and a part of the Pepper Lunch Franchise system as a work made for hire for us without compensation to you.

All data pertaining to and generated by your Pepper Lunch Restaurant and all data you create or collect in connection with your operation of the Pepper Lunch Restaurant, including, data pertaining to, or otherwise concerning, the Pepper Lunch Restaurant's customers, or that you otherwise collect including data uploaded to, or downloaded from your computer system is Pepper Lunch data and is our sole property. We have the right to review and use the Pepper Lunch data in any manner that we deem appropriate without any compensation to you. You just provide us with copies and/or originals of the Pepper Lunch data within 5 days after our request for the Pepper Lunch data at no cost to us and at any time during the term of your Franchise Agreement and upon the expiration and/or termination of your Franchise Agreement. We license the use of the Pepper Lunch data to you during the term of your Franchise Agreement, at no cost to you, solely for your use in the operation of your Pepper Lunch Restaurant. You must maintain the Pepper Lunch data as secret and confidential must not make any of the Pepper Lunch data available to any unauthorized person without our prior written consent of and then only in the manner we permit.

The goodwill associated with all phone and fax numbers, email addresses, domain names, social media and other Internet addresses used in operation of the Pepper Lunch Restaurant is an asset that belongs to us. Upon cancellation, termination or expiration of the Franchise Agreement, you will be deemed to have assigned to us or our designee all right, title and interest in and to these and/or services associated with the same. You must sign the instruments we request to confirm the assignments and transfers to us.

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

You must designate a Principal Owner acceptable to us who will be involved in the day-to-day operations of the Pepper Lunch Restaurant. Your Principal Owner must devote his or her full time to the Pepper Lunch Restaurant.

In certain circumstances, instead of designating a Principal Owner for that role, we may permit you to employ or hire a manager (who does not have an equity interest in you) ("**Managing Director**") to oversee the operation of the Pepper Lunch Restaurant. The Managing Director must be approved by us and will need to satisfy any operational, management, or similar criteria we specify. The Managing Director will be required to sign a Non-Disclosure and Confidentiality Agreement in substantially the form of **Exhibit H**; but will not be required to sign a guarantee.

You must also designate a Restaurant Manager who will be the individual responsible for your Pepper Lunch Restaurant in the absence of the Principal Owner. Your Restaurant Manager does not have to own an equity interest in you or the franchise.

Your Pepper Lunch Restaurant must, at all times, be directly supervised by the Principal Owner or a Restaurant Manager or other supervisory or managerial personnel who have successfully completed our Pre-Opening Initial Training Program. You must provide comprehensive initial training programs, additional training programs and remedial training programs for your other employees and ensure that your Pepper Lunch Restaurant is at all times under the direct control of the Principal Owner or a Restaurant Manager and other employees fully trained by you. We may require each of your owners, Restaurant Managers and other supervisory and managerial personnel who will have access to any confidential information to sign a Non-Disclosure and Confidentiality Agreement in substantially the form of **Exhibit H**.

If you are an entity, all present and future Owners of the franchisee must execute a written guarantee in a form we prescribe, personally, irrevocably and unconditionally guaranteeing, jointly and severally, with all other guarantors, the full payment and performance of your obligations to us and to our Affiliates.

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

Except as described below, you must offer and sell all, and only, those goods and services that we approve (See Item 8). We may add, delete, and change menu items that you may or must offer, in our unrestricted discretion, and this may require you to purchase additional equipment. There are no limits on our right to make changes. The Pepper Lunch Restaurant must, at all times, be directly supervised by a Restaurant Manager who has successfully completed our training program.

We may, on occasion, require you to test market products and/or services at your Pepper Lunch Restaurant. You must cooperate with us in conducting these test marketing programs and must comply with all rules and regulations established by us.

We may establish pricing guidelines that you must follow as per Section 7.28 of the Franchise Agreement.

No vending, gaming machines, payphones, automatic teller machines, Internet kiosks or other mechanical or electrical devices are permitted in your Pepper Lunch Restaurant without our prior written consent.

You are not permitted to use or display the Pepper Lunch Marks or use the System at any location other than the Franchised Location, nor do you have the right to use other channels of distribution to make sales outside of your Franchised Location.

Unless you are accepting and fulfilling delivery orders received from approved third-party food-ordering platforms (“**Food Delivery Services**”) in your Protected Area, you cannot otherwise sell Authorized Pepper Lunch Products on the Internet, without our prior approval.

## ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

### THE FRANCHISE RELATIONSHIP

**This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.**

| Provision                                         | Section in Franchise Agreement (Exhibit A) | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Length of the term of the franchise            | Section 3.1                                | 10 years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| b. Renewal or extension of the term               | Section 3.2                                | 1 renewal term of 10 years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| c. Requirements for Franchisee to renew or extend | Section 3.3                                | You must have complied with your obligations during the term of your Franchise Agreement; at our request, renovate or modernize your Pepper Lunch Restaurant to comply with our then-current standards for a new Pepper Lunch Restaurant; not have committed 3 or more material Defaults during any 18 month period during the Term; sign our then-current form of Franchise Agreement that may contain terms and conditions materially different from those in your original Franchise Agreement; satisfy our then-current training requirements; be able to maintain all licenses and permits including but not limited to an alcohol license; pay a renewal fee and sign a general release; sign any required guarantees. Your continuing royalty and advertising fee payments under your renewal Franchise Agreement will be at the rates then applicable to new franchisees. |
| d. Termination by Franchisee                      | Not Applicable                             | Subject to applicable law, you do not have the right to terminate the Franchise Agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

| Provision                                             | Section in Franchise Agreement (Exhibit A)           | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------------|------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| e. Termination by Franchisor without cause            | Not Applicable                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| f. Termination by Franchisor with cause               | Sections 16.1 – 16.3 and 16.5                        | We can terminate the Franchise Agreement if you materially default under your Franchise Agreement, any other individual Franchise Agreement, any Multi-Unit Development Agreement (other than solely for your failure to meet your development obligation), or any other agreement between you and us.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| g. <b>“Cause”</b> defined – curable defaults          | Section 16.3                                         | You have 10 days to cure non-payment of fees and 30 days to cure non-compliance with laws and defaults not listed in Section 16.2.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| h. <b>“Cause”</b> defined non-curable defaults        | Sections 16.1 and 16.2                               | Non curable defaults include: bankruptcy, foreclosure, and insolvency; abandonment; unapproved transfers; repeated defaults, even if cured; misrepresentations in acquiring your license; health or safety violations; trademark misuse; conviction of a felony; failure, for a period of 10 days after notification of noncompliance, to comply with any state or local law or regulation applicable to the operation of the Pepper Lunch Restaurant; failure to pay any amounts overdue; failure to meet site selection requirements, enter a lease or Open for business within applicable time period; failure to maintain a beer/wine sale license; knowingly maintaining false books or records or submitting false reports or knowingly underreporting gross sales; materially misusing the Pepper Lunch Marks; making an unauthorized use of the trade secrets or confidential information; failing to purchase appropriate inventory; sell or attempt to sell any products other than Authorized Pepper Lunch Products and fail to cease to do so within 3 days of notice to cease sales; purchasing products or using services from non-approved suppliers; denigration of the System or unflattering portrayal of us on the Internet or otherwise; and a breach of your obligations under the Franchise Agreement or other Agreement between you and us that is not capable of being cured by you. |
| i. Franchisee’s obligations on termination/nonrenewal | Sections 17.1, 17.2, 17.3, 17.4, 17.6, 17.7 and 17.8 | You must cease use of our trademarks, de-identify the Pepper Lunch Restaurant, pay all amounts due to us, and return the Manuals. We may, at our option, assume all Electronic Communications and Media for the Pepper Lunch Restaurant. You must, at our option,                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

| Provision                                                               | Section in Franchise Agreement (Exhibit A) | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------------------------------|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                         |                                            | cancel or assign to us your rights to any Electronic Communications and Media or assumed, fictitious or corporate names which contain the Pepper Lunch Marks. See also “r” below.                                                                                                                                                                                                                                                                                                                                                                                             |
| j. Assignment of contract by Franchisor                                 | Section 14.1                               | No restriction on our right to assign.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| k. “ <b>Transfer</b> ” by Franchisee - definition                       | Section 14.2                               | Includes transfer of the agreement or change in ownership of the business entity which owns it.                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| l. Franchisor’s approval of transfer by Franchisee                      | Section 14.2                               | Transfers require our prior written consent, which will not be unreasonably withheld.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| m. Conditions for Franchisor’s approval of transfer                     | Sections 14.2-14.4                         | The proposed transferee must qualify, successfully complete our initial training program, sign our then-current Franchise Agreement (provided, that the term of the new Franchise Agreement will be the remaining term of the existing Franchise Agreement) and you must be in good standing, sign a general release and pay the transfer fee. See also “r” below. If the Franchise Agreement has been signed under a Multi-Unit Development Agreement, except as described below, you must concurrently assign all other existing Franchise Agreements to the same assignee. |
| n. Franchisor’s right of first refusal to acquire Franchisee’s business | Section 14.3                               | We can match any offer for your business.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| o. Franchisor’s option to purchase Franchisee’s business                | Section 17.5                               | When your Franchise Agreement expires or is terminated, we have the option to purchase the assets of the Pepper Lunch Restaurant and all of your assets related to the Pepper Lunch Restaurant.                                                                                                                                                                                                                                                                                                                                                                               |
| p. Death or disability of Franchisee                                    | Section 14.5                               | Your spouse, heirs or personal representative has 180 days to purchase your interest or complete an assignment of your interest to a qualified, approved third party, subject to the transfer provisions.                                                                                                                                                                                                                                                                                                                                                                     |
| q. Non-competition covenants during the term of the franchise           | Section 15.1                               | You are prohibited from: diverting any present or prospective Pepper Lunch customer to any competitor, or performing any other act injurious or prejudicial to the goodwill associated with the Pepper Lunch Marks and the Pepper Lunch System, or (ii) owning or having any interest in a competitive business to the Pepper Lunch business.                                                                                                                                                                                                                                 |

| <b>Provision</b>                                                          | <b>Section in Franchise Agreement (Exhibit A)</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| r. Non-competition covenants after the franchise is terminated or expires | Sections 15.2 and 15.3                            | For 2 years following the transfer, expiration or termination of your Franchise Agreement, you cannot own or have any interest in a competitive business located at the Franchised Location or within 3 miles of any Pepper Lunch Restaurant or the Franchised Location. If you violate the post-term covenant not to compete, you must pay us 5% of the gross sales of that business for a 2 year period. |
| s. Modification of the agreement                                          | Sections 6.5 and 21.5                             | The Franchise Agreement can be modified or amended only by written agreement of all of the parties. The Manuals are subject to change. You must comply with any changes set forth in the Manuals.                                                                                                                                                                                                          |
| t. Integration/ merger clause                                             | Section 21.5                                      | Only the terms of the Franchise Agreement and its exhibits are binding (subject to state law). Nothing in the Franchise Agreement is intended to disclaim the representations made in the Disclosure Document. Any representations or promises outside of the Disclosure Document and other agreements may not be enforceable.                                                                             |
| u. Dispute resolution by mediation or arbitration                         | Not Applicable                                    |                                                                                                                                                                                                                                                                                                                                                                                                            |
| v. Choice of forum                                                        | Section 19.1                                      | All proceedings will be held in Los Angeles County, California, subject to applicable state law. See the State Specific Addenda ( <b>Exhibit E</b> ) attached to this Disclosure Document.                                                                                                                                                                                                                 |
| w. Choice of law                                                          | Section 19.1                                      | California, subject to the exception provided in Section 19.3 of the Franchise Agreement and applicable state law. See the State Specific Addenda ( <b>Exhibit E</b> ) attached to this Disclosure Document.                                                                                                                                                                                               |

| <b>Provision</b>                                    | <b>Section in Multi-Unit Development Agreement (Exhibit B)</b> | <b>Summary</b>                                                                                                                                   |
|-----------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Length of the term of the Multi-Unit Development | Section 3.1                                                    | The term expires on the earlier of the last date stated in the Development Schedule or the date the last restaurant actually opens for business. |
| b. Renewal or extension of the term                 | Not Applicable                                                 |                                                                                                                                                  |

| <b>Provision</b>                                                  | <b>Section in Multi-Unit Development Agreement (Exhibit B)</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| c. Requirements for Multi-Unit Developer to renew or extend       | Not Applicable                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| d. Termination by Multi-Unit Developer                            | Not Applicable                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| e. Termination by Franchisor without cause                        | Not Applicable                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| f. Termination by Franchisor with <b>"cause"</b>                  | Section 11.1 – 11.3, 11.5                                      | We can terminate if you default under your Multi-Unit Development Agreement, an individual Franchise Agreement, or any other agreement between you or your affiliate and us.                                                                                                                                                                                                                                                                                                                                                        |
| g. <b>"Cause"</b> defined - curable defaults                      | Section 11.3                                                   | You have 30 days to cure defaults under your Multi-Unit Development Agreement, and in the case of a breach or default in the performance of your obligations under any Franchise Agreement or other agreement between you and us, the notice and cure provisions of the Franchise Agreement or other agreement will control.                                                                                                                                                                                                        |
| h. <b>"Cause"</b> defined – non-curable defaults                  | Sections 11.1 and 11.2                                         | Non-curable defaults include: bankruptcy, insolvency; unapproved transfers; failure to meet your development obligations; any breach of the covenants not to compete set forth in Section 13; repeated defaults, even if cured; unapproved transfers; termination of any of your Franchise Agreements; conviction of a felony; disclosure of confidential information; and a breach of your obligations under the Multi-Unit Development Agreement or other agreement between you and us that is not capable of being cured by you. |
| i. Multi-Unit Developer's obligation on termination / non-renewal | Section 12                                                     | You will have no further right to develop or operate additional Pepper Lunch Restaurants which are not, at the time of termination, the subject of a then validly existing Franchise Agreement between you and us. You may continue to own and operate all Pepper Lunch Restaurants under then validly existing Franchise Agreements.                                                                                                                                                                                               |
| j. Assignment of contract by Franchisor                           | Section 9.1                                                    | No restrictions on our right to assign.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| k. <b>"Transfer"</b> by Multi-Unit Developer – defined            | Section 9.2                                                    | Includes transfer of the agreement or changes in ownership of the business entity which owns it. Shares may be offered by private offering with our prior written consent.                                                                                                                                                                                                                                                                                                                                                          |
| l. Franchisor's approval of transfer by Multi-Unit Developer      | Section 9.2.1                                                  | Transfers require our prior written consent, which will not be unreasonably withheld.                                                                                                                                                                                                                                                                                                                                                                                                                                               |

| <b>Provision</b>                                                                  | <b>Section in Multi-Unit Development Agreement (Exhibit B)</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                       |
|-----------------------------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| m. Conditions for Franchisor's approval of transfer                               | Sections 9.2.1 and 9.4                                         | The proposed transferee must qualify as a franchisee and sign our then-current Multi-Unit Development Agreement and you must be in good standing, sign a general release and pay the transfer fee. See also "r" below.                                                                                                                                               |
| n. Franchisor's right of first refusal to acquire Multi-Unit Developer's business | Section 9.3                                                    | We may match any offer to purchase your business.                                                                                                                                                                                                                                                                                                                    |
| o. Franchisor's option to purchase Multi-Unit Developer's business                | Not applicable                                                 |                                                                                                                                                                                                                                                                                                                                                                      |
| p. Death or disability of Multi-Unit Developer                                    | Section 9.5                                                    | Your spouse, heirs or personal representative has 180 days to purchase your interest or complete an assignment of your interest to a qualified, approved third party, subject to the transfer provisions.                                                                                                                                                            |
| q. Non-competition covenants during the term of the franchise                     | Section 13.1                                                   | You are prohibited from: (i) diverting any present or prospective Pepper Lunch customer to any competitor, or performing any other act injurious or prejudicial to the goodwill associated with the Pepper Lunch Marks and the Pepper Lunch System, or (ii) owning or having any interest in a competitive business to the Pepper Lunch business.                    |
| r. Non-competition covenants after the franchise is terminated or expires         | Section 13.2                                                   | For 2 years following the transfer, expiration or termination of your Franchise Agreement, you cannot own or have any interest in a competitive business at a Franchised Location, except under another effective Franchise Agreement with us, or any location within 3 miles of any Pepper Lunch Restaurant or a Franchised Location.                               |
| s. Modification of the Multi-Unit Development Agreement                           | Section 18.5                                                   | The Multi-Unit Development Agreement can be modified or amended only by written agreement of all of the parties.                                                                                                                                                                                                                                                     |
| t. Integration/merger clause                                                      | Section 18.5                                                   | All agreements between the parties are in the Multi-Unit Development Agreement and its exhibits (subject to state law). Nothing in the Multi-Unit Development Agreement is intended to disclaim the representations made in the Disclosure Document. Any representations or promises outside of the Disclosure Document and other agreements may not be enforceable. |
| u. Dispute resolution by mediation or arbitration                                 | Not Applicable                                                 |                                                                                                                                                                                                                                                                                                                                                                      |
| v. Choice of forum                                                                | Section 15.1                                                   | All proceedings will be held in Los Angeles, California, subject to applicable state law. See the State Specific Addenda ( <b>Exhibit E</b> ) attached to this Disclosure Document.                                                                                                                                                                                  |

| <b>Provision</b> | <b>Section in Multi-Unit Development Agreement (Exhibit B)</b> | <b>Summary</b>                                                                                                                                                                                                            |
|------------------|----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| w. Choice of law | Section 15.1                                                   | California, subject to the exception provided in Section 15.3 of the Multi-Unit Development Agreement and applicable state law. See the State Specific Addenda ( <b>Exhibit E</b> ) attached to this Disclosure Document. |

## ITEM 18 PUBLIC FIGURES

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

## ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

The Table below does not include costs of sales, operating expenses or other costs or expenses that must be deducted from gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Pepper Lunch Restaurant. Franchisees or former franchisees listed in this Disclosure Document may be one source of this information.

Table 1 includes 8 franchised Pepper Lunch Restaurants (6 of those Restaurants were open for the entire period and 2 of those Restaurants were not open the full period so Gross Sales are annualized). We also excluded the 2 Pepper Lunch Restaurants that closed in the first half of 2026.

| TABLE 1<br>Historical Gross Sales at Franchise Restaurants in the Continental U.S. for the 12-Month Periods Ended December 31, 2025 |                            |                                 |                                 |                         |                           |                        |
|-------------------------------------------------------------------------------------------------------------------------------------|----------------------------|---------------------------------|---------------------------------|-------------------------|---------------------------|------------------------|
|                                                                                                                                     | <b>Average Gross Sales</b> | <b># of Units Above Average</b> | <b>% of Units Above Average</b> | <b>High Gross Sales</b> | <b>Median Gross Sales</b> | <b>Low Gross Sales</b> |
| <b>Total</b>                                                                                                                        | \$1,697,676                | 3                               | 37.5%                           | \$3,100,556             | \$1,354,182               | \$568,128              |

The included Pepper Lunch Restaurants are all operated in-line in strip malls. The characteristics of and material information for these Pepper Lunch Restaurants are similar to the franchises offered to prospective franchisees under this Disclosure Document.

**“Gross Sales”** means Gross Sales includes all revenue from the Pepper Lunch Restaurant operations including but not limited to payment for any services or products sold by the franchised restaurant, whether for cash or credit. Gross Sales do not include the amount of bona fide refunds paid to customers, the amount of any sales or use taxes collected and paid to any governmental authority, and the retail price of any coupons, stored value cards, gift certificates and vouchers when they are sold.

The information in Table 1 is from Gross Sales reports submitted to us. These reports are unaudited.

**Some outlets have sold this amount. Your individual results may differ. There is no assurance that you’ll sell as much.**

Written substantiation for the financial performance representation will be made available to you upon reasonable request. We encourage you to review this material with your attorney or accountant.

Other than the preceding financial performance representation, we do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Troy Hooper, CEO, 2625 Townsgate Road, Suite 340, Westlake Village, California 91361, Phone: (661) 261-0811; E-mail: [franchise@pepperlunchrestaurants.com](mailto:franchise@pepperlunchrestaurants.com); the Federal Trade Commission; and the appropriate state regulatory agencies.

## ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

**TABLE NO. 1  
SYSTEM-WIDE RESTAURANT SUMMARY  
FOR FISCAL YEARS 2023 to 2025**

| Outlet Type   | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---------------|------|----------------------------------|--------------------------------|------------|
| Franchised    | 2023 | 6                                | 6                              | 0          |
|               | 2024 | 6                                | 5                              | -1         |
|               | 2025 | 5                                | 8                              | +3         |
| Company-Owned | 2023 | 0                                | 0                              | 0          |
|               | 2024 | 0                                | 0                              | 0          |
|               | 2025 | 0                                | 0                              | 0          |
| Total Outlets | 2023 | 6                                | 6                              | 0          |
|               | 2024 | 6                                | 5                              | -1         |
|               | 2025 | 5                                | 8                              | +3         |

**TABLE NO. 2**  
**TRANSFERS OF OUTLETS FROM FRANCHISEES**  
**TO NEW OWNERS FOR FISCAL YEARS 2023 to 2025**

| State         | Year | Number Of Transfers |
|---------------|------|---------------------|
| <b>Totals</b> | 2023 | 0                   |
|               | 2024 | 0                   |
|               | 2025 | 0                   |

**TABLE NO. 3**  
**STATUS OF FRANCHISED OUTLETS**  
**FOR FISCAL YEARS 2023 to 2025 (Note 1)**

| State             | Year | Outlets At Start Of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired By Franchisor | Ceased Operations - Other Reasons | Outlets At End Of The Year |
|-------------------|------|--------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|----------------------------|
| <b>Arizona</b>    | 2023 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                   | 2024 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                   | 2025 | 0                        | 1              | 0            | 0            | 0                        | 0                                 | 1                          |
| <b>California</b> | 2023 | 3                        | 0              | 0            | 0            | 0                        | 0                                 | 3                          |
|                   | 2024 | 3                        | 0              | 0            | 0            | 0                        | 0                                 | 3                          |
|                   | 2025 | 3                        | 1              | 0            | 0            | 0                        | 0                                 | 4                          |
| <b>Guam</b>       | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                                 | 1                          |
|                   | 2024 | 1                        | 0              | 0            | 0            | 0                        | 0                                 | 1                          |
|                   | 2025 | 1                        | 0              | 0            | 0            | 0                        | 0                                 | 1                          |
| <b>Hawaii</b>     | 2023 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                   | 2024 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                   | 2025 | 0                        | 1              | 0            | 0            | 0                        | 0                                 | 1                          |
| <b>Nevada</b>     | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                                 | 1                          |
|                   | 2024 | 1                        | 0              | 0            | 0            | 0                        | 0                                 | 1                          |
|                   | 2025 | 1                        | 0              | 0            | 0            | 0                        | 0                                 | 1                          |
| <b>Texas</b>      | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                                 | 1                          |
|                   | 2024 | 1                        | 0              | 0            | 0            | 0                        | 1                                 | 0                          |
|                   | 2025 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
| <b>Totals</b>     | 2023 | 6                        | 0              | 0            | 0            | 0                        | 0                                 | 6                          |
|                   | 2024 | 6                        | 0              | 0            | 0            | 0                        | 1                                 | 5                          |
|                   | 2025 | 5                        | 3              | 0            | 0            | 0                        | 0                                 | 8                          |

Note 1: One non-traditional Franchised Restaurant in Utah and, at the franchisee's request, closed prior to the issuance date of this FDD. Also, one traditional Franchised Restaurant in Florida opened in 2025 and, at the franchisee's request, is in the process of closing. The franchisees are listed in Exhibit I as former franchisees.

**TABLE NO. 4**  
**STATUS OF COMPANY-OWNED OUTLETS**  
**FOR FISCAL YEARS ENDING 2023 to 2025**

| State         | Year | Outlets At Start Of The Year | Outlets Opened | Outlets Reacquired From Franchisee | Outlets Closed | Outlets Sold To Franchisee | Outlets At End Of The Year |
|---------------|------|------------------------------|----------------|------------------------------------|----------------|----------------------------|----------------------------|
| <b>Totals</b> | 2023 | 0                            | 0              | 0                                  | 0              | 0                          | 0                          |
|               | 2024 | 0                            | 0              | 0                                  | 0              | 0                          | 0                          |
|               | 2025 | 0                            | 0              | 0                                  | 0              | 0                          | 0                          |

**TABLE NO. 5**  
**PROJECTED OPENINGS AS OF DECEMBER 31, 2025**

| State         | Franchise Agreements Signed But Outlets Not Opened | New Franchised Outlets In The Next Fiscal Year | Projected New Company-Owned Outlets In The Next Fiscal Year |
|---------------|----------------------------------------------------|------------------------------------------------|-------------------------------------------------------------|
| Arizona       | 1                                                  | 1                                              | 0                                                           |
| California    | 2                                                  | 6                                              | 0                                                           |
| Guam          | 1                                                  | 1                                              | 0                                                           |
| Nevada        | 0                                                  | 1                                              | 0                                                           |
| Oregon        | 1                                                  | 1                                              | 0                                                           |
| Texas         | 1                                                  | 3                                              | 0                                                           |
| <b>Totals</b> | 6                                                  | 13                                             | 0                                                           |

Our franchised locations, former franchisees, and franchise agreements signed but units not opened as of our last fiscal year end are identified on **Exhibit I**.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. No outlets have been terminated, not renewed, or ceased operations for other reasons.

We have not created, sponsored, endorsed, or received a request to include in this Disclosure Document, a trademark specific franchisee organization.

## ITEM 21 FINANCIAL STATEMENTS

Attached to this Disclosure Document as **Exhibit F** are our audited financial statements as of December 31, 2025, December 31, 2024, and December 31, 2023. Our fiscal year ends on December 31 of each year.

**ITEM 22**  
**CONTRACTS**

The following agreements are attached:

- Exhibit A** - Franchise Agreement (including Guarantee, ACH Authorization, Lease Addendum, Terms and Conditions for Rental of Induction Cookers)
- Exhibit B** - Multi-Unit Development Agreement (including Guarantee)
- Exhibit D** – Form of General Release
- Exhibit E** - State Specific Addenda.
- Exhibit H** - Non-Disclosure and Confidentiality Agreement for Employees of Franchisee.

**ITEM 23**  
**RECEIPTS**

Two (2) copies of an acknowledgment of your receipt of this Disclosure Document appear as **Exhibit J**. Please return one (1) copy to us and retain the other for your records.

**HOT PALETTE AMERICA INCORPORATED**

**EXHIBIT A  
FRANCHISE AGREEMENT**

**HOT PALETTE AMERICA INCORPORATED**

**FRANCHISE AGREEMENT**

**HOT PALETTE AMERICA INCORPORATED  
FRANCHISE AGREEMENT**

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## HOT PALETTE AMERICA INCORPORATED FRANCHISE AGREEMENT

**THIS FRANCHISE AGREEMENT** (the “**Agreement**”) is made and entered into as of \_\_\_\_\_ (the “**Effective Date**”), by and between **HOT PALETTE AMERICA INCORPORATED**, a California corporation (“**Franchisor**”), on the one hand, and the individuals or Entity identified as “**Franchisee**” on **Exhibit A**, on the other hand, who are individually referred to in this Agreement as a “**Party**”, and collectively referred to in this Agreement as “**Parties**”, with reference to the following facts:

A. Franchisor and its Affiliates own, have developed and may continue to develop the “**Pepper Lunch System**” for the establishment and operation of fast casual Japanese specialty restaurants (“**Pepper Lunch Restaurants**”) that offer do-it-yourself meals of beef, chicken and seafood cooked on iron griddles accompanied by Franchisor’s signature pepper rice and pasta and proprietary sauces and a variety of other related food products, side dishes and non-alcoholic and alcoholic beverages for both on-premises and off-premises consumption under the trade name and service mark “**Pepper Lunch**” and other related trademarks, service marks, logos and commercial symbols, and the trade dress used to identify Pepper Lunch Restaurants, including the unique and distinctive interior and exterior building designs, color schemes, furniture, fixtures and accessories present in Pepper Lunch Restaurants (collectively, the “**Pepper Lunch Marks**”). Hot Palette Holdings Co., Ltd. (the “**Parent Company**”) owns the Pepper Lunch Marks. The Pepper Lunch Marks may be modified by Franchisor (or Parent Company) from time to time. The Parent Company and Franchisor continue to develop, use and control the use of the Pepper Lunch Marks in order to identify for the public the source of services and products marketed under the Pepper Lunch Marks and the Pepper Lunch System, and to represent the Pepper Lunch System’s high standards of quality, appearance and service. The Parent Company has issued a license to Franchisor to use and sublicense the use of the Pepper Lunch Marks for the sale of franchised Pepper Lunch Restaurants within the United States.

B. Franchisee desires to obtain a license and franchise to develop, own and operate one Pepper Lunch Restaurant (the “**Franchised Restaurant**”), under the Pepper Lunch Marks and in strict accordance with the Pepper Lunch System, and the standards and specifications established by Franchisor, and Franchisor is willing to grant Franchisee such license and franchise under the terms and conditions of this Agreement.

### **NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:**

#### **1. DEFINITIONS.**

The following capitalized terms in this Agreement are assigned these definitions:

“**Abandon**” means (i) Franchisee’s failure, at any time during the Term, to keep the Franchised Restaurant open and operating for business for a period of five (5) consecutive days, except as provided in the Manuals, (ii) Franchisee’s failure to keep the Franchised Restaurant open and operating for any period after which it is not unreasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue to operate the Franchised Restaurant, unless the failure to operate is due to Force Majeure (subject to Franchisee’s continuing compliance with this Agreement), (iii) Franchisee’s failure to actively and continuously maintain and answer the telephone listed by Franchisee for the Franchised Restaurant solely with the Pepper Lunch Franchise name, (iv) the withdrawal of permission from the Landlord that results in Franchisee’s inability to continue operation of the Franchised Restaurant at the Franchised Location, or (v) a closure of the Franchised Restaurant required by Applicable Law.

**“Affiliate” or “Affiliates”** mean any person or Entity that controls, is controlled by, or is under common control with, a Party to this Agreement. Control of a person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or Entity whether by contract or otherwise.

**“Applicable Law”** means and includes applicable common law and all statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority with jurisdiction over the operation of the Franchised Restaurant that are in effect on or after the Effective Date, as they may be amended from time to time.

**“Approved Suppliers”** means suppliers of Pepper Lunch Branded Products, Pepper Lunch Proprietary Products and Non-Proprietary Products, and ancillary services, Food Delivery Services, food products, beverages, supplies, furniture, fixtures and equipment for Pepper Lunch Restaurants that have been accepted and approved by Franchisor because they have demonstrated to Franchisor their ability to supply products and services for Pepper Lunch Restaurants meeting Franchisor’s specifications as to brand names, models, contents, manner of preparation, ingredients, quality, freshness, compliance with governmental standards and regulations, reliability with respect to delivery and consistency in the quality of their products or services. The Parent Company, Franchisor and their Affiliates may be Approved Suppliers.

**“Brand Building Fund”** means the fund that Franchisor or its Affiliate may establish to promote the Pepper Lunch Marks and all Pepper Lunch Restaurants in accordance with this Agreement.

**“Brand Building Fund Contribution”** means the daily contribution that Franchisee shall pay Franchisor as a percentage of the Gross Sales of the Franchised Restaurant when Franchisor establishes the Brand Building Fund. Franchisor shall have the right to adjust the amount of the Brand Building Fund Contribution at any time and from time to time during the Term upon sixty (60) days’ prior written notice from Franchisor to Franchisee, to an amount not to exceed three percent (3.0%) of Gross Sales. The current Brand Building Fund Contribution is two percent (2.0%) of Gross Sales.

**“Authorized Pepper Lunch Products”** means all Pepper Lunch Branded Products, Pepper Lunch Proprietary Products and Non-Proprietary Products offered for sale or used at Pepper Lunch Restaurants, as specified by Franchisor from time to time.

**“Business Judgment”** means that Franchisor is allowed to exercise its judgment however Franchisor believes is appropriate in a given circumstance without limitation, subject to the use of that discretion in any reasonable way as more fully described in Section 21.10.

**“Competitive Business”** means any restaurant business which permits customers to use iron griddles to cook their own beef, chicken and seafood meals accompanied by rice or pasta as its primary menu items and any restaurant business which looks like, copies, imitates, or operates with similar trade dress or décor to a Pepper Lunch Restaurant.

**“Constituents”** means past, present and future Affiliates, parents, subsidiaries, divisions, partners, members, trustees, receivers, executors, representatives, administrators, owners, shareholders, distributors, parents, predecessors, officers, directors, agents, managers, principals, employees, insurers, successors, assigns, representatives and attorneys and the past, present and future officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of the foregoing.

**“Crisis Management Event”** means any event that occurs at or about the Franchised Restaurant that has or may cause harm or injury to customers or employees, including, without limitation, food contamination, food spoilage/poisoning, food tampering/sabotage, contagious diseases, natural disasters, terrorist acts, shootings, public health events, or any other circumstance which may damage the Pepper Lunch System, the Pepper Lunch Marks, or the image or reputation of the Parent Company, Franchisor and its Affiliates.

**“Default”** means any breach of, or failure to comply with, any of the terms or conditions of an agreement.

**“Electronic Signature”** means any electronic symbol and/or process attached to or logically associated with a document and executed by a Party with the intent to sign such document, including email or other electronic signatures.

**“Entity”** means any limited liability company, partnership, trust, association, corporation or other entity, which is not an individual. If Franchisee is an Entity, the Entity shall conduct no other business than the operation of the Franchised Restaurant.

**“Equity”** means capital stock, membership interests, partnership rights or other equity ownership interests of an Entity.

**“Expiration Date”** means the tenth anniversary of the Effective Date.

**“Food Delivery Services”** means on-line third-party food-ordering platforms that deliver Authorized Pepper Lunch Products.

**“Force Majeure”** means any event that (i) was reasonably unforeseeable as of the Effective Date, (ii) is beyond the reasonable control, directly or indirectly, of a Party, (iii) could not reasonably have been prevented or avoided by that Party with the exercise of reasonable efforts and due diligence, (iv) does not result from the fault or negligence of that Party or its agents, employees or contractors, and (v) causes performance by that Party to be delayed, in whole or in part, or unable to partially or wholly perform its obligations under this Agreement. Subject to the satisfaction of the foregoing criteria, **“Force Majeure”** includes (a) acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe), (b) strikes, lockouts or other industrial disturbances, (c) war, terrorist acts, riot, or other civil disturbance, (d) unilateral governmental action impacting restaurants generally, and (e) epidemics, transportation shortages, inadequate supply of labor, material or energy, or a party foregoing the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency. Neither an act or failure to act by a Governmental Authority, nor the performance, non-performance or exercise of rights under any agreement with Franchisee by any lender, landlord, contractor, or other person, or Franchisee’s financial inability to perform or Franchisee’s insolvency, shall be an event of Force Majeure hereunder, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure. An event of Force Majeure will not affect or change Franchisee’s obligation to pay Royalty Fees, Brand Building Fund Contribution, Technology Fees or any other fees owed to Franchisor when due.

**“Franchised Location”** means the site of the Franchised Restaurant as set forth on **Exhibit A**.

**“General Release”** means the form of general release prescribed by Franchisor of any and all known and unknown obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, against Franchisor and its

Constituents. A General Release will cover future consequences of acts, omissions events and circumstances predating the date of the General Release, but will not release, in advance, future acts, omissions or events which have not occurred at the time the General Release is executed.

**“Good Standing”** means Franchisee is in substantial compliance with the material requirements of this Agreement, the Manuals and all other agreements then in effect between the Parent Company, Franchisor, or its Affiliates, and Franchisee, and has substantially cured each curable Default for which Franchisor has issued a Notice of Default to Franchisee within the time periods set forth in Section 16.

**“Governmental Authority”** means all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

**“Gross Sales”** means the total of all revenues derived from sales of products and services of any nature or kind whatsoever from the Franchised Restaurant, as well as the proceeds from any business interruption insurance related to the non-operation of the Franchised Restaurant, and whether evidenced by cash, services, property, barter, or other means of exchange, including orders taken in or from the Franchised Restaurant although filled elsewhere. **“Gross Sales”** shall include the full value of meals Franchisee provides to its employees as incident to their employment (less the value of any discounts against Gross Sales given during the month in which the meals were provided) and all proceeds from the redemption of coupons, gift certificates, store value cards or vouchers, as well as the full amount of any fees or amounts assessed or charged on the delivery of products for or on behalf of the Franchised Restaurant. **“Gross Sales”** shall exclude the amount of bona fide refunds paid to customers, the amount of any sales or use taxes collected and paid to any Governmental Authority and the retail price of any coupons, gift certificates and vouchers when they are sold.

**“Initial Franchise Fee”** means the initial fee that Franchisee must pay Franchisor for the right to operate the Franchised Restaurant under this Agreement in the sum of \$50,000.

**“Initial Term”** means the ten (10) year period commencing on the Effective Date and ending on the Expiration Date.

**“Landlord”** means the owner of the Franchised Location who enters into a Lease with Franchisee for the Franchised Location.

**“Lease”** shall mean any agreement, however denominated, that allows Franchisee to occupy a Franchised Location owned by a Landlord, including any lease, sublease, concession agreement, license and similar arrangement between Franchisee and a Landlord.

**“Manuals”** means Franchisor’s operations and training manuals and any other written directives related to the Pepper Lunch System, as they may be amended, issued and revised from time to time including all bulletins, supplements and ancillary and additional manuals and written directives established by Franchisor as in effect and amended from time to time.

**“NACHA”** means the National Automated Clearing House Association, an organization that establishes the standards and rules followed by financial institutions for transferring payments.

**“Non-Proprietary Products”** means the food products, condiments, beverages, raw materials, fixtures, furnishings, equipment, uniforms, supplies, paper goods, services, menus, packaging, forms, POS Systems, computer hardware, software, modems and peripheral equipment and other products, supplies, services and equipment, other than Pepper Lunch Branded Products and Pepper

Lunch Proprietary Products, that Franchisee may or must use, offer and sell at the Franchised Restaurant.

**“Non-Traditional Venue”** means a broad variety of atypical retail sites, including, without limitation, a site, venue or location within a captive market site, another primary business or in conjunction with other businesses or at institutional settings including office buildings and business complexes, arenas, stadiums and entertainment venues, health clubs and recreational facilities, airports, train and bus stations, toll road facilities and other transportation terminals and related facilities, educational, medical, governmental and other types of institutional facilities, virtual spaces, restaurant-in retail locations or restaurant-in restaurant locations (for example, a kiosk within a grocery store, other restaurant or movie theater), food courts operated by a master concessionaire, food service fulfillment centers, and any site for which the lessor, owner or operator limits the operation of its food service facilities to a master concessionaire or contract food service provider.

**“Open,” “Open For Business,” “Opened” and “Opened For Business”** means that Franchisee actually has begun to offer Authorized Pepper Lunch Products for sale to the public from the Franchised Restaurant.

**“Opening Date”** means the day that (i) Franchisee receives written authorization from Franchisor and all applicable Governmental Authorities to commence business operations at the Franchised Restaurant, and (ii) Franchisee actually begins to offer Authorized Pepper Lunch Products for sale to the public from the Franchised Restaurant, whichever occurs last.

**“Owner”** means each of the individuals (and/or entities directly or indirectly owned by such individuals) listed on Exhibit B and each future direct or indirect shareholder, member, general or limited partner, trustee or other Equity owner of Franchisee. Each Owner shall jointly and severally guarantee Franchisee's performance of its obligations in this Agreement under a Guarantee in the form of Exhibit C.

**“Payment Network”** means Visa, MasterCard and any credit or debit card network issuing credit or debit cards and/or their duly authorized entities, agents or affiliates.

**“Payment Processors”** means all credit card, debit card and/or ACH processors whose services Franchisor may require Franchisee to utilize, as well as payment gateway service providers.

**“Payment Rules”** means the operating rules and regulations of Payment Processors and any applicable Payment Network, as in effect from time to time.

**“Pepper Lunch Branded Products”** means any product now existing or developed in the future that bears any of the Pepper Lunch Marks, including products that are prepared, sold and/or manufactured in strict accordance with Franchisor's recipes, methods, standards and specifications, including pre-packaged food and beverage products, clothing, souvenirs and novelty items.

**“Pepper Lunch Franchise Agreements”** means Franchise Agreements between Franchisor and Pepper Lunch Franchisees for Pepper Lunch Restaurants outside of the Protected Area.

**“Pepper Lunch Franchisees”** means the parties who enter into Pepper Lunch Franchise Agreements with Franchisor to develop, own and operate Pepper Lunch Restaurants outside of the Protected Area.

**“Pepper Lunch Proprietary Products”** means only those food products, beverages, packaging and other products which are produced or manufactured strictly in accordance with Trade Secrets or that Franchisor otherwise designates as proprietary.

**“Pepper Lunch System”** means Franchisor’s operating methods and business practices related to Pepper Lunch Restaurants, and the relationship between Franchisor and its franchisees, including interior and exterior Pepper Lunch Restaurant design, other items of trade dress, specifications for equipment, fixtures and uniforms, defined product offerings, recipes and preparation methods, Franchisor specified pricing and promotions, restrictions on ownership, standard operating and administrative procedures, management and technical training programs, marketing and public relations programs, Franchisor’s website, all as Franchisor may modify from time to time.

**“Pepper Lunch Trade Secrets”** means proprietary and Confidential Information, including, recipes, ingredients, specifications, procedures, policies, concepts, systems, know-how, plans, software, strategies and methods and techniques of operating the Franchised Restaurant and producing Authorized Pepper Lunch Products, excluding information that is or becomes a part of the public domain through publication or communication by third parties not bound by any confidentiality obligation or that Franchisee can show was already lawfully in Franchisee’s possession before receipt from Franchisor

**“Permits”** means and include all applicable franchises, licenses, permits, registrations, certificates and other operating authority required by Applicable Law, and including an alcohol license authorizing the sale of alcoholic beverages at the Franchised Restaurant.

**“Pre-Opening Support Fee”** means the \$5,000 fee that Franchisee shall pay Franchisor for certain pre-opening support. The Pre-Opening Support Fee is due when Franchisee signs this Agreement.

**“Post-Opening Initial Training Fee”** means the \$5,000 fee that Franchisee shall pay Franchisor for each trainee if Franchisee requests Franchisor to provide its Initial Training Program for new or replacement employees of Franchisee following the Opening Date of the Franchised Restaurant.

**“Post-Opening Additional Training Program Daily Fee”** means the \$250 daily fee that Franchisee shall pay Franchisor for each of Franchisor’s representatives who provides Additional Training Programs for Franchisee.

**“Principal Owner”** means the individual designated by Franchisee on **Exhibit B**, and accepted by Franchisor, to serve as primary operator of the Franchised Restaurant, to serve as the authorized representative of Franchisee, who shall act as Franchisee’s representative in all matters with Franchisor, as Franchisee’s liaison with the Parent Company, Franchisor and the Owners, and shall have the authority to act on behalf of Franchisee during the Term without the participation of any other Owner. In certain circumstances, instead of designating a Principal Owner, Franchisor may permit Franchisee to employ or hire a manager (who does not have an equity interest) (**“Managing Director”**) to oversee the operation of the Franchised Restaurant. The Managing Director must be approved by Franchisor and will need to satisfy any operational, management, or similar criteria Franchisor specifies. The Managing Director will be required to sign a Confidentiality and Non-Disclosure Agreement; but will not be required to sign a guarantee.

**“Protected Area”** means the geographic area designated on **Exhibit A**.

**“Recommended Suppliers”** means suppliers of Non-Proprietary Products who are recommended by Franchisee to become Approved Suppliers.

**“Relocation Fee”** means the fee that Franchisee must pay Franchisor if Franchisee requests Franchisor to consent to a relocation of the Franchised Restaurant in the sum of \$2,500.

**“Renewal Right”** means the right held by Franchisee to renew this Agreement for the Renewal Term upon the expiration of the Initial Term.

**“Renewal Term”** means one (1) ten (10) year period commencing on the Expiration Date and ending on the Renewal Term Expiration Date.

**“Renewal Term Expiration Date”** means the tenth anniversary of the commencement date of the Renewal Term.

**“Restaurant Manager”** means an individual who is responsible for overseeing the operation of the Franchised Restaurant in the absence of the Principal Owner.

**“Restricted Persons”** means Franchisee, and each of its Owners and Affiliates, and the respective officers, directors, managers and Affiliates of each of them.

**“Technology Fee”** means the monthly fee in an amount determined by Franchisor, which will not exceed \$500 per month, that Franchisee must pay to Franchisor, in the manner set forth in Section 4.5, for Franchisor’s costs to support and maintain Pepper Lunch’s POS System, loyalty program, and online ordering system, and to develop and maintain online management platforms and corporate intranet, including a trading platform and marketing portal. The current Technology Fee is \$300 per month. Franchisor shall have the right to adjust the amount of the Technology Fees at any time and from time to time during the Term upon thirty (30) days’ prior written notice from Franchisor to Franchisee.

**“Term”** means both the Initial Term and the Renewal Term of this Agreement.

**“Then-Current”** means the form of agreement then-currently provided by Franchisor to similarly situated prospective Pepper Lunch Franchisees, which may contain terms and conditions that are materially different from this Agreement, or if not then being so provided, then a form of agreement selected by Franchisor in its discretion which previously has been delivered to and executed by a Pepper Lunch Franchisee of Franchisor, or, as the context of this Agreement indicates, the fees then-currently charged by Franchisor for services provided by Franchisor, or, as the context of this Agreement indicates, the standards or requirements then-currently imposed by Franchisor for certain elements of the System.

## **2. GRANT.**

2.1. **Grant.** Franchisor hereby awards Franchisee, and Franchisee hereby accepts, the right, license and obligation, during the Initial Term, to use and display the Pepper Lunch Marks and to use the Pepper Lunch System to continuously operate one Pepper Lunch Restaurant at, and only at, the Franchised Location, upon the terms and subject to the provisions of this Agreement and all ancillary documents binding Franchisor and Franchisee. Franchisee shall utilize the Franchised Location only for the operation of the Franchised Restaurant. Franchisee shall not sublicense, sublease, subcontract or enter any management agreement providing for the right to operate the Franchised Restaurant or to use the Pepper Lunch System granted pursuant to this Agreement.

2.2. **Protected Area.** Except as provided in Section 2.3, during the Initial Term, and provided that Franchisee is not in Default of this Agreement or any other agreement between Franchisor, its Affiliates, and Franchisee, Franchisor shall not own, operate, sell, or issue a franchise

for any other Pepper Lunch Restaurant within the Protected Area. Notwithstanding the foregoing, however, if the Franchised Location is located at a Non-Traditional Venue, the Protected Area shall be limited to the Non-Traditional Venue. Unless Franchisor agrees otherwise in writing, Franchisee may only accept and fulfill orders received from Food Delivery Services in the Protected Area. Franchisee must advise all Food Delivery Services of these delivery restrictions imposed on Franchisee.

2.3. **Rights Reserved by Franchisor.** Franchisor and its Affiliates expressly reserve all other rights with respect to Pepper Lunch System, the Pepper Lunch Marks and Pepper Lunch Restaurants, including the exclusive right, in their discretion, directly or indirectly, without paying Franchisee any compensation or granting Franchisee any rights in the same to: (i) develop, own and operate, and to grant licenses and franchises to third parties to develop, own and operate, Pepper Lunch Restaurants at any location outside of the Protected Area regardless of its proximity to the Franchised Restaurant; (ii) develop, own and operate, and to grant licenses and franchises to third parties to develop, own and operate, any other business, including a restaurant, other than a Competitive Business, under marks and systems different from the Pepper Lunch Marks and Pepper Lunch System at any location within or outside of the Protected Area regardless of its proximity to the Franchised Restaurant; (iii) sell or distribute, at retail or wholesale, directly or indirectly, and license others to sell or distribute, Pepper Lunch Branded Products and Pepper Lunch Proprietary Products from any location within or outside of the Protected Area regardless of proximity to the Franchised Restaurant, through the Internet, mail order catalogs, direct mail advertising, vending machines, grocery stores, and through other distribution methods; (iv) market on the Internet and use the Pepper Lunch Marks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media; (v) develop, own or operate and to grant licenses or franchises to third parties to develop, own or operate Pepper Lunch Restaurants at Non-Traditional Venues within and outside of the Protected Area regardless of their proximity to the Franchised Restaurant; (vi) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Pepper Lunch Restaurants and to franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating; (vii) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any business providing products and services similar to those provided at Pepper Lunch Restaurants, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses; and (viii) engage in all other activities that this Agreement does not expressly prohibit.

2.4. **Alcohol License.** The right to operate a Franchised Restaurant pursuant to this Agreement is conditioned upon the ability of Franchisee to obtain and maintain required state and/or local licenses permitting the sale of alcoholic beverages at the Franchised Restaurant. Franchisee agrees to use its best efforts to obtain such licenses and maintain same in good standing during the Initial Term. In the event that Franchisee is prohibited by a governmental authority from offering alcoholic beverages at the Franchised Restaurant (other than routine occasions on which Franchisee is prohibited by applicable law from offering alcoholic beverages for sale from the Franchised Restaurant, such as a local prohibition on the sale of alcoholic beverages on Sunday), including but not limited to, violations of federal, state, or local alcohol laws, then, at the option of Franchisor, this Agreement shall be immediately terminated upon receipt by Franchisee if written notice from Franchisor to such effect.

### 3. **INITIAL AND RENEWAL TERMS.**

3.1. **Initial Term.** The Initial Term shall commence on the Effective Date and unless terminated by Franchisor sooner, shall expire on the Expiration Date. If Franchisee does not elect to renew the Initial Term under Section 3.2, this Agreement shall expire on the Expiration Date.

3.2. **Renewal Right.** Upon the expiration of the Initial Term, Franchisee shall have the right (the “**Renewal Right**”) to enter into a new franchise agreement in the Then-Current form then generally being offered to prospective Pepper Lunch Restaurant franchisees (the “**Renewal Franchise Agreement**”) for the Renewal Term. The Initial Franchise Fee, the Royalty Fees and the Brand Building Fund Contribution payable by Franchisee during the Renewal Term shall be identical to the Initial Franchise Fee, the Royalty Fees and the Brand Building Fund Contribution payable by new Pepper Lunch Franchisees under their Pepper Lunch Franchise Agreements. If Franchisee desires to exercise the Renewal Rights, Franchisee shall, no later than eighteen (18) months prior to the Expiration Date, notify Franchisor in writing (the “**Renewal Notice**”) that Franchisee desires to extend the Initial Term for the duration of the Renewal Term. If Franchisee exercises the Renewal Rights, and timely executes the Renewal Franchise Agreement, this Agreement shall terminate on the Renewal Term Expiration Date. This Agreement is not otherwise renewable.

3.3. **Conditions to Renewal.** The Initial Term may be renewed by Franchisee only if all of the following conditions precedent are satisfied prior to the Expiration Date: (i) Franchisee shall have fully performed all of its obligations under this Agreement, any Area Development Agreement and all other agreements binding Franchisor and Franchisee and shall be in Good Standing on the date of the Renewal Notice, on the date of Franchisor’s execution of the Renewal Franchise Agreement and on the Expiration Date; (ii) Franchisee shall, prior to the commencement date of the Renewal Term, undertake and complete at its expense, the remodeling, renovation, modernization, or refurbishing of the Franchised Location and the Franchised Restaurant to comply with Franchisor’s Then-Current specifications and standards for new Pepper Lunch Restaurants; (iii) Franchisee shall not have committed three (3) or more material Defaults during any eighteen (18) month period during the Initial Term which were subject to notices of Default issued by Franchisor, whether or not the Defaults were cured; (iv) Franchisee continues to comply with the terms and conditions of this Agreement; (v) Franchisee shall have satisfied Franchisor’s Then-Current qualifications and training requirements; (vi) Franchisee shall have executed and delivered to Franchisor a General Release; (vii) Franchisee must be able to maintain all licenses and permits, including but not limited to an alcohol license, if required by Franchisor, necessary to continue to operate the Franchised Restaurant at the Franchised Location, (viii) Franchisee shall have paid Franchisor a renewal fee (not to exceed the then current initial franchise fee) as required by Franchisor when Franchisee issues the Renewal Notice to Franchisor; (ix) Franchisee has executed the Renewal Franchise Agreement and delivered it to Franchisor; and (x) each Owner of Franchisee shall have executed and delivered to Franchisor a personal guarantee, in a form then satisfactory to Franchisor, jointly and severally guaranteeing Franchisee’s performance of its obligations under the Renewal Franchise Agreement.

3.4. **Renewal Procedures.** Following the expiration of any waiting periods required by Applicable Law and no more than thirty (30) days after Franchisee receives franchise disclosure document, if applicable, and the execution copies of the Renewal Franchise Agreement, Franchisee shall execute the copies of the Renewal Franchise Agreement and return them to Franchisor. If Franchisee has exercised the Renewal Right in accordance with Section 3.2 and satisfied all of the conditions in Section 3.3 and this Section 3.4, Franchisor shall execute the Renewal Franchise Agreement. If Franchisee fails to perform any of the acts, or deliver any of the notices required under this Section 3 in a timely fashion, the failure to do so shall be deemed an election by Franchisee not to exercise the Renewal Right and shall automatically cause the Renewal Right to lapse and expire.

3.5. **Notice Required by Law.** If Applicable Law requires Franchisor to give notice to Franchisee prior to the expiration of the Initial Term, this Agreement shall remain in effect on a week-to-week basis until Franchisor has given the notice required by Applicable Law. If Franchisor is not offering new franchises, is in the process of revising, amending or renewing its form of franchise agreement or franchise disclosure document, or is not lawfully able to offer Franchisee its Then-Current form of franchise agreement, at the time Franchisee delivers its Renewal Notice, Franchisor may, in its discretion, (i) offer to renew this Agreement upon the same terms set forth in this Agreement for a renewal term determined in accordance with Section 3.2, or (ii) offer to extend the Term on a week-to-week basis following the expiration of the Term for as long as it deems necessary or appropriate so that it may lawfully offer its Then-Current form of franchise agreement.

3.6. **Month-to Month Agreement.** If Franchisee does not sign Franchisor's Then-Current Franchise Agreement prior to the Expiration Date and Franchisee continues to accept the benefits of this Agreement after it expires, then at Franchisor's option, this Agreement may be treated either as (i) expired as of the Expiration Date with Franchisee then operating without a license to do so and in violation of Franchisor's rights; or (ii) continued on a month-to-month basis ("**Month-to-Month Agreement**") until one party provides the other with written notice of such party's intent to terminate the Month-to-Month Agreement, in which case the Month-to-Month Agreement will terminate thirty (30) days after receipt of the notice to terminate the Month-to-Month Agreement, or such longer notice period as is required by Applicable Law. In the latter case, all of Franchisee's obligations shall remain in full force and effect during the Month-to-Month Agreement as if this Agreement had not expired, and all obligations and restrictions imposed on Franchisee upon expiration of this Agreement shall be deemed to take effect upon termination of the Month-to-Month Agreement.

#### **4. FEES.**

4.1. **Initial Franchise Fee.** On the Effective Date, Franchisee shall pay Franchisor the Initial Franchise Fee in the manner provided in Section 4.5. The Initial Franchise Fee shall be fully earned when this Agreement is signed by Franchisee and is non-refundable when paid.

4.2. **Royalty Fees and Other Payments.** Franchisee shall pay Franchisor, in accordance with Section 4.5, a royalty fee equal to 5% percentage of Gross Sales (the "Royalty Fee"). Royalty Fees shall be paid daily on the Gross Sales of the Franchised Restaurant. Franchisee shall also promptly pay Franchisor and its Affiliates, as applicable, when due (i) all amounts advanced by Franchisor or which Franchisor has paid, or for which Franchisor has become obligated to pay on behalf of Franchisee for any reason whatsoever, and (ii) all amounts due to Franchisor or its Affiliates for purchases of Pepper Lunch Branded Products and Pepper Lunch Proprietary Products by Franchisee. If Franchisee fails to provide access to or submit the statement of Gross Sales, Franchisor may withdraw from Franchisee's bank account the estimated Royalty and Brand Building Fund Contribution based upon 125% of Gross Sales stated in the most recent statement. Upon Franchisor's receipt of actual Gross Sales statements, any over or under payment will be addressed. If, due to Applicable Law, Franchisor is prohibited from receiving a percentage royalty based on alcoholic beverage sales, Franchisee shall pay Franchisor a Royalty Fee on all Gross Sales except these alcoholic beverage sales in the same dollar amount as would have been paid if Franchisee paid the specified Royalty Fee percentage on all Gross Sales.

4.3. **Brand Building Fund Contributions.** Franchisee shall pay a Brand Building Fund Contribution to the Brand Building Fund in the manner provided in Section 4.5 without deduction, abatement or offset. The Brand Building Fund Contribution shall be paid at the same time as the Royalty. Franchisor may, at any time during the Initial Term, upon sixty (60) days' prior notice to Franchisee, increase the amount of the Brand Building Fund Contribution up to three percent (3.0%) of Gross Sales. In addition, Franchisor may, from time to time, provide for sale or require the

purchase of certain point of sale advertising material, posters, flyers, product displays, templates and other promotional materials for the Franchised Restaurant at Franchisor's direct costs for the same.

4.4. **Interest and Charges for Late Payments.** If Franchisee fails to pay any amount due to Franchisor under this Agreement by the date payment is due, or if any electronic payment is unpaid because of insufficient funds or otherwise, Franchisee shall additionally be obligated to pay, as a late charge, the sum of \$200. Additionally, Franchisee shall pay interest on the amount outstanding at the rate of one and one-half percent (1.5%) per month (but not to exceed the maximum legal rate of interest) imposed from the date payment was due until the entire sum and late charge is paid in full. This Section 4.4 does not constitute an agreement by Franchisor to accept any payment after the date payment is due or a commitment by Franchisor to extend credit to, or otherwise finance, Franchisee, and Franchisee's failure to pay all amounts when due shall constitute grounds for termination of this Agreement notwithstanding this Section 4.4.

4.5. **Manner of Payment.** Franchisee shall pay the Initial Franchise Fee, Royalty Fees, Technology Fees and Brand Building Fund Contribution to Franchisor from Franchisee's bank account by electronic funds transfer ("EFT") or other automatic payment mechanism that Franchisor may designate. Franchisee shall execute the forms for EFT (attached as Exhibit D). Franchisee shall maintain a single bank account for all EFT payments and shall maintain such minimum balance in this account in the amount that Franchisor may reasonably specify from time to time. Franchisee shall not alter or close this account except with Franchisor's prior written approval. Any failure by Franchisee to implement an EFT system in strict accordance with Franchisor's instructions shall constitute a material default of this Agreement.

4.5.1. All payments by Franchisee shall be made in US Dollars free and clear of any tax, deduction, offset or withholding of any kind. Franchisee shall register for and collect and report sales tax in compliance with all Applicable Laws. All taxes and penalties thereon, presently or in the future levied in the Protected Area on the payments due to Franchisor under this Agreement shall be fully borne by Franchisee.

4.5.2. If Franchisee or any other person is required by Applicable Law to make any deduction or withholding on account of tax or other amount from the payments paid or payable to Franchisor under this Agreement, Franchisee shall pay any such tax or other amount before the date on which a penalty for nonpayment or late payment attaches. Payment of such tax, levy, duty or assessment is to be made (if the liability to pay is imposed on Franchisee) for Franchisee's own account or (if the liability to pay is imposed on Franchisor or Franchisor's Affiliate) on behalf of and in the name of Franchisor or Franchisor's Affiliate, as the case may be. The payments made by Franchisee that are the subject of the relevant deduction, withholding or payment (including any penalties) will be increased to the extent necessary to ensure that, after the making of the deduction, withholding or payment of such tax, levy, duty or assessment, Franchisor or Franchisor's Affiliate receives on the due date and retains (free from any liability in respect of the deduction, withholding or payment) a sum equal to the amount Franchisor or Franchisor's Affiliate, as the case may be, would have received and retained had no such deduction, withholding or payment been required or made.

Franchisee shall immediately furnish to Franchisor or Franchisor's Affiliate, as the case may be, certified receipts of the payment of any deduction, withholding or payment made, on its account or Franchisor's account. Franchisee shall indemnify Franchisor and hold Franchisor harmless from any claims for any taxes described in this Section 4.5, including any claims occasioned by Franchisee's failure to withhold any taxes imposed by any Governmental Authority on amounts

payable by Franchisee pursuant to Section 4.5, and for any liability (including penalties, interest and expenses) arising from or concerning the payment of such taxes.

4.6. **Application of Funds**. If Franchisee shall be delinquent in the payment of any obligation to Franchisor hereunder, or under any other agreement with Franchisor, Franchisor shall have the absolute right to apply any payments received from Franchisee to any obligation owed, whether under this Agreement or otherwise, notwithstanding any contrary designation by Franchisee as to application.

4.7. **Gross-Up Fees**. To ensure that Franchisor receives the full amount of Royalty Fees and Brand Building Fund Contribution to which Franchisor may be entitled, as the amount thereof may vary from time to time, Franchisee shall pay Franchisor, upon demand, whether in arrears, in advance, in a lump sum or in the same manner as Royalty Fees and Brand Building Fund Contribution are paid to Franchisor, the amount of all taxes paid by Franchisor to any Governmental Authority on revenue earned or collected by Franchisor based upon Franchisee's use of Franchisor's intellectual property or other intangibles or based upon the existence of this Agreement, within the Governmental Authority's domain during each of Franchisor's fiscal years throughout the entire term of this Agreement.

4.8. **Technology Fee**. Franchisee must pay the Technology Fee to Franchisor each month, in the manner set forth in Section 4.5, for Franchisor's costs to support and maintain Pepper Lunch's POS System, loyalty program, and online ordering system, and to develop and maintain online management platforms and corporate intranet, including a trading platform and marketing portal. Franchisor may increase the Technology Fee up to \$500 per month upon thirty (30) days' written notice to Franchisee.

## **5. FRANCHISED LOCATION, CONSTRUCTION AND OPENING FOR BUSINESS.**

5.1. **Franchised Location**. The Franchised Restaurant shall be located at the Franchised Location. If the address of the Franchised Location has not been inserted in Exhibit A on the Effective Date, Franchisee shall, within ninety (90) days after the Effective Date, locate one or more proposed sites that meet Franchisor's Then-Current standards and specifications. Franchisee shall submit to Franchisor all demographic and other information regarding a proposed site and neighboring areas that Franchisor shall require. Franchisor shall accept or reject a proposed site for the Franchised Restaurant within thirty (30) days after Franchisor receives all of the information that Franchisor requires to evaluate the site. At no charge, Franchisor will perform up to three (3) site visits (which may be conducted remotely) to review locations Franchisee identifies for the Franchised Restaurant. If Franchisor makes visits to the trade area, Franchisor will charge Franchisee \$1,500 per visit plus the incurred reasonable travel expenses. Following Franchisor's approval of a site, Franchisee shall promptly negotiate a Lease for the site. Following Franchisee's execution of the Lease for the Franchised Location, Franchisor will insert the address in Exhibit A as the Franchised Location. Franchisee shall identify the site for the Franchised Location and obtain a fully executed Lease for the site no later than one (1) year after the Effective Date. Franchisor may voluntarily, and without obligation, assist Franchisee in selecting an acceptable site for the Franchised Location. Franchisee acknowledges its sole responsibility for finding the Franchised Location.

5.2. **Lease for Franchised Location**. Franchisee shall not create any obligations on Franchisor's behalf or grant the Landlord any rights against Franchisor, or agree to any term, condition or covenant in the Lease which is inconsistent with any provision of this Agreement. Franchisee shall deliver a fully executed copy of the Lease to Franchisor promptly following its execution, in the form and on the terms previously accepted by Franchisor, without further request by Franchisor. The Lease shall include the attached Lease Addendum Form (Exhibit E).

5.3. **Construction.** Franchisor shall make available, at no charge to Franchisee, standard architectural plans and specifications for a prototype Franchised Restaurant, including exterior and interior design and layout, fixtures, furnishings, and signs. Franchisee shall then cooperate with the approved designer as necessary to finalize architectural and engineering drawings and specifications of the Franchised Restaurant that are in accordance with Franchisor's standard architectural plans and specifications for a prototype Franchised Restaurant, and which conform to the characteristics of the Franchised Location. Franchisee shall submit the final drawings and specifications to Franchisor within forty-five (45) days after Franchisee obtains possession of the Franchised Location. Franchisor shall review and accept or reject the drawings and specifications within fifteen (15) days after receiving them from Franchisee. Franchisee shall, at its own expense, obtain all zoning classifications, Permits, and clearances for construction and shall, subject only to Force Majeure, complete construction of the Franchised Restaurant within one year after the Effective Date. Franchisee shall notify Franchisor of the anticipated construction completion date and, within a reasonable time after construction is completed Franchisor shall have the right, but not the obligation, to conduct a final inspection of the Franchised Restaurant.

5.4. **Open for Business.** The Franchised Restaurant shall Open For Business no later than one year after the Effective Date, unless the date for the required Opening is otherwise set forth in an applicable development agreement with Franchisor. Franchisor shall not unreasonably withhold its consent to Franchisee's request for additional time to Open the Franchised Restaurant. Franchisee must obtain and maintain all required business, alcohol, and other permits and licenses applicable to the Franchised Restaurant. Prior to Opening, Franchisee must obtain a license authorizing the sale of alcoholic beverages at the Franchised Restaurant. Upon Franchisor's request, Franchisee must promptly provide a copy of any such licenses and permits to Franchisor. To protect the Pepper Lunch System, the Pepper Lunch Marks, the Pepper Lunch Trade Secrets and the goodwill associated with the same, Franchisee shall not Open the Franchised Restaurant without the express written authorization of Franchisor, which authorization may be conditioned upon Franchisee's strict compliance with the specifications of the approved final plans and Pepper Lunch System standards, completion of the Pre-Opening Initial Training Program by the Principal Owner and the Restaurant Manager and Franchisee's compliance with staffing and other requirements. Franchisee shall Open the Franchised Restaurant for business following receipt of a temporary or permanent certificate of occupancy and no more than ten (10) days after receipt of Franchisor's written authorization to Open. Franchisee shall provide to Franchisor a report demonstrating the initial investment costs incurred to Open the Franchised Restaurant.

5.5. **Relocation of Franchised Restaurant.** To protect the Pepper Lunch System, the Pepper Lunch Marks, the Pepper Lunch Trade Secrets and the goodwill associated with the same, Franchisee may not relocate the Franchised Restaurant without Franchisor's prior written consent.

5.5.1. Franchisor's consent, which shall not be unreasonably withheld, is conditioned on one or more of the following circumstances: (i) the population or demographics in the Protected Area have changed substantially since the Opening Date of the Franchised Location; (ii) the Franchised Restaurant has suffered irreparable damage or destruction and cannot be repaired within sixty (60) days; or (iii) any other condition leading Franchisee and Franchisor to believe that continued operation of the Franchised Restaurant at the Franchised Location will not be profitable. Franchisee shall pay Franchisor a Relocation Fee when Franchisee requests Franchisor's consent to a relocation of the Franchised Restaurant. Franchisee shall submit to Franchisor in writing the materials Franchisor requires to consider Franchisee's request, including information concerning the proposed new location.

5.5.2. If Franchisor consents to a relocation, Franchisee shall de-identify the former Franchised Location in the manner described in Section 17.1 and shall reimburse and

indemnify and hold Franchisor harmless from any direct and indirect losses, costs and expenses, including attorneys' fees, arising out of Franchisee's failure to do so.

5.5.3. If Franchisor consents to a relocation of the Franchised Restaurant during the Term, Franchisee shall have twelve (12) months from the date of Franchisor's approval of the new Franchised Location to secure the new Franchised Location and to Open and operate the Franchised Restaurant at the new Franchised Location. Once Franchisee has identified the new Franchised Location, Franchisor has approved it, and the Lease has been submitted to Franchisor to allow Franchisor at least fifteen (15) days to confirm that the provisions set forth in Section 5.2 have been included in the proposed Lease and/or that the Landlord and Franchisee have executed an Option to Obtain Lease Assignment in the form specified by Franchisor, Franchisor and Franchisee shall complete and execute an addendum to Exhibit A to designate the Franchised Location.

## **6. OBLIGATIONS OF FRANCHISOR.**

6.1. **Pre-Opening Initial Training Program.** Franchisor shall provide a pre-opening initial training program in the System and methods of operation (the "**Pre-Opening Initial Training Program**") at location designated by Franchisor, currently Los Angeles, California and/or another location Franchisor designates, for up to four (4) supervisory or managerial personnel of Franchisee selected by Franchisee who shall be the Principal Owner and the Restaurant Manager / Kitchen Manager. If Franchisee sends additional individuals, Franchisee shall pay the then current per day fee charged by Franchisor. Franchisee shall attend and complete to Franchisor's satisfaction the Pre-Opening Initial Training Program. If the Franchised Restaurant is the first Franchised Restaurant to be operated by Franchisee, Franchisor shall provide training, instructors, a training manual, and other materials at no charge to Franchisee. The Pre-Opening Initial Training Program will consist of approximately six (6) weeks of training and must be completed a minimum of thirty (30) days before that Franchised Restaurant Opens for business. Franchisor shall not be obligated to provide any initial training or the Pre-Opening Initial Training Program to Franchisee if Franchisee, Franchisee's Affiliates or Franchisee's Owners own a Franchised Restaurant as of the Effective Date. However, Franchisor may, upon Franchisee's request, and if Franchisor determines, in its sole determination, that it is necessary, provide Franchisee with one (1) to two (2) weeks of initial training in such circumstances. The Pre-Opening Initial Training Program shall not be provided if (i) Franchisee or any Affiliate of Franchisee owns or operates a Pepper Lunch Restaurant as of the Effective Date, or (ii) this Agreement is executed as a Renewal Franchise Agreement. Franchisor shall determine the contents and manner of conducting the Pre-Opening Initial Training Program in its discretion, however, the Pre-Opening Initial Training Program will be structured to provide practical training in the implementation and operation of a Pepper Lunch Restaurant and may include such topics as on-site food preparation, portion control, preparation and cooking procedures, packaging procedures, Pepper Lunch System standards, marketing and customer service techniques, reports and equipment maintenance. Franchisee is strongly encouraged to train its team members in responsible alcohol service.

6.2. **Post-Opening Initial Training Programs.** Following the Opening Date of the Franchised Restaurant, Franchisor may, at Franchisee's request and at Franchisor's discretion, provide additional Initial Training Programs ("**Post-Opening Initial Training Programs**") for new or replacement supervisory or managerial personnel of Franchisee. Franchisee responsible for any then-current training fee for such Post-Opening Initial Training Programs.

6.3. **Post-Opening Additional Training Programs.** Franchisor may, from time to time during the Term (i) require the Principal Owner and each Restaurant Manager and/or other supervisory or managerial personnel of Franchisee to attend, or (ii) make available to the Principal

Owner and each Restaurant Manager, and/or other supervisory or managerial personnel of Franchisee additional and remedial training programs (“**Additional Training Programs**”), at Franchisor’s discretion. Franchisee responsible for any then-current training fee for such Post-Opening Additional Training Programs.

6.4. **Certified Managers Training / Pre and Post Opening Support.** For Franchisee’s (or its Affiliates) first Pepper Lunch Restaurant (or for any subsequent Restaurant in Franchisor’s sole discretion), Franchisor will provide Franchisee with a Manager’s Training Course to certify not less than three (3) and up to four (4) store managers / restaurant operators for your Franchised Restaurant. Our training team will serve only as consultants to Franchisee and shall not be responsible (personally or on behalf of Franchisor) for the operation of the Franchised Restaurant or the actions of Franchisee’s employees during this time. Franchisee must pay the Certified Managers Training Fee of \$10,000, which is due 30-60 days prior to commencement of the training upon request from Franchisor. In addition, Franchisor, in its discretion, provides certain pre and post opening support either remotely or at the Franchised Restaurant and Franchisee must pay the Pre and Post Opening Support Fee of \$10,000 by no later than 14 days prior to the Franchised Restaurant’s grand opening. This support package is mandatory for every new Restaurant opening.

6.5. **Manuals.** Franchisor will loan or otherwise provide Franchisee with access, by hard copy or via the Internet Franchisee one copy of its current Manuals during the Term of this Agreement, which may include audio, video, compact disks, computer software, other electronic media and/or written materials. At Franchisor’s option, Franchisor may post some or all of the Manuals on a restricted Website, intranet, or extranet to which Franchisee will have access. The Manuals may change from time to time during the Term. The Manuals are, and at all times shall remain Franchisor’s sole property and shall promptly be returned to Franchisor upon expiration, termination or an Assignment of this Agreement. The Manuals contain both mandatory and recommended specifications, standards, procedures, rules and other information pertinent to the Pepper Lunch System and Franchisee’s obligations under this Agreement. Franchisee shall comply at all times with the terms and conditions prescribed in the Manuals, as modified by Franchisor from time to time. The Manuals, as modified by Franchisor from time to time, are an integral part of this Agreement and all provisions now or hereafter contained in the Manuals or otherwise communicated to Franchisee in writing are expressly incorporated into this Agreement by this reference and made a part of this Agreement. Franchisor reserves the right to modify the Manuals from time to time to reflect changes that it may implement, in mandatory and recommended specifications, standards and operating procedures of the Pepper Lunch System. Franchisee shall immediately conform its operations to all revisions in mandatory specifications, standards, operating procedures and rules prescribed by Franchisor in the Manuals or otherwise.

6.6. **Post Opening Consultation.** Franchisor may provide regular consultation and advice to Franchisee in response to Franchisee’s inquiries about specific administrative and operating issues that Franchisee brings to Franchisor’s attention including, without limitation, mandatory and recommended specifications, standards and operating procedures of the Pepper Lunch System. Franchisor’s consultation and advice may be provided by telephone, in writing, electronically, in person, or by other means. Franchisor may make recommendations that it deems appropriate to assist Franchisee’s efforts. However, Franchisee alone shall establish all requirements, consistent with the policies of Franchisor, regarding (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees; (ii) the individuals to whom Franchisee will offer and sell its products and services; and (iii) the suppliers from whom Franchisee obtains any products or services used in or at the Franchised Restaurant for which Franchisor has not established Pepper Lunch Franchise Approved Suppliers.

6.7. **Post-Opening Inspection.** To protect the Pepper Lunch System, the Pepper Lunch Marks, the Pepper Lunch Trade Secrets and the goodwill associated with the same, Franchisor's authorized representatives shall have the right, but not the obligation, from time to time, to enter the Franchised Restaurant during business hours, to examine the Franchised Restaurant, to confer with Franchisee's supervisory or managerial personnel, inspect and check operations, food, beverages, furnishings, interior and exterior decor, supplies, fixtures and equipment, and determine whether the Franchised Restaurant is being operated in accordance with this Agreement, the Pepper Lunch System and the Manuals. Franchisor shall use reasonable efforts to avoid materially disrupting the operation of the Franchised Restaurant during an inspection. If any inspection indicates any deficiency or unsatisfactory condition at the Franchised Restaurant, Franchisor will notify Franchisee in writing of the deficiencies and Franchisee shall promptly correct, remedy or repair the same. In addition, if any inspection indicates any deficiency or unsatisfactory condition which requires a re-inspection of the Franchised Restaurant within a period of thirty (30) days, Franchisee shall pay Franchisor, upon demand, the sum of \$500 for each re-inspection of the Franchised Restaurant and shall, in addition, reimburse Franchisor for its out-of-pocket expenses for the re-inspection, including for transportation costs, food, lodging and similar costs. In addition, Franchisor may, in its sole discretion, contract with a third party to conduct sanitation and food safety audits of the Franchised Restaurant periodically throughout the Term, but no less than once per calendar year.

6.8. **Virtual Training, Assistance and Inspections.** Franchisor may provide any or all portions of the Pre-Opening Initial Training Program, Post-Opening Initial Training Programs, Post-Opening Additional Training Programs, pre and post-opening on-site opening assistance, post-opening consultations and/or post-opening inspections remotely over a virtual communication platform designated by Franchisor.

6.9. **Franchisee Advisory Council and Selection.** Franchisor may elect to form a franchise advisory council (the "**Council**") to provide advice and suggestions regarding specified matters to Franchisor. The Council shall consist of Pepper Lunch Franchisees selected by Franchisor ("**Franchisee Members**"). All Franchisee Members must be in Good Standing. Franchisor may select Franchisee Members from any national or international regions in which that Franchisee Member resides or does business. The Franchisee Members need not be from different regions. The Council may also consist of a designated number of Franchisor's corporate employees and/or members of a public relations firm selected by Franchisor. The purpose of the Council is to provide constructive, open and two-way communications between Pepper Lunch Franchisees and Franchisor. In particular, the Council will provide a cooperative forum for the Council members to receive and discuss information, to provide input, advice and planning regarding various limited and specified matters and to encourage each franchise owner to remain in Good Standing as the Pepper Lunch System grows and develops through fostering communications between Pepper Lunch Franchisees and Franchisor. While Franchisor is not required to do so, except as specified in this Agreement, if Franchisor submits any matters for approval to the Council and approval is granted, the approval will be binding on Franchisee. Notwithstanding the foregoing, Franchisor shall have the right to make the final decision on all matters considered by the Council.

6.10. **Toll Free Telephone Number And Online Programs.** Franchisor has the right, but not the obligation, to establish and maintain a toll free telephone number or an online program for the purpose of accepting and confirming customer orders nationwide, customer service, and customer follow-up and satisfaction surveys. If Franchisor establishes a toll free number or online program, Franchisee shall comply with Franchisor's procedures for implementing the nationwide service as Franchisor specifies in the Manuals or otherwise in writing.

## **7. OBLIGATIONS OF FRANCHISEE.**

To protect the Pepper Lunch System, the Pepper Lunch Marks, the Pepper Lunch Trade Secrets and the goodwill associated with the same:

7.1. **Pepper Lunch System.** Franchisee shall operate the Franchised Restaurant in compliance with the terms of this Agreement and the Manuals. Franchisee acknowledges and agrees that Franchisee alone shall exercise day-to-day control over all operations, activities and elements of the Franchised Restaurant, including over Franchisee's employees, and that under no circumstance shall Franchisor do so or be deemed to do so. Franchisee further acknowledges and agrees that the various requirements, restrictions, prohibitions, specifications and procedures of the Pepper Lunch System with which Franchisee must comply under this Agreement, the Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Franchised Restaurant, which Franchisee alone controls, but only constitute standards to which Franchisee must adhere when exercising Franchisee's control over the day-to-day operations of the Franchised Restaurant consistent with the policies of Franchisor. Franchisee shall comply with Franchisor's standards and shall operate the Franchised Restaurant in conformity with the methods, standards, and specifications that Franchisor may from time to time prescribe in the Manuals or otherwise. Franchisee shall comply, at Franchisee's expense, with all modifications prescribed by Franchisor and shall implement changes to the Pepper Lunch System within the time periods specified by Franchisor following Franchisee's receipt of notice from Franchisor to do so. Franchisee shall refrain from deviating from the methods, standards, and specifications without Franchisor's prior written consent and from otherwise operating in any manner which reflects adversely on the Pepper Lunch Marks or the Pepper Lunch System. Since every detail of the Pepper Lunch System is essential in order to develop and maintain quality operating standards, to increase the demand for the products and services sold by Pepper Lunch Restaurants under the Pepper Lunch System and to protect the Pepper Lunch Marks and reputation and goodwill, Franchisor shall have the right to disapprove, as it believes necessary, any modification of, or addition to, the Pepper Lunch System suggested by Franchisee that is reasonably likely to have an adverse material effect on the Pepper Lunch System, the Pepper Lunch Marks or Franchisor's reputation or goodwill.

7.2. **Pre-Opening Initial Training Program.** Franchisee shall attend and complete to Franchisor's satisfaction the Pre-Opening Initial Training Program, and Franchisee's supervisory or managerial personnel may also attend the Pre-Opening Initial Training Program. Franchisee shall pay all travel, living, compensation, and other expenses, if any, incurred by Franchisee and/or Franchisee's supervisory or managerial employees to attend the Pre-Opening Initial Training Programs. Franchisee may not open the Franchised Restaurant until the Pre-Opening Initial Training Program has been completed to the satisfaction of Franchisor and Franchisee's management team has been certified by Franchisor. If Franchisee (i) fails to complete the Pre-Opening Initial Training Program at least thirty (30) days prior to Opening the Franchised Restaurant; (ii) does not complete the Pre-Opening Initial Training Program to Franchisor's satisfaction; (iii) does not, during the Pre-Opening Initial Training Program, appear to possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by the Pepper Lunch System or this Agreement or; (iv) is not acceptable to become a franchisee of Franchisor for any reason whatsoever, in Franchisor's sole and absolute discretion, Franchisor may terminate this Agreement upon five (5) days' written notice to Franchisee and this Agreement shall thereafter be of no further force or effect. Franchisee acknowledges that because of Franchisor's superior skill and knowledge with respect to the training and skill required to manage the Pepper Lunch Restaurant, Franchisor, in its sole discretion, shall determine if Franchisee, the Principal Owner or the Restaurant Manager has satisfactorily completed the Pre-Opening Initial Training Program. Franchisor shall have the right to retain the Initial Franchise Fee. Franchisor and Franchisee acknowledge and agree that the actual

damages to be suffered by Franchisor in this circumstance are difficult, if not impossible, to determine, and that, under all the facts and circumstances, this calculation of Franchisor's potential damages and retention of the Initial Franchise Fee by Franchisor, are a reasonable, good-faith estimate of those damages. For each Pepper Lunch Restaurant, Franchisee must, at all times, employ at least one managerial employee who has been certified by Franchisor in the Initial Training Program.

7.3. **Certified Managers Training / Pre and Post Opening Support**. Franchisor will provide a Managers Training Course to certify not less than 3, up to 4 store managers/restaurant operators for the Franchised Restaurant. Franchisee must send at least 3 individuals to the Managers Training Course. Franchisee shall notify Franchisor at least thirty (30) days in advance of the scheduled date (the "**Turnover Date**") that (i) all construction and remodeling of the Franchised Location will be completed; (ii) Franchisee will have all permits necessary to Open the Franchised Restaurant, including but not limited to an alcohol license; and (iii) Pepper Lunch Restaurant is ready for turn-over by the general contractor to Franchisee, to allow Franchisor to schedule a date for Franchisor's on-site training for Franchisee's first Pepper Lunch Restaurant (or for any subsequent Restaurant in Franchisor's sole discretion). Franchisor will provide Franchisee with a turnover checklist approximately fourteen (14) days before the scheduled Turnover Date and will schedule a conference call with Franchisee approximately eight (8) days before the scheduled Turnover Date to confirm the Turnover Date so that Franchisor may book travel arrangements for its representatives, if any, who will provide the training. The Certified Managers Training will be provided at Franchisor's discretion. Approximately three (3) days before the scheduled Turnover Date, Franchisor will schedule a final conference call with Franchisee to confirm the Turnover Date and the date on which Franchisor's representatives will arrive at Pepper Lunch Restaurant. If, after the final conference call, the Turnover Date is delayed or accelerated by more than two (2) days from the date specified during the conference call, Franchisee shall reimburse Franchisor for any and all costs and expenses incurred by Franchisor to change the travel arrangements for its representatives who were scheduled to provide on-site training. If Franchisor provides Franchisee with Certified Managers Training and the team remains at the Franchised Restaurant for more than seven (7) days after the Opening Date, or Franchisee requests Franchisor to provide Franchisee with Certified Managers Training for Franchisee's second or subsequent Pepper Lunch Restaurants, Franchisee shall pay Franchisor its Then-Current daily fee (in addition to the Certified Managers Training Fee) to defray Franchisor's direct costs to provide the Certified Managers Training. In addition, Franchisee shall pay all transportation costs, food, lodging and similar costs incurred for the Certified Managers Training.

In addition, Franchisor, in its discretion, provides certain pre and post opening support either remotely or at the Franchised Restaurant and Franchisee must pay the Pre and Post Opening Support Fee of \$5,000 by no later than 14 days prior to the Franchised Restaurant's grand opening. This support package is mandatory for every new Restaurant opening.

7.4. **Post-Opening Initial Training Programs**. If, following the Opening Date of the Franchised Restaurant, Franchisee requests Franchisor to provide additional Initial Training Programs for new or replacement supervisory or managerial personnel and Franchisor agrees to do so, Franchisee shall pay Franchisor its Then-Current Post-Opening Initial Training Fee for each of Franchisor's representatives that provides the Post-Opening Initial Training Programs to defray Franchisor's direct costs to provide the Post-Opening Initial Training Programs. Franchisee shall pay all transportation costs, food, lodging and similar costs incurred by Franchisor and Franchisee in connection with attendance at Post-Opening Initial Training Programs.

7.5. **Post-Opening Additional Training Programs**. Following the Opening Date of the Franchised Restaurant, Franchisee, the Principal Owner and each Restaurant Manager shall attend

Additional Training Programs as required by Franchisor. Franchisee shall pay Franchisor its Then-Current Post-Opening Additional Training Program Daily Fee for each of Franchisor's representatives who provides Additional Training Programs to defray Franchisor's direct costs to provide the Additional Training Programs. In addition, Franchisee shall pay all transportation costs, food, lodging and similar expenses incurred in connection with attendance at the Additional Training Programs. A maximum of four (4) persons can be trained at the same time.

7.6. **Virtual Training, Assistance and Inspections.** Franchisee acknowledges that Franchisor may provide any or all portions of the Pre-Opening Initial Training Program, Post-Opening Initial Training Programs, Post-Opening Additional Training Programs, post-opening on-site assistance, post-opening consultations and/or post-opening inspections remotely over a virtual communication platform designated by Franchisor.

7.7. **POS System and Computer Hardware and Software.** Franchisee shall purchase, use and maintain a computerized point of sale cash collection system (including a POS System network router, computer, cameras and DVR, back office computer and printer and other related hardware and software) as specified in the Manuals or otherwise by Franchisor in writing for Franchised Restaurant (the "**POS System**"). The POS System shall at all times and be capable of accessing the Internet for the purpose of implementing software, transmitting and receiving data, and accessing the Internet for ordering and maintaining the POS System. The POS System shall be electronically linked to Franchisor, and Franchisee shall allow Franchisor to poll the POS System on a daily or other basis at the times and in the manner established by Franchisor, with or without notice, and to retrieve transaction information including sales, menu mix, usage, and other operations data that Franchisor deems appropriate. Franchisor may require Franchisee to update, upgrade or replace the POS System, including hardware and/or software, from time to time, upon written notice, provided that Franchisee shall not be required to replace the POS System any more frequently than once every three (3) years. The POS System must include the required technology to permit Franchisee to accept online orders of Authorized Pepper Lunch Products and services at the Franchised Restaurant and to accept and process Pepper Lunch Franchise gift cards sold in other Pepper Lunch Restaurants. In addition, Franchisee shall purchase, lease or license all computer hardware and software designated by Franchisor for the Franchised Restaurant at Franchisee's expense. During the Term, Franchisee shall maintain and update all computer hardware and software as required by Franchisor and must pay a monthly fee to its approved POS system provider, at Franchisee's own expense.

7.8. **Product Line and Service.** Franchisee shall advertise, sell and serve all and only Authorized Pepper Lunch Products at or from the Franchised Restaurant. All Authorized Pepper Lunch Products shall be sold and distributed under the names designated by Franchisor and shall be prepared and served strictly in accordance with Franchisor's methods, standards, and specifications. Franchisee shall not remove any Authorized Pepper Lunch Product from Franchisee's menu without Franchisor's written consent. Franchisee shall not sell any Authorized Pepper Lunch Products outside of the Franchised Restaurant or to any customer for the purpose of resale by the customer, and all sales by Franchisee shall be for retail consumption only. Franchisee must participate in, observe and undertake any menu changes, limited time menu offerings, or specials as required by Franchisor.

7.9. **Oversight and Management.** The Principal Owner shall be responsible for oversight of the day-to-day operations of the Franchised Restaurant and shall devote his full time and best efforts solely to operation of the Franchised Restaurant operated by Franchisee and to no other business activities. Franchisee shall provide comprehensive initial training programs, additional training programs and remedial training programs for its Restaurant Managers and other employees and shall ensure that the Franchised Restaurant is at all times under the direct control of a Restaurant

Manager or Restaurant Managers and other supervisory or managerial employees fully trained by Franchisee and solely dedicated to operation of the Franchised Restaurant. In addition, at all times when the Restaurant is open, a manager who has completed the Managers Training Course under Section 7.3 must be managing the Restaurant. Each Restaurant Manager shall have a skill level, training and experience commensurate with the demands of the position and conform in all respects with Franchisor's high standards for quality products, courteous service, and cleanliness of operations. Franchisee, its Principal Owner, and each Restaurant Manager, shall successfully complete the ServSafe® Food Safety Certification Program, or show evidence of prior ServSafe certification. Franchisor may, in its sole discretion, replace the ServSafe® Food Safety Certification Program with another food safety certification program, if deemed appropriate. Franchisee shall be responsible for all fees and material costs associated with any certification program.

7.10. **Menus.** The approved and authorized menu and menu formats may include, in Franchisor's discretion, requirements on organization, graphics, product descriptions, illustrations and any other matters related to the menu, whether or not similar to those listed. In Franchisor's discretion, the menu and/or menu formats may vary depending upon region, market size and other factors which affect the Franchised Restaurant. Franchisor may change the menu and/or menu formats from time to time and authorize tests from region to region or within regions. Franchisee shall, upon receipt of notice from Franchisor, add, delete or update any Authorized Pepper Lunch Products to its menu according to the instructions contained in the notice. Franchisee shall have a minimum of thirty (30) days and not more than sixty (60) days after receipt of written notice in which to fully implement any menu change. Franchisee shall cease selling previously approved Authorized Pepper Lunch Products within thirty (30) days after receipt of notice that the product is no longer approved. All menus, containers, napkins, bags, cups and other packaging and like articles used at the Franchised Restaurant shall conform to Franchisor's specifications, shall be imprinted with the Pepper Lunch Marks, if and as specified by Franchisor, and shall be purchased by Franchisee from a Pepper Lunch Franchise Approved Supplier.

7.11. **Compliance with Applicable Law.** Franchisee shall operate the Franchised Restaurant as a clean, orderly, legal and respectable place of business in accordance with Franchisor's business standards and merchandising policies and shall comply with all Applicable Laws. Franchisee shall not cause or allow any part of the Franchised Restaurant or the Franchised Location to be used for any immoral or illegal purpose. Franchisee shall in all dealings with its customers, suppliers, and public officials adhere to high standards of honesty, integrity, fair dealing and ethical conduct and refrain from engaging in any action which will cause Franchisor to be in violation of any Applicable Law. If Franchisee shall receive any notice, report, fine, test results or the like from any applicable department of health (or other similar Governmental Authority), Franchisee shall promptly send a copy of the same to Franchisor.

7.12. **Hours.** Subject to Applicable Law, the Franchised Restaurant shall be open and operational at least ten (10) hours per day, seven (7) days per week or as otherwise prescribed by Franchisor. Franchisee shall diligently and efficiently exercise its best efforts to achieve the maximum Gross Sales possible from its Franchised Location, and shall remain open for longer hours if additional opening hours are reasonably required to maximize operations and sales. Franchisee must operate the Restaurant continuously throughout the Term of this Agreement.

7.13. **Signs.** Franchisee shall maintain approved signs and/or awnings at, on, or near the front of the Franchised Restaurant, identifying the Franchised Location as a Pepper Lunch Restaurant, which shall conform in all respects to Franchisor's specifications and requirements and the layout and design plan approved for the Franchised Location, subject only to restrictions imposed by Applicable Law.

7.14. **Franchisee Employee Policies.** Franchisee shall maintain a competent, conscientious, and trained staff and shall take all steps necessary to ensure that its employees preserve good customer relations, render competent, prompt, courteous, and knowledgeable service, and meet the minimum standards that Franchisor may establish from time to time in the Manuals or otherwise. All employees hired by or working for Franchisee shall be the employees of Franchisee, and Franchisee alone, and shall not, for any purpose, be deemed to be the employees of Franchisor or subject to Franchisor's direct or indirect control, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any Governmental Authority. Franchisee and Franchisor will each file their own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers' compensation insurance payments with respect to their respective employees and operations. Franchisee acknowledges and agrees that Franchisor will not have the power to hire or fire Franchisee's employees. Franchisee expressly agrees, and will never contend otherwise, that Franchisor's authority under this Agreement to certify Franchisee's supervisory or managerial personnel for qualification to perform certain functions at the Franchised Restaurant does not directly or indirectly vest in Franchisor the power to hire, fire or control any of Franchisee's personnel. Franchisee alone shall be solely responsible for all hiring and employment decisions and functions relating to the Franchised Restaurant, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether Franchisee has received advice from Franchisor on these subjects or not. Franchisee acknowledges and agrees that any guidance Franchisee receives from Franchisor regarding employment policies should be considered as examples, that Franchisee alone is responsible for establishing and implementing its own employment policies, and that Franchisee understands that Franchisee should do so in consultation with local legal counsel experienced in employment law. Franchisee shall immediately defend, reimburse and hold Franchisor harmless from any direct or indirect losses, costs and expenses, including attorneys' fees, arising out of any claim made by or for the benefit of any employee of Franchisee against Franchisor regarding employment decisions and employee functions at the Franchised Restaurant, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees. Franchisee shall take all action necessary to ensure that Franchisee's employees understand and acknowledge that they are not employees of Franchisor, including, without limitation, requiring Franchisee's employees to sign a written acknowledgement that Franchisee is an independently owned and operated franchisee and their sole employer in a form specified by Franchisor in the Manuals or otherwise in writing from time to time. Franchisee shall cause all employees, while working in the Franchised Restaurant, to wear uniforms of the color, design and other specifications that Franchisor may designate from time to time and to present a neat and clean appearance. If Franchisor removes a type of uniform utilized by Franchisee from the list of approved uniforms, Franchisee shall have ninety (90) days from receipt of written notice of removal to discontinue use of its existing inventory of uniforms and obtain and use the approved type of uniform.

7.15. **Vending or Other Machines.** Except with Franchisor's written approval, Franchisee shall not cause or permit vending, gaming machines, pay telephones, automatic teller machines, Internet kiosks or any other mechanical or electrical device to be installed or maintained at the Franchised Restaurant.

7.16. **Customer Complaints and Cooperation.** Franchisee shall respond promptly to each customer inquiry or complaint and resolve all reasonable complaints to the customer's satisfaction. Franchisee shall use and display in the Franchised Restaurant during all operating hours customer comment cards in the manner specified in the Manuals. Franchisee shall, from time to time, purchase from Franchisor or an Approved Supplier, and maintain in the Franchised Restaurant, a supply of postage prepaid customer comment cards reasonably adequate to meet Franchisee's

needs. Franchisee shall at all times cooperate with Franchisor and other franchisees of Franchisor and shall actively participate in any and all sales, public relations, advertising, cooperative advertising and purchasing programs or promotional programs which may be developed and implemented by Franchisor which call for the cooperation of Franchisee and other franchisees of Franchisor and shall further cooperate in any additional programs which may be established and designated by Franchisor from time to time including participating in coupon programs, the system-wide use of gift certificates and gift cards and other similar programs for the benefit of the Pepper Lunch System and shall comply with Franchisor's rules and regulations established from time to time in connection herewith. Franchisee shall cooperate with Franchisor in connection with the test marketing of products and services at the Franchised Restaurant and shall comply with Franchisor's rules and regulations established from time to time in connection herewith.

7.17. **Re-Imaging of Franchised Restaurant.** Franchisee shall at its own expense, make the alterations, additions, or modifications to the Franchised Restaurant that Franchisor may reasonably require to accommodate changes made by Franchisor to the Pepper Lunch System, including, without limitation, changes to menu items or market positioning. Franchisee shall have ninety (90) days from receipt of notice from Franchisor regarding re-imaging requirements in which to make the required alterations, additions, or modifications to the Franchised Restaurant.

7.18. **Intranet.** Franchisor does not currently operate or permit the operation of a Pepper Lunch Franchisee Intranet. In the event Franchisor does establish an Intranet, Franchisee shall have the mere privilege to use the Intranet, subject to Franchisee's strict compliance with the standards and specifications, protocols and restrictions that Franchisor may establish from time to time. Franchisee acknowledges that, as administrator of the Intranet, if implemented, Franchisor may access and view any communication posted on the Intranet. If Franchisor implements an Intranet, Franchisor may, at Franchisor's discretion, discontinue or terminate the Intranet at any time. Franchisee further acknowledges that the Intranet facility and all communications that are posted to it will become Franchisor's property, free of any claims of privacy or privilege that Franchisee or any other person may assert. Franchisee shall establish and continually maintain an electronic connection with the Intranet as specified in the Manuals that allows Franchisor to send messages to and receive messages from Franchisee and pay all applicable fees per user. If Franchisee shall Default under this Agreement or any other agreement with Franchisor, Franchisor may, in addition to, and without limiting any other rights and remedies available to Franchisor, disable or terminate Franchisee's access to the Intranet without Franchisor having any liability to Franchisee.

7.19. **Improvements.** If Franchisee develops any new concept, process or improvement in the Pepper Lunch System (an "**Improvement**"), Franchisee shall promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any Improvement shall become the sole property of Franchisor and Franchisor shall be the sole owner of all related intellectual property rights. Franchisee hereby assigns to Franchisor any rights Franchisee may have or acquire in the Improvements, including the right to modify the Improvement, and Franchisee waives and/or releases all rights of restraint and moral rights therein and thereto. Franchisee shall assist Franchisor in obtaining and enforcing the intellectual property rights to any Improvement in any and all countries and further agrees to execute and provide Franchisor with all necessary documentation for obtaining and enforcing those rights. Franchisee hereby irrevocably designates and appoints Franchisor as Franchisee's agent and attorney-in-fact to execute and file any the documentation and to do all other lawful acts to further the prosecution and issuance of intellectual property rights related to any Improvement. If the foregoing provisions of this Section 7.19 are found to be invalid or otherwise unenforceable, Franchisee hereby grants Franchisor a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense to use of the Improvement to the extent the use or sublicense would, absent this Agreement, directly or indirectly infringe Franchisee's rights therein.

7.20. **Refurbishment of Franchised Restaurant.** At Franchisor's request, but not more often than once every five (5) years unless sooner required by the Lease, Franchisee shall refurbish the Franchised Restaurant, at its own expense, to conform to the building design, trade dress, color schemes, and presentation of the Pepper Lunch Marks in a manner consistent with the then-current public image for new or remodeled Pepper Lunch Restaurants, including, without limitation, replacement or renovation of equipment, remodeling, redecoration, and modifications to existing improvements and reasonable structural changes that Franchisor may reasonably require or that may be required by Applicable Law.

7.21. **Notifications and Crisis Management Events.** Franchisee shall notify Franchisor in writing within (i) twenty-four (24) hours, and confirm in writing within two (2) days thereafter, of any investigation or violation, actual or alleged, of any health, liquor or narcotics laws or regulation related to the Franchised Restaurant, and (ii) five (5) days of the commencement of any investigation, action, suit, or proceeding or of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other Governmental Authority which may adversely affect the operation or financial condition of the Franchised Restaurant. Franchisee shall immediately inform Franchisor's President (or as otherwise instructed in the Manuals) by telephone of the occurrence of a Crisis Management Event. Franchisee shall cooperate fully with Franchisor with respect to Franchisor's response to a Crisis Management Event.

7.22. **Annual Franchisee Conference.** Franchisor may hold an Annual Franchisee Conference for all Pepper Lunch Franchisees each year. The Principal Owner and each Restaurant Manager shall attend the Annual Franchisee Conference. Franchisee shall pay Franchisor a Franchisee Conference Fee of \$500 ("**Franchisee Conference Fee**") to reimburse Franchisor for a portion of the direct costs to provide the Annual Franchisee Conference. Franchisee shall pay the Franchisee Conference Fee upon demand at least thirty (30) days before the date of the Annual Franchisee Conference, whether or not Franchisee attends the Annual Franchisee Conference.

7.23. **Credit Cards.** Franchisee shall honor all credit, charge, courtesy and cash cards approved by Franchisor in writing. To the extent Franchisee shall store, process, transmit or otherwise access or possess cardholder data in connection with the sale of Authorized Pepper Lunch Products, Franchisee shall maintain the security of cardholder data and adhere to the then-current Payment Card Industry Data Security Standards ("**PCI DSS**"), currently found at [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org), for the protection of cardholder data throughout the Term. Franchisee shall be and remain responsible for the security of cardholder data in the possession or control of any subcontractors Franchisee engages to process credit cards. All subcontractors must be identified to and approved by Franchisor in writing prior to sharing cardholder data with the subcontractor. Franchisee shall, if requested to do so by Franchisor, provide appropriate documentation to Franchisor to demonstrate compliance with applicable PCI DSS requirements by Franchisee and all identified subcontractors.

7.24. **Gift Cards, Loyalty and CRM Programs, Social Media Software, Online and Mobile Ordering.** Franchisee shall not create or issue any gift certificates or gift cards and shall only sell gift certificates or gift cards that have been issued or approved by Franchisor that are accepted at all Pepper Lunch Restaurants. Franchisee shall participate in all gift certificate and/or gift card administration programs as may be designated by Franchisor from time to time. Franchisee shall honor all coupons, gift certificates, gift cards and other programs or promotions as directed by Franchisor. Franchisee shall fully participate in all guest loyalty or frequent customer programs now or in the future adopted or approved by Franchisor. Franchisee shall not issue coupons or discounts of any type for use at the Franchised Restaurant except as approved by Franchisor in writing, which may be withheld in Franchisor's sole and absolute discretion. In addition, Franchisee shall purchase, enroll in or subscribe to, as applicable, all customer loyalty, CRM, social media analytics, and online

and mobile ordering software or programs as specified by Franchisor in its Manual or otherwise in writing. Franchisor reserves the right to change the designated suppliers of these or similar services in Franchisor's sole discretion. Franchisee shall change, purchase or subscribe to the additional programs or software, as applicable, immediately upon notice from Franchisor to do so.

7.25. **Music and Music Selection.** Franchisee shall play only the music and music selections that have been approved by Franchisor as set forth in the Manuals or otherwise in writing. Franchisee shall install the equipment necessary to receive and play approved music, at Franchisee's cost inclusive of any licensing fees.

7.26. **Data Security Safeguards.** Franchisee shall exert Franchisee's best efforts to protect its customers against a cyber-event, including, without limitation, a data breach or other identity theft or theft of personal information (collectively, a "**Cyber Event**"). If a Cyber Event occurs, regardless of whether the Cyber Event affects only the Franchised Restaurant, Franchisor reserves the right, but shall not have any obligation, to perform and/or control and/or cause its third-party consultants to perform and/or control all aspects of the response to the Cyber Event including, without limitation, the investigation, containment and resolution of the Cyber Event and all communications within the Pepper Lunch Franchise system and with vendors and suppliers, Governmental Authorities and the general public. Franchisor's control of the response to a Cyber Event may potentially affect or interrupt operations of the Franchised Restaurant, but shall not create any liability for Franchisor or additional rights for Franchisee, entitle Franchisee to damages or relieve Franchisee of Franchisee's indemnification obligations under Section 18.4. Franchisee shall reimburse Franchisor for all of Franchisor's out-of-pocket costs and expenses incurred in responding to and remedying any Cyber Event caused solely by Franchisee or the Franchised Restaurant. Franchisee acknowledges that compliance with this Section does not guarantee that no Cyber Event will occur, and that any losses or expenses incurred by Franchisor as a result of a Cyber Event will be subject to indemnification under this Agreement. Franchisee shall at all times be compliant with (i) the NACHA ACH Security Framework; (ii) the Payment Rules; (iii) Applicable Law regarding data privacy, data security and security breaches; and (iv) Franchisor's security policies and guidelines, all as may be adopted and/or amended from time to time (collectively, "**Data Security Safeguards**"). Franchisee shall obtain advice from Franchisee's own legal and security consultants to ensure that Franchisee operates the Franchised Restaurant at all times in full compliance with the Data Security Safeguards. Notwithstanding Franchisor's right to perform and/or control all aspects of a response to a Cyber Event, Franchisor shall make commercially reasonable efforts to coordinate its response with Franchisee and Franchisee's insurance carrier(s) and to cooperate with Franchisee's insurance carrier(s) regarding insurance coverage of the Cyber Event to the extent reasonably practicable under the circumstances.

7.27. **Payment of Debts.** Franchisee shall be solely responsible for selecting, retaining and paying Franchisee's employees; the payment of all invoices for the purchase of goods and services used in connection with operating the Franchised Restaurant and determining whether, and on what terms, to obtain any financing or credit which Franchisee deems advisable or necessary for the opening and operation of the Franchised Restaurant. Franchisee shall pay all obligations and liabilities to suppliers, lessors and creditors on a timely basis. Franchisee shall indemnify Franchisor if Franchisor is held responsible for any debts owed by Franchisee if Franchisor elects to pay any of Franchisee's obligations in order to preserve the relationship between suppliers and Pepper Lunch Franchisees. Franchisee shall make prompt payment of all federal, state and local taxes, including individual and corporate taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, FICA taxes, and personal property and real estate taxes arising from Franchisee's operation of the Franchised Restaurant. Franchisee shall indemnify Franchisor if Franchisor is held responsible for any of these taxes.

7.28. **Prices.** Subject to Applicable Law, following the Opening Date of the Franchised Restaurant, Franchisor shall have the right to establish pricing guidelines for Authorized Pepper Lunch Products and, subject to Applicable Law, Franchisee shall comply with, and be bound by, prices which may be recommended, suggested or advertised by Franchisor. Subject to Applicable Law, Franchisee shall honor the terms of all promotional or discount programs that Franchisor may offer to the public for Pepper Lunch Franchised Restaurants and shall comply with all pricing policies that Franchisor may specify, including minimum and maximum price policies, minimum advertised price policies and unilateral price policies. Franchisee shall also provide products and services designated by Franchisor on terms Franchisor specifies, including free-of-charge. In addition, Franchisee shall conduct friends and family, soft-opening and other events and promotions at the Franchised Restaurant as required and directed by Franchisor and shall provide products and services designated by Franchisor to the public in the manner and at the prices Franchisor specifies, including free-of-charge. Once Franchisee has set opening prices for Authorized Pepper Lunch Products at the Franchised Restaurant, any subsequent price changes not in accordance with Franchisor's pricing policies must be first approved by Franchisor in writing.

## 8. **SUPPLIERS AND PRODUCTS.**

To protect the Pepper Lunch System, the Pepper Lunch Marks, the Pepper Lunch Trade Secrets and the goodwill associated with the same:

8.1. **Approved Suppliers.** All Pepper Lunch Branded Products, Pepper Lunch Proprietary Products, Non-Proprietary Products designated by Franchisor for use and sale at the Franchised Restaurant must be purchased from Approved Suppliers. The Parent Company, Franchisor and their Affiliates may be, but are not obligated to become, Approved Suppliers of certain Pepper Lunch Branded Products, Pepper Lunch Proprietary Products and Non-Proprietary Products and may act as the sole Approved Suppliers of certain Pepper Lunch Branded Products, Pepper Lunch Proprietary Products and Non-Proprietary Products. Franchisor may operate an Online Portal that Franchisee can use to buy Pepper Lunch Branded Products, Pepper Lunch Proprietary Products, marketing materials, handbooks and menus directly from Approved Suppliers. If, at any time during the Term, Franchisor receives notice from an Approved Supplier that Franchisee is over sixty (60) days past due on any payment owed to the Approved Supplier, and Franchisee has not provided any notice to the Approved Supplier disputing the overdue amount prior to Franchisor's receipt of notice from the Approved Supplier concerning the past due amount, Franchisor shall have the right, but not the obligation, to make payment to the Approved Supplier on behalf of Franchisee and to thereafter reimburse itself for the amount paid to the Approved Supplier in the manner provided in Section 4.5. Exhibit H includes detail on certain purchases of required food items and equipment.

8.2. **Recommended Suppliers.** If Franchisee desires to purchase authorized Non-Proprietary Products from a Recommended Supplier rather than from Franchisor, its Affiliates or an Approved Supplier, Franchisee shall deliver written notice to Franchisor identifying the Recommended Supplier and shall provide Franchisor with reasonable financial, operational and other information regarding the Recommended Supplier necessary for Franchisor to assess the Recommended Supplier. Franchisee shall not purchase authorized Non-Proprietary Products without Franchisor's prior written consent. Franchisor shall notify Franchisee of Franchisor's decision in writing of Franchisor's approval or disapproval of a Recommended Supplier within sixty (60) days after Franchisor's receipt of the necessary information from Franchisee. As a condition of its approval, Franchisor may require a Recommended Supplier to agree in writing to (i) provide, from time to time, upon Franchisor's request, free samples of the Non-Proprietary Product the Recommended Supplier intends to supply to Franchisee, (ii) faithfully comply with Franchisor's specifications for the Non-Proprietary Products to be sold by the Recommended Supplier, (iii) sell any Non-Proprietary Products bearing the Pepper Lunch Marks only to franchisees of Franchisor

and only under a trademark license agreement with Franchisor, (iv) provide Franchisor, upon request, with duplicate purchase invoices issued to Franchisee for Franchisor's records and inspection purposes, (v) permit Franchisor to inspect the Recommended Supplier's facilities, (vi) to deliver to Franchisor and/or to an independent, certified laboratory designated by Franchisor, all information, specifications and samples that Franchisor designates for testing and (vii) otherwise comply with Franchisor's reasonable requests. Further, Franchisor may require Franchisee or the Recommended Supplier to reimburse Franchisor for all of Franchisor's actual costs in reviewing the application of the Recommended Supplier including travel and living costs, related to inspecting, re-inspecting and auditing the Recommended Suppliers' facilities, equipment, and food products. Franchisee shall pay Franchisor in advance, a deposit of up to \$1,000, before Franchisor begins any inspection. Franchisor may revoke its approval of a previously approved Recommended Supplier if the Recommended Supplier does not continue to satisfy Franchisor's criteria.

8.3. **Purchases from Franchisor or its Affiliates.** All Pepper Lunch Branded Products, Pepper Lunch Proprietary Products and Non-Proprietary Products purchased from Franchisor or its Affiliates shall be purchased in accordance with the purchase order format issued from time to time by Franchisor or its Affiliates and at the prices and on delivery terms and other terms offered to similarly situated Pepper Lunch Franchisees. Franchisor, or its Affiliates, in its sole and absolute discretion, may establish the credit terms, if any, upon which it will accept Franchisee's orders, and may require Franchisee to pay for orders on a cash-in-advance or cash-on-delivery basis. On the expiration or termination of this Agreement, or in the event of any Default by Franchisee under this Agreement, Franchisor or its Affiliates shall not be obliged to fill or ship any orders then pending or, in the case of termination or non-renewal, made any time thereafter by Franchisee and may, among other things, only deliver the quantities reasonably necessary to supply Franchisee's needs prior to the expiration or termination of this Agreement. Franchisor or its Affiliates shall not be liable to Franchisee for any delay or delivery failure caused by Force Majeure. Franchisor or its Affiliate shall not be liable to Franchisee for unavailability of, or delay in shipment or receipt of, merchandise because of temporary product shortages, order backlogs, production difficulties, delays, unavailability of transportation, fire, strikes, work stoppages, or other causes beyond the reasonable control of Franchisor or its Affiliate. If any goods or products sold by Franchisor or its Affiliate are not in sufficient supply to fully fulfill all orders, Franchisor or its Affiliate may allocate the available supply among itself, its Affiliates and others, including Franchisee and other franchisees, in any way Franchisor or its Affiliate deems appropriate, which may result in Franchisee not receiving any allocation of certain goods or products as a result of a shortage.

8.4. **Rebates.** Franchisor or its Affiliates may receive rebates or allowances from certain Approved Suppliers on purchases of Pepper Lunch Branded Products, Pepper Lunch Proprietary Products and Non-Proprietary Products made by Franchisee and other Pepper Lunch Franchisees. Rebates and allowances will generally be a percentage of the revenue derived by the Approved Supplier from sales to Pepper Lunch Restaurants, will be included in Franchisor's general revenue, and may be used by Franchisor for a variety of purposes including ongoing programs, education, marketing, advertising, seminars and conferences, the handling of inquiries and complaints from franchisees' customers and for general and administrative expenses. Franchisor may use these rebate and allowance funds received for any purpose in its sole and absolute discretion.

## 9. **PEPPER LUNCH MARKS.**

Franchisor and the Parent Company continue to develop, use and control the use of the Pepper Lunch Marks in order to identify for the public the source of services and products marketed under the Pepper Lunch Marks and the Pepper Lunch System, and to represent the Pepper Lunch System's high standards of quality, appearance and service. To protect the Pepper Lunch System,

the Pepper Lunch Marks, the Pepper Lunch Trade Secrets and the goodwill associated with the same:

9.1. **Ownership and Goodwill of Pepper Lunch Marks.** Franchisee acknowledges that its right to use the Pepper Lunch Marks is derived solely from this Agreement and is limited to use in operating as Franchisee pursuant to and in compliance with this Agreement. Any unauthorized use of the Pepper Lunch Marks by Franchisee shall constitute a breach of this Agreement and an infringement of Franchisor's and/or Parent Company's rights in and to the Pepper Lunch Marks. Franchisee acknowledges and agrees that (i) the Parent Company owns the Pepper Lunch Marks, the Parent Company has issued a license to Franchisor to use and sublicense the Pepper Lunch Marks for the sale and administration of Pepper Lunch Restaurants within the United States, (iii) Franchisee owns no goodwill or rights in the Pepper Lunch Marks or the Pepper Lunch System except for the license granted by this Agreement, and (iv) Franchisee's use of the Pepper Lunch Marks and any goodwill established by that use shall inure to the exclusive benefit of Franchisor (or the Parent Company). Franchisee agrees not to contest, or assist any other person to contest, the validity of Franchisor's or the Parent Company's rights and interest in the Pepper Lunch Marks or of Franchisor's rights and interest in the Pepper Lunch System either during the Term or after this Agreement terminates or expires.

9.2. **Limitations on Use.** Franchisee shall not use any Pepper Lunch Marks (i) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos licensed to Franchisee under this Agreement), (ii) in connection with unauthorized services or products, (iii) as part of any domain name or electronic address maintained on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system, or (iv) in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give all notices of trademark and service mark registration that Franchisor specifies and shall use and obtain all fictitious or assumed name registrations required by Franchisor or under Applicable Law. Franchisee further agrees that no service mark other than "**Pepper Lunch**" or other Pepper Lunch Marks specified by Franchisor shall be used in marketing, promoting, or operating the Franchisee Business.

9.3. **Modifications.** Franchisor reserves the right to (i) modify or discontinue licensing any of the Pepper Lunch Marks, (ii) add new names, marks, designs, logos or commercial symbols to the Pepper Lunch Marks and require that Franchisee use them, and (iii) require that Franchisee introduce or observe new practices as part of the Pepper Lunch System in operating the Franchised Business. Franchisee acknowledges and agrees that the term Pepper Lunch Marks means the specific names, marks, designs, logos or commercial symbols licensed by Franchisor at any given point in time, subject to Franchisor's right to impose changes. Franchisee shall comply, at Franchisee's sole expense, with Franchisor's directions regarding changes in the Pepper Lunch Marks and Pepper Lunch System within a reasonable time after written notice from Franchisor. Franchisor shall have no liability to Franchisee for any cost, expense, loss or damage that Franchisee incurs in complying with Franchisor's directions and conforming to required changes.

9.4. **Defense of Pepper Lunch Marks and Pepper Lunch System.** Franchisor shall have the sole right to handle disputes with Franchisees and third parties concerning (1) the Parent Company's ownership of, rights in, or Franchisee's use of, the Pepper Lunch Marks or (2) Franchisor's ownership of, rights in, or Franchisee's use of, the Pepper Lunch System. Franchisee shall immediately notify Franchisor in writing if Franchisee receives notice, or is informed, of any (i) improper use of any of the Pepper Lunch Marks or elements of the Pepper Lunch System, including misuse by franchisees, (ii) use by any third party of any mark, design, logo or commercial symbol which, in Franchisee's judgment, may be confusingly similar to any of the Pepper Lunch Marks, (iii) use by any third party of any business practice which, in Franchisee's judgment, unfairly simulates the Pepper Lunch System in a manner likely to confuse or deceive the public, or (iv) claim, challenge,

suit or demand asserted against Franchisee based upon Franchisee's use of the Pepper Lunch Marks or the Pepper Lunch System. Franchisor shall have sole discretion to take all action as it deems appropriate, including, without limitation, to take no action, and the sole right to control any legal proceeding or negotiation arising out of any infringement, challenge or claim or otherwise relating to the Pepper Lunch Marks or the Pepper Lunch System. Franchisee shall not settle or compromise any claim, suit or demand asserted against it and agrees to be bound by Franchisor's decisions in handling disputes regarding the Pepper Lunch Marks and the Pepper Lunch System. Franchisee shall cooperate fully with Franchisor and execute all documents and perform all actions as may, in Franchisor's judgment, be necessary, appropriate or advisable in the defense of all claims, suits or demands and to protect and maintain Franchisor's (or, if applicable, the Parent Company's) rights in the Pepper Lunch Marks and the Pepper Lunch System. Unless it is established that a third party claim asserted against Franchisee is based directly upon Franchisee's misuse of the Pepper Lunch Marks or the Pepper Lunch System, Franchisor agrees to defend Franchisee against the third party claim and indemnify Franchisee for any losses resulting therefore, provided Franchisee has notified Franchisor as soon as practical after learning of the claim and fully cooperates in the defense of the action. Because Franchisor will defend the third party claim, Franchisee is not entitled to be reimbursed for legal or other professional fees or costs paid to independent legal counsel or others in connection with the matter.

## **10. ADVERTISING.**

To protect the Pepper Lunch System, the Pepper Lunch Marks, the Pepper Lunch Trade Secrets and the goodwill associated with the same:

10.1. **Brand Building Fund.** Franchisor may establish a Brand Building Fund to promote the Pepper Lunch Marks and all Pepper Lunch Restaurants. When the Brand Building Fund is established by Franchisor, Franchisee shall contribute to the Brand Building Fund the amount of Brand Building Fund Contribution specified by Franchisor from time to time, which amount shall not exceed three percent (3.0%) of Gross Sales. The Brand Building Fund shall be administered by Franchisor or its Affiliate and shall be used to meet the costs of conducting marketing and promotional activities in accordance with this Agreement. Franchisor or its Affiliate retains sole discretion over all marketing and public relations programs and activities financed by the Brand Building Fund, including the creative concepts, materials and endorsements used and the geographic market, media placement and allocation. Company-owned and Affiliate owned Pepper Lunch Restaurants, including any owned by the Operating Company, may, but are not required to, contribute to the Brand Building Fund. If they do, they may not be required to contribute in the same percentage as Franchisee and may stop contributing at any time without notice to Franchisee.

10.1.1. The Brand Building Fund may be used to pay the costs of preparing and producing associated materials and programs as Franchisor determines, including video, audio and written marketing materials employing marketing agencies, sponsorship of sporting, charitable or similar events, administering international, national, regional and multi-regional marketing programs including purchasing direct mail and other media marketing, and employing marketing agencies to assist with marketing efforts, supporting public relations, market research and other marketing and promotional activities, campaigns, test marketing, marketing surveys, public relations activities, Website design and development/operation for portal, Internet, Intranet and URL services, social media, technology programs, electronic application design and development, and for 800 or similar numbers. All expenditures are at the sole discretion of Franchisor or its Affiliate, as applicable. Franchisor may spend in any year more or less than the total contributions to the Brand Building Fund in that year. Franchisor may borrow from Franchisor or other lenders on behalf of the Brand Building Fund to cover deficits of the Brand Building Fund or cause the Brand

Building Fund to invest any surplus for future use by the Brand Building Fund. Franchisor shall prepare an annual unaudited accounting of the expenditures of the Brand Building Fund which will be provided to Franchisee upon Franchisee's written request and paid for by the Brand Building Fund.

10.1.2. Franchisee acknowledges that the Brand Building Fund is intended to maximize general public recognition of and the acceptance of the Pepper Lunch Franchise brand for the benefit of the Pepper Lunch System as a whole. Franchisor undertakes no obligation, in administering the Brand Building Fund, to make expenditures for Franchisee that are equivalent or proportionate to its contribution, or to ensure that any particular Franchisee benefits directly or pro rata from marketing or promotion conducted with the Brand Building Fund. The Brand Building Fund may be used inside or outside the United States. Franchisee further acknowledges and agrees that, if Franchisor deems appropriate, Franchisor, together with one or more of its Affiliates, shall have the right to co-mingle, transfer, merge and/or separate funds, the monies therein, and the administration thereof, to create one or more Brand Building Funds, or other marketing funds, for one or more markets, including inside and/or outside of the United States.

10.1.3. Franchisor will maintain the Brand Building Fund in an account separate from Franchisor's other monies, and will not use it to defray any of Franchisor's expenses, except for reasonable administrative and marketing wages and costs and overhead which Franchisor may incur in activities related to administering the Brand Building Fund and marketing programs for Pepper Lunch Franchisees. Franchisor's printed materials and Website may also contain references stating that "Franchises Are Available" and/or that "Each Pepper Lunch Restaurant Franchise Is Independently Owned and Operated" to promote the sale of franchises for Pepper Lunch Restaurant. With this exception, no portion of the Brand Building Fund will be used to solicit or to sell Pepper Lunch Restaurant Franchises to prospective Pepper Lunch Franchisees. The Brand Building Fund is not and will not be an asset of Franchisor. Any Brand Building Contribution collected in a year, but not spent in that year, will be carried over to the next year. Franchisor shall have the right, in its sole discretion, to terminate the collection and disbursement of Brand Building Fund Contribution upon sixty (60) days' prior written notice to Franchisee. Upon termination, Franchisor shall disburse the remaining Brand Building Fund Contribution on hand only for the purposes authorized by this Section 10.

10.2. **Local Advertising and Promotion.** Franchisee may spend an amount it determines on local advertising and promotion of the Franchised Restaurant. If conducted, all local advertising and promotion must follow Franchisor's policies with respect to format, content, media, geographic coverage and other criteria as are from time to time contained in the Manuals, or as otherwise directed by Franchisor. Franchisee shall submit samples of all advertising and promotional plans and materials to Franchisor for Franchisor's approval and may only commence use of the materials after they have been approved, in writing, by Franchisor. Franchisor shall have the right at any time after Franchisee commences use of any materials to prohibit further use, effective upon written notice to Franchisee.

10.3. **Cooperative Advertising Programs.** Franchisor may from time to time establish programs for co-operative advertising ("**Cooperative Programs**") to coordinate advertising, marketing efforts and programs, to serve as a conduit for the collection and expenditure of the contributed funds and to maximize the efficient use of local and/or regional advertising media. If and when Franchisor creates a Cooperative Program for the an advertising coverage area (an "**Advertising Coverage Area**") in which the Franchised Restaurant is located, Franchisee (and, if Franchisor or an Affiliate of Franchisor owns a Franchised Restaurant in the Advertising Coverage

Area, then Franchisor or such Affiliate of Franchisor), shall become a subscriber and member of the Cooperative Program and shall participate in the Cooperative Program in the manner prescribed by Franchisor. The size and content of an Advertising Coverage Area, when and if established by Franchisor, shall be binding upon Franchisee, and all other similarly situated Pepper Lunch Franchisees and Franchisor or an Affiliate of Franchisor, if it operates Pepper Lunch Restaurants in the Advertising Coverage Area. Each participating Pepper Lunch Franchisee, as well as Franchisor (or its Affiliate), if applicable, shall be entitled to one vote for each Franchised Restaurant located within the Advertising Coverage Area as may reasonably be determined by Franchisor.

10.3.1. Franchisee and all other members of the Advertising Coverage Area whose Franchise Agreements require their participation in the Cooperative Program, shall contribute to the Cooperative Program the amounts that are determined by fifty percent (50%) or more of the participating Pepper Lunch Restaurants in the Cooperative Program, subject to Franchisor's written approval.

10.3.2. Franchisor shall administer the Cooperative Program and shall determine the policies of the Cooperative Program and the usage of the available funds for media time, production of media materials, radio, television, newspapers or Franchised Restaurant level materials such as flyers, or posters, or for any other type of advertising or marketing use. Franchisor reserves the right to establish general standards concerning the operation of the Cooperative Program, advertising agencies retained by the Cooperative Program, and advertising conducted by the Cooperative Program. Any disputes (other than pricing) arising among or between Franchisee, other Pepper Lunch Franchisees, and/or the Cooperative Program shall be resolved by Franchisor, whose decision shall be final and binding on all parties.

10.4. **Grand Opening Advertising and Promotion**. At least sixty (60) days before the opening of Franchisee's Franchised Restaurant, Franchisee must submit a Grand Opening Promotional Plan ("**Grand Opening Plan**") to Franchisor which outlines Franchisee's proposal for grand opening marketing and promotion of Franchisee's Franchised Restaurant. Franchisee must obtain Franchisor's written consent to the Grand Opening Plan before Franchisee implements it. Franchisee must modify the Grand Opening Plan as Franchisor requests, and, thereafter, Franchisee may not make any substantial changes to the Grand Opening Plan without Franchisor's advance written consent. Franchisee must, during the period beginning 30 days before the scheduled opening of Franchisee's Franchised Restaurant and continuing for 15 days after the Franchised Restaurant opens for business, spend from \$7,500 to \$15,000 to conduct grand opening marketing and promotion for Franchisee's Franchised Restaurant. Within sixty (60) days after Franchisee's opening date, Franchisee must provide Franchisor with copies of all invoices, statements, canceled checks or other forms of payment that Franchisee has issued which evidence Franchisee's expenditure and payment for the Grand Opening Plan. If Franchisee fails to provide Franchisor with such evidence of payment, or if Franchisee fails to spend the amount required by this Section 10.4, Franchisee shall contribute the sum of \$5,000 to the Brand Building Fund upon demand. If Franchisee fails to do so, Franchisor may terminate this Agreement.

10.5. **Promotional Campaigns**. From time to time during the Term, Franchisor shall have the right to establish and conduct promotional campaigns on an international, national or regional basis, which may by way of illustration and not limitation promote particular products or marketing themes. Franchisee shall participate in the promotional campaigns upon the terms and conditions that Franchisor may establish. Franchisee acknowledges and agrees that participation may require Franchisee to purchase point of sale advertising material, posters, flyers, product displays and other promotional materials.

10.6. **Internet.** Franchisee shall not develop, create, generate, own, license, lease or use in any manner any computer medium or electronic medium (including, without limitation, any Internet home page, e-mail address, website, domain name, bulletin board, newsgroup or other Internet-related medium or activity) which in any way uses or displays, in whole or part, the Pepper Lunch Marks, or any of them, or any words, symbols or terms confusingly similar thereto without Franchisor's prior written consent, and then only in the manner and in accordance with the procedures, policies, standards and specifications that Franchisor may establish from time to time. Franchisee shall not separately register any domain name or any portion of any domain name containing the Pepper Lunch Marks or participate or market on any website or other form of electronic media (including, without limitation, through the use of social technology, social media, social networking platforms or other forms of electronic media not yet developed) using the Pepper Lunch Marks without Franchisor's prior written consent. Franchisee's general conduct on the Internet and in the use of other forms of electronic media is subject to the terms and conditions of this Agreement and all other rules, requirements or policies that Franchisor may identify from time to time. Franchisor may, at any time after Franchisee commences use of any approved electronic media, prohibit further use, effective upon receipt of written notice by Franchisee. Franchisee shall provide free WiFi service at the Franchised Restaurant for use by Franchisee's customers in compliance with Franchisor's requirements for bandwidth included in the Manuals or otherwise. Franchisor controls the WiFi gateway and all emails collected will be Franchisor's property, with no restrictions on Franchisor's use or distribution of email addresses. In order to maintain a consistent image and message and to protect the Pepper Lunch Marks and Pepper Lunch System, Franchisee must not participate or market through the use of social technology, social media such as Facebook, Instagram, Pinterest and Twitter, social networking platforms or other forms of electronic media not yet developed ("Social Media Platforms") using the Pepper Lunch Marks, or in connection with Franchisee's Franchised Restaurant, without Franchisor's prior written consent. If Franchisee separately registers any Social Media Platform account (a "Social Media Account") containing the Pepper Lunch Marks or related to Franchisee's Franchised Restaurant, whether with Franchisor's prior consent or not: (i) Franchisee must promptly notify Franchisor and provide Franchisor with all necessary information related to the Social Media Account Franchisor requires or demands, without compensation to Franchisee; and (ii) the Social Media account will become Franchisor's property, without compensation to Franchisee. Subject to any rights of the Parent Company, Franchisor will be the sole owner of all related intellectual property rights in all Social Media Accounts and all content posted on Social Media Accounts.

10.7. **Websites.** Franchisor shall establish and maintain from time to time, one or more Internet websites that shall be used to provide information about Pepper Lunch Restaurants to the public. Franchisor has sole discretion and control over the establishment, design and content of the website. Franchisor shall configure the site to accommodate one or more interior pages which Franchisor shall dedicate, in whole or in part, to all Pepper Lunch Restaurants in the Protected Area, all at Franchisee's expense. Franchisor shall have the right, at its sole option, from time to time, to (i) change, revise, or eliminate the design, content and functionality of the website, (ii) make operational changes to the website, (iii) change or modify the URL and/or domain name of the website, (iv) substitute, modify, or rearrange the website, at Franchisor's sole option, including in any manner that Franchisor considers necessary or desirable to comply with Applicable Laws, or respond to changes in market conditions or technology and respond to any other circumstances, (v) limit or restrict end-user access (in whole or in part) to the web site, and (vi) disable or terminate the website without any liability to Franchisee.

## **11. CONFIDENTIAL INFORMATION.**

11.1. **Confidential Information.** Franchisee acknowledges and agrees that the Pepper Lunch System is comprised of confidential information that has been developed by Franchisor and

its Affiliates by the investment of time, skill, effort and money and is widely recognized by the public, is of substantial value, and is proprietary, confidential and constitutes Trade Secrets of Franchisor and its Affiliates, and includes, without limitation, tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, products and services, recipes, sources of materials and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, Improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer lists and customer data, information regarding the skills and compensation of employees of Franchisor and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, Trade Secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, knowledge or know-how concerning the methods of operation of the Restaurant which may be communicated to Franchisee, or of which Franchisee may be apprised, by virtue of Franchisee's operation of the Restaurant under the terms of this Agreement, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential (collectively, the "**Confidential Information**"). Confidential Information does not include any information that was in the lawful and unrestricted possession of Franchisee prior to its disclosure by Franchisor; is or becomes generally available to the public by acts other than those of Franchisee after receiving it; has been received lawfully and in good faith by Franchisee from a third party who did not derive it from Franchisor or Franchisee; or is shown by acceptable evidence to have been independently developed by Franchisee.

11.2. **Value.** Franchisee acknowledges and agrees the Confidential Information is not generally known by the public or parties other than Franchisor, its affiliates, its franchisees and Franchisee; derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or Franchisee; and is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information, including, without limitation (i) not revealing the Confidential Information to unauthorized parties; (ii) requiring its franchisees to acknowledge and agree in writing that the Confidential Information is confidential; (iii) requiring its franchisees to agree in writing to maintain the confidentiality of the Confidential Information; (iv) monitoring electronic access to the Confidential Information by the use of passwords and other restrictions so that electronic access to the Confidential Information is limited to authorized parties; and (v) requiring its franchisees to return all Confidential Information to Franchisor upon the expiration or termination of their Franchise Agreements.

11.3. **Maintain Confidentiality.** To protect the Pepper Lunch System, the Pepper Lunch Marks, the Pepper Lunch Trade Secrets and the goodwill associated with the same, Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of anyone else, any information that Franchisor considers Pepper Lunch Trade Secrets and/or Pepper

Lunch Franchise Confidential Information. Franchisee shall divulge Pepper Lunch Franchise Confidential Information only to supervisory or managerial employees who must have access to it in order to perform their employment responsibilities.

11.4. **Irreparable Injury from Disclosure of Confidential Information.** Franchisee acknowledges that failure to comply with the requirements of this Section 11 will result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to the requirements of this Section 11.

11.5. **Confidentiality Covenants from Individuals Associated with Franchisee.** Franchisee shall require any supervisory or managerial personnel who may have access to any Confidential Information of Franchisor to execute covenants that they will maintain the confidentiality of the Confidential Information they receive in connection with their association with Franchisee. Such covenants shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

11.6. **Pepper Lunch Data.** All data pertaining to and generated by the Franchised Restaurant and all data created or collected by Franchisee in connection with Franchisee's operation of the Franchised Restaurant, including, without limitation, data pertaining to, or otherwise concerning, the Franchised Restaurant's customers (excluding customers' credit and debit card and/or other payment information) and other pertinent data about the Franchised Restaurant collected by Franchisee, and data uploaded to, or downloaded from Franchisee's POS System and/or computer system (collectively "**Pepper Lunch Data**") is Confidential Information and is the sole property of Franchisor. Franchisor shall have the right to review and use Pepper Lunch Data in any manner that Franchisor deems appropriate without any compensation to Franchisee. Franchisee shall provide Franchisor with copies and/or originals of Pepper Lunch Data within five (5) days after Franchisor's request for Pepper Lunch Data at no cost to Franchisor and at any time during the Term and upon the expiration and/or termination of this Agreement. Franchisor hereby licenses use of the Pepper Lunch Data back to Franchisee, at no additional cost, solely for the Term of this Agreement and solely for Franchisee's use in connection with the Franchised Restaurant. Franchisee shall maintain Pepper Lunch Data as secret and confidential throughout the Term and shall not make any of Pepper Lunch Data available to any unauthorized person without the prior written consent of Franchisor and then only in the manner permitted by Franchisor. Franchisor hereby licenses use of Pepper Lunch Data to Franchisee during the Term, at no cost, solely for Franchisee's use in connection with the Franchised Restaurant.

11.7. **No Restriction.** Nothing in this Section 11 is intended to prohibit or restrict any activity which prohibition or restriction violates Franchisee's employees' rights to engage in protected concerted activity under the National Labor Relations Act.

## **12. ACCOUNTING AND RECORDS.**

12.1. **General Reporting.** Franchisee shall submit statistical control forms and other financial, operational and statistical information that Franchisor may require (i) to assist Franchisee in the operation of the Franchised Restaurant, (ii) to allow Franchisor to monitor Gross Sales, purchases, costs and expenses, (iii) to enable Franchisor to develop chain wide statistics, (iv) to assist Franchisor in the development of new Authorized Pepper Lunch Products or the removal of existing unsuccessful Authorized Pepper Lunch Products, (v) to enable Franchisor to refine existing

Authorized Pepper Lunch Products, and (vi) to generally improve chain-wide understanding of the Pepper Lunch System (collectively the “**Reporting Information**”).

12.2. **Specific Reporting.** Unless otherwise agreed by Franchisor in writing, Franchisee shall submit condensed reports of daily Gross Sales to Franchisor in accordance with the guidelines established by Franchisor. Franchisee will electronically link the Franchised Restaurant to Franchisor and will allow Franchisor to poll the POS System on a daily basis at a time selected by Franchisor to retrieve Reporting Information including sales, sales mix, usage and operations data. If required by Franchisor, Franchisee shall use a standard chart of accounts and provide any additional reports or financial statements required by Franchisor. Further:

12.2.1. When required by Franchisor, Franchisee shall submit a Gross Sales report signed by Franchisee, in the form and manner prescribed by Franchisor, reporting all Gross Sales for the preceding period, together with the additional financial information that Franchisor may, from time to time, request. Franchisee acknowledges that Franchisor will have access to Gross Sales data for the Restaurant electronically through the Computer Systems and otherwise.

12.2.2. Within five (5) days after the end of each month, Franchisee shall submit to Franchisor financial statements for the preceding calendar month, including a balance sheet and profit and loss statement, prepared in the form and manner prescribed by Franchisor and in accordance with generally accepted accounting principles, which shall be certified by Franchisee to be accurate and complete.

12.2.3. Within forty-five (45) days following the end of each calendar year during the Term, Franchisee shall submit to Franchisor an unaudited annual financial statement prepared in accordance with generally accepted accounting principles, and in the form and manner prescribed by Franchisor, which shall be certified by Franchisee to be accurate and complete. Franchisee shall also provide Franchisor with copies of signed original sales and use tax forms contemporaneously with their filing with the appropriate Governmental Authority. Franchisor reserves the right to require the further information concerning the Franchised Restaurant that Franchisor may, from time to time, reasonably request.

12.3. **Audits.** Franchisee shall prepare, and keep for not less than three (3) years following the end of each of its fiscal years, adequate books and records showing daily receipts in, at and from the Pepper Lunch Restaurants, applicable sales tax returns, if any, all pertinent original serially numbered sales slips and cash register records, and the other sales records as may be reasonably required by Franchisor, from time to time, to verify the Gross Sales, in a form suitable for an audit of Franchisee's records by an authorized auditor or agent of Franchisor. Such information shall be broken down by categories of goods, foods and beverages sold, when possible. Franchisor, its agents or representatives may, at any reasonable time during normal working hours, audit or review Franchisee's books and records in accordance with generally accepted standards established by certified public accountants. If any audit or other investigation reveals an under-reporting or under-recording error of three percent (3%) or more, then in addition to any other sums due, the expenses of the audit/inspection shall be borne and paid by Franchisee upon billing by Franchisor, which shall include, without limitation, Franchisor's travel, lodging and wage expenses and reasonable accounting and legal expenses, plus interest at the highest compound rate permitted by Applicable Law, but not to exceed the rate of eighteen percent (18%) per annum.

12.4. **Books and Records.** Franchisee shall maintain an accounting and record keeping system, which shall provide for basic accounting information necessary to prepare financial statements, a general ledger and reports required by this Agreement and the Manuals. Franchisee

shall maintain accurate, adequate and verifiable books and supporting documentation relating to the accounting information.

12.5. **Use of Financial Statements In Disclosure Document.** Franchisee hereby irrevocably consents to Franchisor's use of information contained in its financial statements, at Franchisor's election, in its franchise disclosure document for the offer and sale of franchises.

### **13. INSURANCE.**

13.1. **Franchisee's Insurance Obligations.** Franchisee shall obtain and maintain throughout the Term the types and amounts of insurance required by Franchisor as specified in **Exhibit F** and shall provide Franchisor with proof of coverage and Certificates of Insurance upon demand. This insurance shall protect Franchisee and Franchisor against any demand or claim with respect to personal and bodily injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the operation of the Franchised Restaurant. Franchisor reserves the right to change the insurance requirements during the term of this Agreement, including the types of coverage and the amounts of coverage. Franchisee must comply with any changes to these requirements.

13.2. **Required Endorsements and Certificates.** Each policy shall: (i) be written by insurers licensed and admitted to write coverage in the jurisdiction in which the Franchised Restaurant is located and with a rating of "A" or better as set forth in the most recent edition of Best's Key Rating Guide; (ii) name Franchisor as an additional insured; and (iii) comply with the requirements prescribed by Franchisor at the time the policies are obtained. Franchisee and Franchisee's insurers shall agree to waive their rights of subrogation against Franchisor, and Franchisee shall provide evidence of the waiver. Franchisee's obligation to obtain and maintain insurance shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in **Section 18.4**. All public liability and property damage policies shall contain a provision that Franchisor and its Affiliates, although named as an additional insured, shall nevertheless be entitled to recover under the policies on any loss occasioned to Franchisor, or its Affiliates, partners, shareholders, directors, agents, or employees by reason of the negligence of Franchisee or its partners, shareholders, directors, agents, or employees. At least ten (10) days prior to the time any insurance is first required to be carried by Franchisee, and thereafter at least thirty (30) days prior to the expiration of any policy, Franchisee shall deliver to Franchisor Certificates of Insurance evidencing the proper types and minimum amounts of required coverage. All Certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given Franchisor in the event of material alteration to or cancellation or non-renewal of the coverages evidenced by the Certificates. Certificates evidencing the insurance required by this **Section 13.2** shall name Franchisor, and each of its Affiliates, partners, shareholders, directors, agents, and employees as additional insureds on the additional-insured Grantor of Franchise Form CG-2029 or an insurer's comparable form, and shall expressly provide that any interest of each shall not be affected by any Default by Franchisee of any policy provisions for which the Certificates evidence coverage.

13.3. **Franchisor's Right to Secure Insurance on Behalf of Franchisee.** Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as the requirements may be revised from time to time by Franchisor in the Manuals or otherwise in writing, Franchisor shall have the right and authority (but not the obligation) to immediately procure the insurance and to charge the same to Franchisee, which charges, together with Franchisor's expenses in so acting, shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

## 14. **TRANSFER OF INTEREST**

14.1. **Transfer by Franchisor.** Franchisor shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal Entity without the consent or approval of Franchisee. With respect to any assignment which results in the subsequent performance by the assignee of all of Franchisor's obligations under this Agreement, the assignee shall expressly assume and agree to perform the obligations, and shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. Franchisor and or its Affiliates may sell their assets, the Pepper Lunch Marks, or the Pepper Lunch System, may sell securities in a public offering or in a private placement, may merge, acquire other corporations, or be acquired by another corporation, and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring all without the consent or approval of Franchisee.

14.2. **Assignment by Franchisee.** Franchisee acknowledges and agrees that the rights granted to Franchisee under this Agreement are personal and are granted in reliance upon, among other considerations, the individual or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Franchisee and, if Franchisee is an Entity, that of the Owners. Franchisee acknowledges and agrees that Franchisee has no right, by operation of law or otherwise, to sell, assign, transfer, pledge, donate, encumber or otherwise deal with, directly or indirectly, (i) any interest in this Agreement, or (ii) the right to use the Pepper Lunch System or the Pepper Lunch Marks (an "**Assignment**") without Franchisor's prior written consent. Franchisor shall not unreasonably withhold its consent to an Assignment if, in Franchisor's judgment, Franchisee satisfies the conditions to the Assignment identified in this Agreement.

14.2.1. As a condition to Franchisor's consent to an Assignment, the assignee must execute Franchisor's Then-Current form of Franchise Agreement for each Franchised Restaurant sold to the assignee. Further, without Franchisor's prior written consent, which may be withheld by Franchisor in its discretion (i) Franchisee shall not offer for sale or transfer at public or private auction any of the rights of Franchisee under this Agreement, and (ii) Franchisee shall not, directly or indirectly, pledge, encumber, hypothecate or otherwise grant any third party a security interest in this Agreement in any manner whatsoever. To the extent that the foregoing prohibition may be ineffective under Applicable Law, Franchisee shall provide not less than ten (14) days' prior written notice (which notice shall contain the name and address of the secured party and the terms of the pledge, encumbrance, hypothecation or security interest) of any pledge, encumbrance, hypothecation or security interest in this Agreement.

14.2.2. For purposes of this Agreement, each of the following events is an Assignment subject to the conditions to transfer identified in this Agreement: (i) the death or incapacity of any Owner, (ii) the offer or sale of securities of Franchisee pursuant to a transaction subject to registration under applicable securities laws or by private placement pursuant to a written offering memorandum, (iii) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of more than twenty percent (20%) in the aggregate, whether in one or more transactions, of the equity or voting power of Franchisee, by operation of law or otherwise or any other events or transactions which, directly or indirectly, effectively changes control of Franchisee, (iv) the issuance of any securities by Franchisee which itself or in combination with any other transactions results in the Owners, as constituted on the Effective Date, owning less than fifty percent (50%) of the outstanding Equity or voting power of Franchisee, and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of the Franchisee, however effected. Franchisee shall promptly provide Franchisor with written notice (stating the

information that Franchisor may from time to time require) of each and every transfer, assignment and encumbrance by any Owner of any direct or indirect equity or voting rights in Franchisee, notwithstanding that the same may not constitute an **"Assignment"** as defined under this Section 14.

14.2.3. Neither Franchisor's right of first refusal nor the other conditions of Assignment shall apply to a transfer by Franchisee of all of Franchisee's rights under this Agreement to a newly-formed corporation, limited liability company or other business Entity provided all of the equity or voting interests of the new business Entity are owned by the same Owners (a **"Qualified Assignment"**). Any attempted or claimed Assignment which fails to comply with the requirements of this Section 14 shall be null and void and shall constitute a Default under this Agreement.

14.3. **Right of First Refusal**. Except with respect to a **"Qualified Assignment"**, if Franchisee or an Owner receive a bona fide written offer (**"Third Party Offer"**) from a third party (the **"Proposed Buyer"**) to purchase or otherwise acquire any interest in Franchisee which will result in an Assignment within the meaning of this Agreement, Franchisee or the Proposed Buyer, shall, within five (5) days after receiving the Third Party Offer and before accepting it, apply to Franchisor in writing for Franchisor's consent to the proposed Assignment. To constitute a bona fide written offer, the Third Party Offer must also apply to the Pepper Lunch Restaurants then owned and operated by Franchisee, or its Affiliates, in the Protected Area.

14.3.1. Franchisee, or the Proposed Buyer, shall attach to its application for consent to complete the transfer a copy of the Third Party Offer together with (i) information relating to the proposed transferee's experience and qualifications, (ii) a copy of the proposed transferee's current financial statement, and (iii) any other information material to the Third Party Offer, proposed transferee and proposed Assignment or that Franchisor requests.

14.3.2. Franchisor or its nominee shall have the right, exercisable by written notice (**"Purchase Notice"**) given to Franchisee or the Proposed Buyer, within thirty (30) days following receipt of the Third Party Offer, all supporting information, and the application for consent, to notify Franchisee or the Proposed Buyer that it will purchase or acquire the rights, assets, equity or interests proposed to be assigned on the same terms and conditions set forth in the Third Party Offer, except that Franchisor may (i) substitute cash for any form of payment proposed in the offer discounted to present value based upon the rate of interest stated in the Third Party Offer, and (ii) deduct from the purchase price the amount of all amounts then due and owing from Franchisee to Franchisor under this Agreement or otherwise.

14.3.3. If Franchisor or its nominee elects to purchase or acquire the rights, assets, equity or interests proposed to be assigned to the Proposed Buyer, the closing shall take no later than sixty (60) days following the date that the Purchase Notice was issued by Franchisor and Franchisee shall, at Franchisor's option, assign the alcohol and all other transferable licenses and permits used in connection with the ownership or operation of the Franchised Restaurant to Franchisor or its designee. Franchisee and Franchisor agree that if issues arise relating to the alcohol license and Franchisor is not able to operate the Franchised Restaurant, the date for closing may be extended for a reasonable amount of time for the parties to resolve such issues.

14.3.4. If Franchisor does not elect to purchase or acquire the rights, assets, equity or interests proposed to be assigned to the Proposed Buyer, the closing of the sale to the Proposed Buyer shall take no later than ninety (90) days following the date that the Third

Party Offer was received by Franchisee. If there is any material change in the terms of the Third Party Offer before the closing of the sale, Franchisor shall have a right of first refusal to accept the new terms subject to the conditions stated in this Section 14.3.

14.4. **Conditions of Assignment to Third Party**. As a condition to obtaining Franchisor's consent to an Assignment, all of the following conditions must be satisfied:

14.4.1. The Proposed Buyer must submit a completed franchise application to Franchisor and meet Franchisor's then-current qualifications for new Pepper Lunch Franchisees, including qualifications pertaining to financial condition, credit rating, experience, moral character and reputation.

14.4.2. Franchisee must be in Good Standing on the date consent is requested and until the date of closing of the Assignment.

14.4.3. The Proposed Buyer must sign Franchisor's Then-Current form of Franchise Agreement, the terms of which may differ materially from any and all of the terms contained in this Agreement, and which shall supersede this Agreement in all respects, except that the term of replacement Franchise Agreement shall be the remaining term of this Agreement. Each Owner of the Proposed Buyer shall jointly and severally guarantee the Proposed Buyer's performance of its obligations in the Then-Current Franchise Agreement under a Guarantee in the form of **Exhibit C**. If Franchisor is not offering new Pepper Lunch Franchises, is in the process of revising, amending or renewing Franchisor's form of Franchise Agreement or franchise disclosure document or is not lawfully able to offer Franchisor's Then-Current form of Franchise Agreement at the time of an Assignment, Franchisor may offer to amend this Agreement, upon terms and conditions that will be established by Franchisor and the Proposed Buyer at that time, or may offer to amend the Term on substantially the terms and conditions set forth in this Agreement on a month-to-month basis for as long as Franchisor deems necessary or appropriate so that Franchisor may subsequently offer and utilize a Then-Current form of Franchise Agreement.

14.4.4. Franchisee will remain subject to all obligations stated in this Agreement that expressly, or by implication due to their nature, survive the transfer, termination or expiration of this Agreement, including, without limitation, the provisions prohibiting competition, non-interference and non-disclosure of Confidential Information.

14.4.5. Franchisee and the Proposed Buyer shall execute a General Release of all known and unknown liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, that they have, may have or believe to have against Franchisor and its Affiliates and their officers, directors, agents, shareholders and employees as of the date of the general release, in a form acceptable to Franchisor.

14.4.6. Franchisee shall pay Franchisor fifty percent (50%) of the Then-Current Initial Franchise Fee as a transfer fee to apply against Franchisor's administrative and other costs to process the Assignment.

14.4.7. Franchisee must simultaneously transfer its rights all contracts for which continuation is necessary for operation of the Franchised Restaurant to the Proposed Buyer and satisfy any separate conditions to obtain any third party consents required for the transfer of Franchisee's rights to the Proposed Buyer. The Proposed Buyer must execute all other

documents and agreements required by Franchisor to consummate the Assignment. All required third party consents to the Assignment must be obtained.

14.4.8. Franchisee's right to receive the sales proceeds from the Proposed Buyer in consideration of the Assignment shall be subordinate to the obligations of the Proposed Buyer owed to Franchisor and its Affiliates under, or pursuant to, this Agreement or any other agreement. All contracts by and between Franchisee and the Proposed Buyer shall expressly include a subordination provision permitting payment of the sales proceeds to Franchisee only after any outstanding obligations owed to Franchisor and its Affiliates are fully satisfied.

14.4.9. Except when the transferee is an existing Franchisee or franchisee of Franchisor, the Proposed Buyer, or a supervisory or managerial employee of the Proposed Buyer who will have general management and supervisory responsibilities for the Franchisee Business who is acceptable to Franchisor, must complete to Franchisor's sole satisfaction Franchisor's Pre-Opening Initial Training Program prior to the effective date of the Assignment.

14.4.10. The Proposed Buyer must conform the Franchised Restaurant with Franchisor's Then-Current appearance and design standards and equipment specifications applicable to new Pepper Lunch Restaurants.

14.5. **Death or Incapacity.** In the event of the death or incapacity of an Owner, the spouse, heirs or personal representative of the deceased or incapacitated Owner, or the remaining Owners (the "**Successor**") shall have one hundred eighty (180) days from the date of death or incapacity in which to (i) purchase the interest of the deceased or incapacitated Owner, or (ii) complete an Assignment of the interest of the deceased or incapacitated Owner to a qualified, approved third party, subject to the provisions of this Section 14. If a Successor has not purchased the interest of the deceased or incapacitated Owner or completed an Assignment of the interest of the deceased or incapacitated Owner to a qualified, approved third party within one hundred eighty (180) days from the date of death or incapacity, Franchisor may terminate this Agreement.

14.6. **Transfer by Franchisee in Bankruptcy.** If, for any reason, this Agreement is not terminated pursuant to Section 16.1 and this Agreement is assumed, or Assignment of the same to any person or Entity who has made a bona fide offer to accept an Assignment of this Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of the proposed Assignment or assumption, setting forth (a) the name and address of the proposed assignee, and (b) all of the terms and conditions of the proposed Assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of the proposed assignee's offer to accept Assignment of this Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into the Assignment and assumption, and Franchisor shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of the proposed Assignment and assumption, to accept an Assignment of this Agreement to Franchisor itself upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by Franchisee out of the consideration to be paid by the assignee for the Assignment of this Agreement.

14.7. **Restriction on Publicly Traded and Private Securities.** Securities, partnership or other ownership interests in Franchisee may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation. Such interests may be offered by private offering or otherwise only with the prior written consent of Franchisor, which

consent shall not be unreasonably withheld. All materials required for any private offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No offering by Franchisee shall imply that Franchisor is participating in an underwriting, issuance or offering of securities of Franchisee or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Franchisee and Franchisor, and its Affiliates. Franchisor may, at its option, require Franchisee's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Franchisee, its Owners and other participants in the offering must fully agree in writing to defend and indemnify Franchisor, its Affiliates, their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any documentation required by Franchisor to further evidence this indemnity. For each proposed offering, Franchisee shall pay to Franchisor a non-refundable fee of \$10,000, which shall be in addition to any Transfer Fee under any Franchise Agreement and/or Development Agreement or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including without limitation, legal and accounting fees. Franchisee shall give Franchisor written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Section.

## **15. COVENANTS.**

15.1. **Non-Competition During Term of Agreement.** Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and Confidential Information, including, without limitation, Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the Pepper Lunch System. Franchisee and each Owner covenants that during the Term, except as otherwise approved in writing by Franchisor, Franchisee and each Owner shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, or legal Entity (i) divert or attempt to divert any present or prospective Pepper Lunch Franchise customer to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Pepper Lunch Marks and the Pepper Lunch System, or (ii) own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business, provided, however, the restrictions stated in this **Section 15.1** shall not apply to any Owner after two (2) years from the date the Owner ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Franchisee.

15.2. **Non-Competition After Expiration or Termination of Agreement.** Commencing upon the date of (i) an Assignment permitted under **Section 14**, (ii) the Expiration Date of this Agreement, (iii) the termination of this Agreement (regardless of the cause for termination), or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this **Section 15.2**, and continuing for an uninterrupted period of two (2) years thereafter, Franchisee and each Owner shall not, own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business located at the Franchised Location or within three (3) miles of any Pepper Lunch Restaurant or the Franchised Location; provided, however, the restrictions stated in this **Section 15.2** shall not apply to any Owner after two (2) years from the date the Owner ceases to be an officer, director, shareholder, member, manager,

trustee, Owner, general partner, employee or otherwise associated in any capacity with Franchisee in the Protected Area.

15.3. **Violation of Covenants.** If Franchisee or any Restricted Person shall commit any violation of **Section 15.2** during the twenty-four (24) month period following (i) the expiration or termination of this Agreement, (ii) the occurrence of any Assignment during the Term, (iii) the cession of the Restricted Person's relationship with Franchisee, or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of **Section 15.2**, in addition to all other remedies available to Franchisor, Franchisee or the Restricted Person shall pay Franchisor, throughout the twenty-four (24) month period, five percent (5%) of the revenue derived from the operation of the Competitive Business, including the sale of any merchandise, other products and services at or from the Competitive Business, and all other income of every kind and nature of the Competitive Business ("Post-Termination Gross Sales"). Franchisee shall account for and pay the five percent (5%) of the Post-Termination Gross Sales to Franchisor on the fifteenth day of each month on the Post-Termination Gross Sales of the Competitive Business during the preceding month. Franchisor shall have the right to audit the books and records of the competing business in accordance with **Section 12.3** to confirm Franchisee's compliance with this **Section 15.2**, upon prior notice to Franchisee.

15.4. **Exceptions to Covenants.** **Sections 15.1** and **15.2** shall not apply to ownership by Franchisee or an Owner of a less than five percent (5%) beneficial interest in the outstanding equity securities of any Competitive Business registered under the Securities Act of 1933, the Securities Exchange Act of 1934.

15.5. **Reducing Scope of Covenants.** Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in **Section 15.2**, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

15.6. **Reasonable Good Faith Estimate.** Franchisor and Franchisee acknowledge and agree that it would be impossible and impracticable to determine the precise amount of damages and expenses Franchisor will incur if Franchisee or any Restricted Person shall commit any violation of **Section 15.2** during the twenty-four (24) month period following (i) the expiration or termination of this Agreement, (ii) the occurrence of any Assignment during the Term, (iii) the cession of the Restricted Person's relationship with Franchisee, or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of **Section 15.2** due to the complications inherent in determining the amount of revenue lost by Franchisor because of the uncertainty regarding the number of months left to complete the then-current Term, the uncertainty regarding the Gross Sales of the Franchised Restaurant during the remainder of the then-current Term, the amount of Royalty Fees Franchisee would have paid Franchisor based upon the Gross Sales of the Franchised Restaurant and the like as well as the amount of the fees that Franchisor will collect from Franchisee upon the occurrence of the circumstances described in **Section 15.2**. Franchisor and Franchisee further acknowledge and agree that the five percent (5%) fee is a reasonable, good faith estimate of those damages.

15.7. **Covenants from Individuals.** Franchisee shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this **Section 15** (including covenants applicable upon the termination of a person's relationship with Franchisee) from all Owners. Every covenant required by this **Section 15.7** shall be in a form acceptable to Franchisor, and shall include, without limitation, a designation of Franchisor as a third party beneficiary of the covenants with the independent right to enforce them.

15.8. **Effect of Applicable Law.** In the event any portion of the covenants in this **Section 15** violates laws affecting Franchisee, or is held invalid or unenforceable in a final judgment to which Franchisor and Franchisee are parties, then the maximum legally allowable restriction permitted by Applicable Law shall control and bind Franchisee. Franchisor may at any time unilaterally reduce the scope of any part of the above covenants, and Franchisee shall comply with any reduced covenant upon receipt of written notice. The provisions of this **Section 15** shall be in addition to and not in lieu of any other confidentiality obligation of Franchisee, or any other person, whether pursuant to another agreement or pursuant to Applicable Law.

15.9. **Business Practices.** Franchisee shall comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Executive Order 13224 issued by the President of the United States, the USA Patriot Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war (the "Anti-Terrorism Laws"). In connection with its compliance, Franchisee certifies, represents and warrants that none of Franchisee's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee is not otherwise in violation of any of the Anti-Terrorism Laws. Any violation of the Anti-Terrorism Laws by Franchisee or Franchisee's employees or any "blocking" of Franchisee's assets under the Anti-Terrorism Laws constitute grounds for immediate termination of this Agreement and any other agreements Franchisee has entered into with Franchisor or any of its Affiliates, in accordance with the provisions of **Section 16.2.**

15.10. **Survival.** The provisions of this **Section 15** shall survive the expiration and termination of this Agreement and shall not limit, restrain or otherwise affect any right or cause of action which may accrue to Franchisor for any infringement of, violation of, or interference with, this Agreement, or the Pepper Lunch Marks, the Pepper Lunch System, the Confidential Information, the Trade Secrets, or any other proprietary aspects of Franchisor's business.

## **16. DEFAULT AND TERMINATION.**

16.1. **Termination In the Event of Franchisee's Bankruptcy or Insolvency.** Franchisee shall be deemed to be in Default under this Agreement, and all rights granted to Franchisee of this Agreement shall automatically terminate without notice to Franchisee, (i) if Franchisee or its Principal Owner becomes insolvent or make a general assignment for the benefit of creditors, (ii) if a petition in bankruptcy is filed under any foreign, state or United States Bankruptcy Act by Franchisee or its Principal Owner, or if a petition is filed against and not opposed by Franchisee or its Principal Owner, (iii) if Franchisee or its Principal Owner is adjudicated as bankrupt or insolvent, (iv) if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for the Franchised Restaurant is filed and consented to by Franchisee or its Principal Owner, (v) if a receiver or other custodian (permanent or temporary) of Franchisee's or its Principal Owner's assets or property, or any part thereof, is appointed by any court of competent jurisdiction, (vi) if proceedings for a composition with creditors under any Applicable Law is instituted by or against Franchisee or its Principal Owner, (vii) if a final judgment in excess of \$100,000 against the Franchised Restaurant remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed), (viii) if Franchisee or its Principal Owner admits Franchisee or its Principal Owner is unable to generally pay Franchisee's or its Principal Owner's debts as they become due, (ix) if execution is levied against the Franchised Restaurant or property, (x) if suit to foreclose any lien or mortgage against the Franchised Restaurant, the Franchised Locations or the equipment of the Franchised Restaurant is instituted against Franchisee or its Principal Owner and not dismissed within thirty (30) days, or (xi) if the Franchised Restaurant or the Franchised Locations shall be sold after levy thereupon by any sheriff, marshal, or constable.

16.2. **Option to Terminate Without Opportunity to Cure.** Franchisee shall be deemed to be in Default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the Default, effective immediately upon receipt of notice by Franchisor upon the occurrence of any of the following events:

16.2.1. If Franchisee shall Abandon the Franchised Restaurant.

16.2.2. If Franchisee shall attempt to make or claim to have made any Assignment without the prior written consent of Franchisor or otherwise not in compliance with this Agreement.

16.2.3. If Franchisee shall Default in any obligation as to which Franchisee has previously received three (3) or more written notices of Default from Franchisor setting forth the Default complained of within the preceding twelve (12) months.

16.2.4. If Franchisee makes any material misrepresentations in connection with the execution of this Agreement or the operations of the Franchised Restaurant.

16.2.5. If Franchisee fails, for a period of ten (10) days after having received notification of noncompliance from Franchisor or any Governmental Authority, to comply with any federal, state or local law or regulation applicable to the operation of the Franchised Restaurant.

16.2.6. If Franchisee's operation of the Franchised Restaurant constitutes an imminent danger to the public health or if Franchisee sells unauthorized products to the public after Notice of Default and thereafter sells the products, whether or not Franchisee has cured the Default after one or more notices.

16.2.7. If an audit or investigation conducted by Franchisor discloses that Franchisee has knowingly maintained false books or records, or submitted false reports to Franchisor, or knowingly understated its Gross Sales or withheld the reporting of the same as provided in this Agreement.

16.2.8. If Franchisee or any of its Owners, are convicted of or plead guilty or *nolo contendere* to a felony or any other crime or offense that is reasonably likely, in the sole opinion of Franchisor, to adversely affect Franchisor's reputation, the Pepper Lunch System, the Pepper Lunch Marks or the goodwill associated with the same; however, if the crime or offense is committed by an Owner other than the Principal Owner, Franchisor may only terminate this Agreement under this Section 16.2.8 if the convicted Owner fails to sell its interest in Franchisee to Franchisee's other Owners within thirty (30) days after the conviction or guilty plea.

16.2.9. If Franchisee materially misuses or makes any unauthorized use of the Pepper Lunch Marks or otherwise materially impairs the goodwill associated therewith or Franchisor's rights therein, or takes any action which reflects materially and unfavorably upon the operation and reputation of the Franchised Restaurant or the Pepper Lunch Franchise chain generally.

16.2.10. If Franchisee makes any unauthorized use, disclosure, or duplication of the Trade Secrets or Confidential Information.

16.2.11. If Franchisee fails to purchase and maintain in inventory the types and quantities of Pepper Lunch Branded Products, Pepper Lunch Proprietary Products or Non-Proprietary Products necessary to meet reasonably anticipated consumer demand.

16.2.12. If Franchisee shall purchase or purport to purchase Pepper Lunch Branded Products or Pepper Lunch Proprietary Products or Non-Proprietary Products, or use or purport to use service providers from other than Franchisor or a Pepper Lunch Franchise Approved Supplier, and fails to cease use of the non-complying product or service within three (3) days after having received notification from Franchisor to do so.

16.2.13. If Franchisee sells or attempts to sell any products other than Authorized Pepper Lunch Products at the Franchised Restaurant and fails to cease to do so within three (3) days after having received notification from Franchisor to do so.

16.2.14. If Franchisee Defaults in any obligation under this Agreement that by its nature is not capable of being cured by Franchisee.

16.2.15. If Franchisee fails to meet the site selection requirements, enter a Lease, purchase agreement, or Open the Franchised Restaurant within the applicable time periods provided for in this Agreement.

16.2.16. If, within ten (10) days after receipt of written notice from Franchisor that any required payment is overdue, Franchisee fails to make the payment to Franchisor, its Affiliates, or, to Franchisee's landlord, suppliers, creditors or employees unless, with respect to Franchisee's suppliers, creditors or employees, Franchisee notifies Franchisor of the existence on a bona fide dispute and takes immediate action to resolve it.

16.2.17. If Franchisee fails to maintain any Permits required by Franchisor or necessary to operate the Franchised Restaurant.

16.3. **Termination With Notice and Opportunity To Cure.** Except for any Default by Franchisee under Sections 16.1 or 16.2, and as expressly provided elsewhere in this Agreement, Franchisee shall have ten (10) days, in the case of any monetary Default and thirty (30) days in the case of any other type of Default, following the receipt of a notice of default (a "**Notice of Default**") demanding the cure of the Default and to provide evidence of the cure to Franchisor. If any Default is not cured within that time period, or any longer time period that Applicable Law may require or that Franchisor may specify in the Notice of Default, this Agreement and all rights granted in this Agreement shall automatically terminate without further notice or opportunity to cure.

16.4. **Reimbursement of Franchisor's Costs.** Upon a Default by Franchisee, all of Franchisor's costs and expenses arising from the Default, including reasonable attorneys' fees, shall be paid to Franchisor within five (5) days after cure or upon demand by Franchisor if the Default is not cured.

16.5. **Cross-Default.** Any Default by Franchisee under the terms and conditions of this Agreement, any Area Development Agreement, or any other agreement between Franchisor, or its Affiliates, and Franchisee, or its Owners or Affiliates, shall be deemed to be a Default of each and every other agreement. In the event of termination, for any cause, of this Agreement or any other agreement between the Parties, Franchisor may, at its option, terminate any or all of the agreements.

16.6. **Notice Required By Law.** Notwithstanding anything to the contrary contained in this Section 16, if any valid Applicable Law of a competent Governmental Authority having jurisdiction

over this Agreement and the Parties shall limit Franchisor's rights of termination under this Agreement or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by that Applicable Law. Franchisor shall not, however, be precluded from contesting the validity, enforceability or application of Applicable Laws in any action, hearing or dispute relating to this Agreement or the termination of this Agreement.

16.7. **Delay by Force Majeure.** Franchisee shall provide Franchisor, within ten (10) days after the occurrence of an event that Franchisee believes is an event of Force Majeure, with notice of the specific nature and extent of the Force Majeure and an explanation as to how the event has delayed Franchisee's performance under this Agreement. The determination of whether an event of Force Majeure has occurred shall be made by Franchisor upon Franchisor's assessment of the event causing the delay. Franchisee shall provide Franchisor with continuing updates and all information requested by Franchisor regarding Franchisee's progress and diligence in responding to and overcoming the event of Force Majeure. An event of Force Majeure will not affect or change Franchisee's obligation to pay Royalty Fees, Brand Building Fund Contribution, Technology Fees or any other fees owed to Franchisor when due.

## **17. OBLIGATIONS FOLLOWING TERMINATION OR EXPIRATION.**

17.1. **General.** To protect the Pepper Lunch System, the Pepper Lunch Marks, the Pepper Lunch Trade Secrets and the goodwill associated with the same, upon the expiration or termination of Franchisee's rights granted under this Agreement, Franchisee shall immediately cease to use all Trade Secrets, Confidential Information, the Pepper Lunch Marks, and any confusingly similar trademark, service mark, trade name, logotype, or other commercial symbol or insignia. Franchisee shall at its own cost immediately return the Manuals and all written materials incorporating Trade Secrets and all copies of any of the same to Franchisor. Franchisee shall at its own cost make cosmetic changes to the Franchised Restaurant and the Franchised Location so that they no longer contain or resemble Franchisor's proprietary designs and shall remove all Pepper Lunch Franchise identifying materials and distinctive Pepper Lunch Franchise cosmetic features and finishes, soffits, interior wall coverings and colors, exterior finishes and colors and signage from the Franchised Location that Franchisor may reasonably direct.

17.2. **Prior Payments.** Franchisor may retain all fees paid to Franchisor pursuant to this Agreement, and Franchisee shall immediately pay any and all amounts remaining due to Franchisor and its Affiliates. If this Agreement terminates due to a Default by Franchisee, the amounts to be paid by Franchisee shall include all damages, and costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the Default, which obligation shall remain, until paid in full, a lien in favor of Franchisor against assets of the Franchised Restaurant. Franchisee hereby appoints Franchisor as its attorney in fact, with full power and authority to execute on Franchisee's behalf all documents necessary to obtain and perfect this lien.

17.3. **Termination of Obligations and Rights.** Any and all obligations of Franchisor to Franchisee under this Agreement shall immediately cease and terminate. Likewise, any and all rights of Franchisee under this Agreement shall immediately cease and terminate and Franchisee shall immediately cease and thereafter refrain from representing itself as a then or former Franchisee or other Affiliate of Franchisor.

17.4. **Electronic Communications and Media.** The goodwill associated with all telephone and fax numbers, email addresses, domain names, Websites or web pages, social media and other Internet addressed used in operation of the Franchised Restaurant ("Electronic Communications and Media") is an asset that belongs to Franchisor. Franchisor shall have the option, exercisable by

written notice within thirty (30) days after the cancellation, termination or expiration of this Agreement, to take an assignment of all Electronic Communications and Media for the Franchised Restaurant. If Franchisor exercises this option, Franchisee will be deemed to have assigned to Franchisor or Franchisor's designee all right, title and interest in and to these and/or services associated with the same. Franchisee shall notify the telephone company, domain name registrars and all listing agencies of the cancellation, termination or expiration of its right to use the Electronic Communications and Media associated with the Franchised Restaurant, and shall authorize their transfer to Franchisor. Franchisee hereby appoints Franchisor as its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as may be necessary to effect an assignment of all Electronic Communications and Media for the Franchised Restaurant. This power of attorney is coupled with an interest and shall survive the cancellation, termination or expiration of this Agreement. Franchisee, by executing this Agreement, authorizes Franchisor and hereby appoints Franchisor and all of Franchisor's officers as Franchisee's attorney-in-fact to direct the telephone, company, domain name registrars and all listing agencies to transfer the same to Franchisor, should Franchisee fail or refuse to do so. The telephone, company, domain name registrars, and all listing agencies may accept this Agreement as conclusive evidence of Franchisor's exclusive right to the Electronic Communications and Media and Franchisor's authority to direct their transfer. Franchisee must sign the instruments Franchisor requests to confirm the assignments and transfers to Franchisor. Franchisee shall not be entitled to any compensation from Franchisor if Franchisor exercises this option.

17.5. **Purchase Franchised Restaurant Assets.** Upon the expiration of this Agreement or the termination of this Agreement for any Default of Franchisee, Franchisor shall have the option, to be exercised by written notice to Franchisee within thirty (30) days after the Expiration Date or termination date, to purchase the assets of the Franchised Restaurant, regardless of whether the Franchised Restaurant is under construction or is Open and operating, and all of assets of Franchisee related to the Franchised Restaurant that Franchisor elects to purchase (collectively, the "**Franchised Restaurant Assets**"). The purchase price for the Franchised Restaurant Assets (the "**Asset Purchase Price**") shall be the "**Fair Market Value**" of the Franchised Restaurant Assets as determined under this Section 17.5. "**Fair Market Value**" means the price that a willing buyer would pay to a willing seller when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts on the date the option is first exercisable (the "**Exercise Date**"). Franchisor and Franchisee shall use their best efforts to mutually agree upon the Fair Market Value. If they are unable to so agree within thirty (30) days after the Exercise Date, an appraiser shall, within sixty (60) days after appointment, determine the Asset Purchase Price in writing and submit a report to Franchisor and Franchisee. Franchisor and Franchisee shall equally share the costs for the services of the appraiser. The Asset Purchase Price as so determined shall be payable as Franchisor and Franchisee mutually agree. If they are unable to so agree within ten (10) days after final determination of the Asset Purchase Price, fifty percent (50%) of the Asset Purchase Price shall be payable in cash and the remaining fifty percent (50%) of the Asset Purchase Price shall be paid in eighty-four (84) equal monthly payments and shall bear interest at a rate equal to the greater of the prime rate of interest, as published by the Western Edition of the Wall Street Journal, plus three percent (3%), OR ten percent (10%) per annum, but in no event in excess of the maximum rate permitted by Applicable Law. Payment of the portion of the Asset Purchase Price not paid in cash shall be secured by a security interest in the Franchised Restaurant Assets. Any purchase of the Franchised Restaurant Assets shall include the assumption by Franchisor and the assignment by Franchisee, of the Lease for the Franchised Restaurant.

17.6. **Survival of Obligations.** Termination or expiration of this Agreement shall be without prejudice to any other rights or remedies that Franchisor or Franchisee, as the case may be, shall have in law or in equity, including, without limitation, the right to recover benefit of the bargain damages. In no event shall a termination or expiration of this Agreement affect Franchisee's

obligations to take or abstain from taking any action in accordance with this Agreement. The provisions of this Agreement which by their nature or expressly constitute post-termination or post-expiration covenants and agreements shall survive the termination or expiration of this Agreement.

17.7. **No Ownership of Pepper Lunch Marks.** Franchisee acknowledges and agrees that the rights to the Pepper Lunch Marks and the use of the Pepper Lunch Marks shall be and remain the property of Franchisor (or the Parent Company). Franchisee acknowledges and agrees that any use of the Pepper Lunch Marks after the termination or expiration of this Agreement shall constitute an unauthorized use of an identical mark and shall entitle Franchisor to damages due to, but not limited to, trademark infringement and counterfeiting.

17.8. **Government Filings.** If Franchisee has registered any of the Pepper Lunch Marks or the name Pepper Lunch as part of an assumed, fictitious or corporate name, Franchisee shall promptly amend those registrations to delete the Pepper Lunch Marks and any confusingly similar marks or names.

17.9. **Liquidated Damages.** If Franchisee abandons the Franchised Business or Franchisee defaults and Franchisor terminates this Agreement, Franchisee shall pay Franchisor, within thirty (30) days following the date of termination, an amount equal to the total Royalty Fees paid (or if unpaid, payable) by Franchisee during the forty eight (48) months immediately preceding the effective date of termination to account for the actual damages that Franchisor shall suffer as a result of the termination of this Agreement during the time period that Franchisor searches for a replacement franchisee or for a replacement location; provided that if there are less than forty eight (48) months left in the Term of this Agreement, the payment shall be reduced to that lower number of months. The Parties acknowledge and agree that it would be impossible and impracticable to determine the precise amount of damages Franchisor will incur. The Parties further acknowledge and agree that this calculation of Franchisor's potential damages is a reasonable, good-faith estimate of those damages. If Franchisor is unable to make this calculation because of Franchisee's failure to report the Gross Sales of the Franchised Business, Franchisor may estimate the Gross Sales for the applicable period based upon the historical financial information available to Franchisor at that time.

## **18. INDEPENDENT CONTRACTOR AND INDEMNIFICATION.**

18.1. **No Fiduciary Relationship.** This Agreement does not create a fiduciary relationship between the Parties. Franchisee shall be an independent contractor, and nothing in this Agreement is intended to constitute or appoint either Party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

18.2. **Public Notice of Independent Status.** Franchisee shall conspicuously identify itself in all dealings with its customers, contractors, suppliers, public officials, and others, as an independent Franchisee of Franchisor, and shall place the notice of independent ownership on all forms. Franchisor shall have the right to specify the language of any notice.

18.3. **Independent Contractor.** Franchisee acknowledges and agrees that it is not authorized to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligations in Franchisor's name, and that Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any action, nor shall Franchisor be liable by reason of any act or omission of Franchisee in its conduct of the Franchised Restaurant or for any claim or judgment arising therefrom against Franchisee or Franchisor.

18.4. **Indemnification.** Franchisee and its Owners and Affiliates (collectively, the “**Indemnitors**”) shall indemnify, defend and hold harmless to the fullest extent permitted by Applicable Law, the Parent Company, Franchisor and their Constituents (collectively, the “**Indemnitees**”), from any and all “**Losses and Expenses**” incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof, and regardless of whether the same is between Indemnitors and Indemnitees (collectively, an “**Indemnifiable Claim**”) which arises directly or indirectly from, as a result of, or in connection with Franchisee’s operation of the Franchised Restaurant and regardless of whether the Indemnifiable Claim or the Losses and Expenses resulted from any strict or vicarious liability imposed by law on Franchisee; provided, however, that this indemnity shall not apply to any liability arising from the gross negligence of Franchisor (except to the extent that joint liability is involved, in which event the indemnification provided for in this Section 18.4 shall extend to any finding of comparative negligence or contributory negligence attributable to Franchisee). For the purpose of this Section 18.4, the term “**Losses and Expenses**” shall mean and include compensatory, exemplary, or punitive damages, fines and penalties, attorneys’ fees, experts’ fees, court costs, costs associated with investigating and defending against claims, settlement amounts, judgments, compensation for damages to a Party’s reputation and goodwill, and all other costs associated with any of the foregoing Losses and Expenses.

18.4.1. The Indemnitees shall give the Indemnitors prompt notice of any Indemnifiable Claim of which the Indemnitees are aware for which indemnification is required under this Section 18.4. The notice shall specify whether the Indemnifiable Claim arises as a result of an Indemnifiable Claim by a third party against the Indemnitees (a “**Third Party Claim**”) or whether the Indemnifiable Claim does not result from an Indemnifiable Claim by a third party against the Indemnitees (a “**Direct Claim**”), and shall also specify with reasonable particularity (to the extent that the information is available) the factual basis for the Indemnifiable Claim and the amount of the Indemnifiable Claim, if known. If, through the fault of the Indemnitees, the Indemnitors do not receive notice of any Indemnifiable Claim in time to effectively contest the determination of any Losses and Expenses susceptible of being contested, the Indemnitors shall be entitled to set off against the amount claimed by the Indemnitees the amount of any Losses and Expenses incurred by the Indemnitors resulting from the Indemnitees’ failure to give such notice on a timely basis.

18.4.2. With respect to Third Party Claims, the Indemnitors shall have the right, at their expense and at their election, to assume control of the negotiation, settlement and defense of Third Party Claims through counsel of their choice. The election of the Indemnitors to assume such control shall be made within thirty (30) days after the Indemnitors’ receipt of notice of a Third Party Claim. If the Indemnitors elect to assume control, the Indemnitors shall do so at the Indemnitors’ sole expense. The Indemnitees shall have the right to be informed and consulted with respect to the negotiation, settlement or defenses of the Third Party Claim and to retain counsel to act on the Indemnitees’ behalf, at the Indemnitees’ sole expense, unless the Indemnitors consent to the retention of the Indemnitees’ counsel at the Indemnitors’ expense or unless the Indemnitors and the Indemnitees are both named in any action or proceeding and the representation of both the Indemnitors and the Indemnitees by the same counsel would be appropriate because of the absence of any actual or potential differing interests between them (such as the availability of different defenses).

18.4.3. If the Indemnitors elect to assume control, but thereafter fail to defend the Third Party Claim within a reasonable time, the Indemnitees shall be entitled to assume control and the Indemnitors shall be bound by the results obtained by the Indemnitees with respect to the Third Party Claim. If any Third Party Claim is of a nature that the Indemnitees

are required by Applicable Law to make a payment to any claimant with respect to the Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnitees may make such payment and the Indemnitors shall, within thirty (30) days after demand by the Indemnitees, reimburse the Indemnitees for the amount of the payment. If the Indemnitees' liability under the Third Party Claim, as finally determined, is less than the amount paid by the Indemnitors to the Indemnitees, the Indemnitees shall, within thirty (30) days after receipt of the difference from the claimant, pay the difference to the Indemnitors.

18.4.4. If the Indemnitors fail to assume control of the defense of any Third Party Claim, the Indemnitees shall have the exclusive right to consent, settle or pay the amount claimed. Whether or not the Indemnitors assume control of the negotiation, settlement or defenses of any Third Party Claim, the Indemnitors shall not settle any Third Party Claim without the written consent of the Indemnitees, which consent shall not be unreasonably withheld or delayed. The Indemnitees and the Indemnitors shall cooperate fully with each other with respect to Third Party Claims, and shall keep each other fully advised with respect to Third Party Claims (including supplying copies of all relevant documentation promptly as they becomes available).

18.4.5. With respect to Direct Claims, following receipt of notice from the Indemnitees of the Direct Claim, the Indemnitors shall have thirty (30) days to make such investigation of the Direct Claim as is considered necessary or desirable. For the purpose of the investigation, the Indemnitees shall make available to the Indemnitors the information relied upon by the Indemnitees to substantiate the Direct Claim, together with all other information that the Indemnitors may reasonably request. If the Indemnitors and the Indemnitees agree at or prior to the expiration of the thirty (30) day period (or any mutually agreed upon extension thereof) to the validity and amount of a Direct Claim, the Indemnitors shall immediately pay the Indemnitees the full agreed upon amount of the Direct Claim. If the Indemnitors fails to pay the same, the matter shall be resolved in the manner described in Section 15.

18.4.6. The Indemnitees shall exert commercially reasonable efforts to mitigate the Losses and Expenses upon and after becoming aware of any Indemnifiable Claim which could reasonably be expected to give rise to the payment of Losses and Expenses.

## **19. DISPUTE RESOLUTION.**

19.1. **Judicial Relief.** The Parties agree that all disputes arising out of or relating to this Agreement shall be brought in the Superior Court of California, County of Los Angeles, or the United States District Court of the Central District of California. To the fullest extent that the Parties may do so under Applicable Law, the Parties waive the defense of inconvenient forum to the maintenance of an action in these Courts and agree not to commence any action of any kind except in these Courts. This Agreement shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Franchised Restaurant is located outside of California and such provision would be enforceable under the laws of the state in which the Franchised Restaurant is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 19.1 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject.

19.2. **Waivers.** The Parties agree, to the extent permitted by Applicable Law, that any legal action of any kind by either Party arising out of or relating to this Agreement or its breach must be

commenced by no later than the last to occur of the following: (i) one hundred eighty (180) days after obtaining knowledge of the facts which constituted or gave rise to the alleged violation or liability, or (ii) one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability. Franchisor and Franchisee, for themselves, and for and on behalf of the Franchisor Owners and the Owners, respectively, hereby waive to the fullest extent permitted by Applicable Law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, Franchisor and Franchisee shall each be limited to recovering only the actual damages proven to have been sustained by that Party, except as provided in Section 19.4.

19.3. **Specific Performance**. Franchisor and Franchisee acknowledge that each Party would be irreparably damaged if the provisions of this Agreement were not capable of being specifically enforced, and for this reason, Franchisor and Franchisee agree that the provisions of this Agreement shall be specifically enforceable. Franchisor and Franchisee further agree that any act or failure to act which does not strictly comply with the provisions and conditions of this Agreement may be specifically restrained, and that the equitable relief provided for in this Agreement shall not in any way limit or deny any other remedy at law or in equity that either Franchisor or Franchisee might otherwise have.

19.4. **Exclusive Remedy**. In no event shall either Party make or have any claim for money damages based on any claim or assertion that the other Party has unreasonably withheld, conditioned or delayed any consent, approval or authorization required under this Agreement. Each Party waives any claim for damages. Neither Party may claim any damages by way of setoff, counterclaim or defense. Each Party's sole remedy for such a claim shall be an action or proceeding to enforce the provisions of this Agreement, for specific performance or for declaratory judgment.

19.5. **Attorneys' Fees**. In any legal action or proceeding brought to enforce any provision of this Agreement or arising out of, or in connection with, this Agreement, the prevailing Party shall be entitled to recover from the other Party its reasonable attorneys' fees and costs in addition to any other relief that may be awarded by a Court.

## **20. NOTICES**

All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery with a guaranteed tracking facility, by certified mail, or by electronic transmission (email). Service shall be deemed conclusively made (i) at the time of service, if personally served; (ii) three (3) business days after delivery by the Party giving the notice, statement or demand if by air courier with a guaranteed tracking facility; (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid; and (iv) on the day of electronic transmission to the email address given below if telephonic confirmation of receipt is obtained by the sender promptly after completion of electronic transmission. Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party:

**Notices to Franchisor:** Hot Palette America Incorporated  
2625 Townsgate Road, Suite 340  
Westlake Village, California 91361  
Email: \_\_\_\_\_  
Attention: President

**Notices to Franchisee:** See **Exhibit A**

Either Party may change its address for the purpose of receiving notices, demands and other communications provided by a written notice given in the manner aforesaid to the other Party.

## 21. **ACKNOWLEDGMENTS.**

21.1. **Waiver and Delay.** No waiver by Franchisor of any Default, or series of Defaults in performance by Franchisee, and no failure, refusal or neglect of Franchisor to exercise any right, power or option given to it hereunder or under any agreement between Franchisor and Franchisee, whether entered into before, after or contemporaneously with the execution of this Agreement, or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement or any Franchise Agreement or other agreement between Franchisor and Franchisee, whether entered into before, after or contemporaneously with the execution of this Agreement, shall constitute a waiver of the provisions of this Agreement with respect to any continuing or subsequent Default or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

21.2. **Survival of Covenants.** The covenants contained in this Agreement which, by their nature or terms, require performance by the Parties after the expiration or termination of this Agreement shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

21.3. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Franchisee and his or their respective, heirs, executors, administrators, and its successors and assigns, subject to the prohibitions and restrictions against Assignment contained in this Agreement.

21.4. **Joint and Several Liability.** If Franchisee consists of more than one Owner, the obligations and liabilities of each person or Entity to Franchisor are joint and several.

21.5. **Entire Agreement.** This Agreement and the Exhibits contain all of the terms and conditions agreed upon by the Parties concerning the subject matter of this Agreement. No other agreements concerning the subject matter of this Agreement, written or oral, shall be deemed to exist or to bind either of the Parties and all prior agreements, understandings and representations are merged into this Agreement and superseded by this Agreement. No officer or employee or agent of Franchisor has any authority to make any representation or promise not included in this Agreement and Franchisee agrees that it has executed this Agreement without reliance upon any representation or promise not included in this Agreement. This Agreement cannot be modified or changed except by written instrument signed by both of the Parties. Nothing in this Franchise Agreement or any related agreement is intended to disclaim the representations Franchisor made to Franchisee in Franchisor's Franchise Disclosure Document.

21.6. **Titles and Recitals.** Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement. The Recitals set forth in Recitals A through C of this Agreement are true and correct and are hereby incorporated by reference into the body of this Agreement.

21.7. **Gender and Construction.** The terms of all Exhibits attached to this Agreement are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full in this Agreement. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any Section in this Agreement may require. As used in this Agreement, the words "include," "includes" or "including" are

used in a non-exclusive sense. Unless otherwise expressly provided in this Agreement to the contrary, any consent, approval, acceptance or authorization of Franchisor or Franchisee that may be required under this Agreement shall be in writing and shall not be unreasonably withheld, conditioned or delayed by the Party whose consent, approval, acceptance or authorization has been requested. To protect the Pepper Lunch System, the Pepper Lunch Marks, the Pepper Lunch Trade Secrets and the goodwill associated with the same, on any occasion where Franchisor is required or permitted to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Franchisor's standards or satisfaction, Franchisor may do so in its sole subjective judgment and discretion. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by the Parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of both Parties. Franchisor and Franchisee intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

21.8. **Severability; Modification**. Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to Applicable Law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the Parties have no legal right to contract, the latter shall prevail, but in that event, the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, section, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

21.9. **Counterparts and Electronic Transmission**. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement transmitted by email or otherwise shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement.

21.10. **Atypical Terms**. Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other Pepper Lunch Franchisees in any manner and at any time, which offers have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement. Franchisee further acknowledges and agrees that Franchisor has made no warranty or representation that all Pepper Lunch Franchise Agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Franchise Agreements previously executed or executed after the date of this Agreement with other Pepper Lunch Franchisees in a non-uniform manner.

**IN WITNESS WHEREOF**, the Parties have executed this Agreement on the Effective Date.

**FRANCHISOR:**

**HOT PALETTE AMERICA INCORPORATED,**  
A California corporation

**FRANCHISEE:**

**(IF FRANCHISEE IS A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
(Print Name of Franchisee Entity)

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**OR**  
**(IF FRANCHISEE IS AN INDIVIDUAL)**

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

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

**EXHIBIT A  
FRANCHISE INFORMATION**

**EFFECTIVE DATE:** \_\_\_\_\_.

**NAME OF FRANCHISEE:** \_\_\_\_\_.

**EXPIRATION DATE:** \_\_\_\_\_.

**ADDRESS OF FRANCHISED LOCATION:** \_\_\_\_\_.

**INITIAL FRANCHISE FEE:** \$\_\_\_\_\_.

**OPENING DATE:** \_\_\_\_\_.

**PROTECTED AREA:** The following area has been designated by Franchisor and accepted by Franchisee as the “**Protected Area**” of the Pepper Lunch Restaurant in accordance with Section 2.2 of the Franchise Agreement:

[ ] A radius of \_\_\_\_ miles surrounding the Pepper Lunch Restaurant.

[ ] The area outlined on the attached map and described as follows:

If the Protected Area is defined by streets, highways, freeways or other roadways, or rivers, streams, or tributaries, then the boundary of the Protected Area shall extend to the center line of each street, highway, freeway or other roadway, or river, stream, or tributary.

**NOTICE ADDRESS FOR FRANCHISEE:** \_\_\_\_\_

**EMAIL:** \_\_\_\_\_.

**EXHIBIT B**  
**ENTITY INFORMATION DISCLOSURE**

Franchisee represents and warrants that the following information is accurate and complete in all material respects:

(1) Franchisee is a (check as applicable):

- ☐ corporation
- ☐ limited liability company
- ☐ general partnership
- ☐ limited partnership
- ☐ Other (specify): \_\_\_\_\_

State of incorporation/organization: \_\_\_\_\_

Name of Franchisee entity: \_\_\_\_\_

Federal Tax Identification #: \_\_\_\_\_

(2) The name and address of each Owner is:

| NAME | HOME ADDRESS | NUMBER OF SHARES OR<br>PERCENTAGE INTEREST |
|------|--------------|--------------------------------------------|
|      |              |                                            |
|      |              |                                            |
|      |              |                                            |

(3) The names, addresses and titles of Franchisee Owner who will be devoting their full time to the Franchisee business are:

| NAME | HOME ADDRESS | TITLE |
|------|--------------|-------|
|      |              |       |
|      |              |       |
|      |              |       |

(4) The Principal Owner is \_\_\_\_\_  
and owns a \_\_\_\_\_% ownership interest in Franchisee. Alternatively, if permitted by Franchisor,  
the Managing Director is \_\_\_\_\_.

(5) The Restaurant Manager is \_\_\_\_\_.

**EXHIBIT C**  
**GUARANTEE OF FRANCHISE AGREEMENT**

The undersigned (collectively, "**Guarantors**") have requested **HOT PALETTE AMERICA INCORPORATED**, a California corporation ("**Franchisor**"), to enter into a Franchise Agreement dated \_\_\_\_\_ (the "**Franchise Agreement**") with \_\_\_\_\_ ("**Franchisee**"). In consideration for, and as an inducement to, Franchisor's execution of the Franchise Agreement, Guarantors hereby grant this guarantee (this "**Guarantee**") and agree as follows:

1. "**Obligations**" means and includes any and all obligations of Franchisee arising under or pursuant to the Franchise Agreement and all other obligations, whether now existing or hereafter arising, of Franchisee to Franchisor of whatever nature.
2. Guarantors irrevocably and unconditionally, fully guarantee to Franchisor the prompt, full and complete payment of any and all Obligations of Franchisee to Franchisor and the performance of any and all Obligations of Franchisee including, without limitation, Obligations under the Franchise Agreement or any other agreement, instrument or document relating to, evidencing or securing any Obligations.
3. If Franchisee fails to pay any of the Obligations, Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, pay all of the Obligations in like manner as if the Obligations constituted the direct and primary Obligation of Guarantors. Guarantors agree that if any Obligation, covenant or agreement contained in the Franchise Agreement is not observed, performed or discharged as required by the Franchise Agreement (taking into consideration any applicable cure periods), Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, to observe, perform or discharge the Obligation, covenant or agreement in like manner as if the same constituted the direct and primary Obligation of Guarantors.
4. No exercise or non-exercise by Franchisor of any right under this Guarantee, no dealing by Franchisor with Franchisee or any other person and no change, impairment or suspension of any right or remedy of Franchisor shall in any way affect any Obligations of Guarantors under this Guarantee or give Guarantors any recourse against Franchisor. Without limiting the generality of the foregoing, Guarantors agree that, regardless of whether Franchisor gives notice thereof or obtains the consent of Guarantors thereto, Guarantors' liability under this Guarantee shall not be released, extinguished or otherwise reduced in any way by reason of (i) any amendment, modification, renewal, extension, substitution or replacement of the Franchise Agreement or of any of the Obligations, in whole or in part, (ii) any acceptance, enforcement or release by Franchisor of any security for the Franchise Agreement or of any of the Obligations, any addition, substitution or release of any of the Guarantors, or any enforcement, waiver, surrender, impairment, release, compromise or settlement of any matter with respect to the Franchise Agreement or the Obligations or any security therefore, (iii) any assignment of this Guarantee, in whole or in part by Franchisor, or any Assignment or transfer of the Franchise Agreement (or any of them) by Franchisor or Franchisee, (iv) the invalidity or unenforceability of any provision of the Franchise Agreement or any of the Obligations, or (v) any failure, omission or delay of Franchisor in enforcing the Franchise Agreement, the Obligations or this Guarantee.
5. Guarantors waive and agree not to assert or take advantage of (i) any right to require Franchisor to proceed against Franchisee or any other person, firm or corporation or to proceed against or exhaust any security held by Franchisor at any time or to pursue any other remedy in

Franchisor's power, (ii) any statute of limitations in any action under this Guarantee to collect any Obligations guaranteed hereby, (iii) any defense that may arise by reason of Franchisee's incapacity, lack of authority, insolvency or bankruptcy or Franchisor's failure to file or enforce a claim against the estate (either in bankruptcy or other proceeding) of Franchisee, any other or others, (iv) any defense arising out of any alteration of the Franchise Agreement or the Obligations, (v) notice of Franchisee's Default in the payment or performance of any of the Obligations, (vi) demand, protest and notice of any kind including, without limitation, notice of acceptance, notice of the existence, creation or incurring of new or additional Obligations or Obligations or of any action or non-action on the part of Franchisee, Franchisor, any endorser, creditor of Franchisee or Guarantors under this or any other instrument, or any other person, in connection with any Obligation or evidence of Obligations held by Franchisor or in connection with any Obligations hereby guaranteed, (vii) all rights and defenses arising out of an election of remedies by Franchisor, even though that election of remedies, such as non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantors' rights of subrogation and reimbursement against Franchisee by operation of Applicable Law or otherwise, (viii) any duty of Franchisor to disclose to Guarantors any facts that Franchisor may now or hereafter know about Franchisee, regardless of whether Franchisor has reason to believe that those facts materially increase the risk beyond that which Guarantors intends to assume or has reason to believe that the facts are unknown to Guarantors or has a reasonable opportunity to communicate the facts to Guarantors, it being understood and agreed that Guarantors is responsible to be and to keep informed of Franchisee's financial condition and of all circumstances bearing on the risk of nonpayment of any Obligations hereby guaranteed, and (ix) any right to the benefit of or to direct the application of any security held by Franchisor.

6. Until all Obligations to Franchisor are paid in full and fully performed, Guarantors shall have no right of subrogation and waive any right to enforce any remedy that Franchisor now has or may hereafter have against Franchisee. All existing or future indebtedness of Franchisee to Guarantors and any right to withdraw capital invested in Franchisee by Guarantors are hereby subordinated to all Obligations.

7. Guarantors' liabilities and all rights, powers and remedies of Franchisor under this Guarantee and under any other agreement now or at any time hereafter in force between Franchisor and Guarantors shall be cumulative and not alternative and the rights, powers and remedies shall be additional to all rights, powers and remedies given to Franchisor by Applicable Law. Without limiting the generality of anything contained in this Guarantee, Guarantors waive and agree not to assert or take advantage of (i) all rights described in California Civil Code Section 2856(a)(1) through (3), inclusive, including, without limitation, any rights and defenses which are or may become available to Guarantors by reason of California Civil Code Sections 2787 through 2855, inclusive; and (ii) California Civil Code Section 2899.

8. The liability of Guarantors under this Guarantee shall be an absolute, direct, immediate and unconditional continuing guarantee of payment and performance and not of collection. Guarantors' obligations under this Guarantee are independent of Franchisee's obligations. This is a continuing Guarantee. It shall be irrevocable during the initial term and each renewal term and through any extensions, amendments, modifications, substitutions or replacements of the Franchise Agreement and until all Obligations has been fully paid and the Obligations have been fully performed. In the event of any Default under this Guarantee, a separate action and/or successive actions may be brought and prosecuted against Guarantors regardless of whether action is brought against Franchisee or whether Franchisee is joined in any action or actions. Franchisor may maintain successive actions for other Defaults. Franchisor's rights under this Guarantee shall not be exhausted by Franchisor's exercise of any rights or remedies or by any

action or by any number of successive actions until and unless all Obligations have fully been paid and performed. The Obligations of Guarantors shall be primary and are independent of the Obligations of Franchisee and Franchisor may directly enforce its rights under this Guarantee without proceeding against or joining Franchisee or any other person or Entity, or applying or enforcing any security of the Franchise Agreement. Guarantors acknowledge and agree that Guarantors shall, and hereby are, bound by each and all of the confidentiality and non-competition provisions of the Franchise Agreement.

9. Neither any provision of this Guarantee nor right of Franchisor under this Guarantee can be waived, nor can Guarantors be released from Guarantors' obligations under this Guarantee except by a written agreement executed by Franchisor. If any provision or portion of any provision of this Guarantee is found by a court of competent jurisdiction to be illegal or unenforceable, all other provisions shall, nevertheless, remain enforceable and effective. This Guarantee constitutes the entire agreement of Guarantors and Franchisor with respect to the subject matter of this Guarantee and no representation, understanding, promise or condition concerning the subject matter of this Guarantee shall bind Franchisor unless expressed in this Guarantee.

10. All written notices permitted or required under this Guarantee shall be deemed given and delivered in accordance with Section 20 of the Franchise Agreement. Notices to Guarantors shall be sent to the address set forth below each Guarantor's signature below.

11. This Guarantee may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Guarantee with signatures that have been transmitted by email shall constitute and be deemed original copies of this Guarantee for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Guarantee. In addition, this Guarantee may be signed electronically by the Guarantors and electronic signatures appearing on this Guarantee shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Guarantee.

12. This Guarantee shall be interpreted and construed under the laws of California. In the event of any conflict of law, the law of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Guarantee would not be enforceable under the laws of California, and if the Franchised Restaurant is located outside of California and such provision would be enforceable under the laws of the state in which the Franchised Restaurant is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 12 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. Venue for purposes of any legal proceedings brought in connection with or arising out of this Guarantee shall be conclusively presumed to be in the State of California, County of Los Angeles. Guarantors hereby submit to the jurisdiction of the United States District Court for the Central District of California.

Executed by or on behalf of Guarantors on the date set forth below.

|       |             |
|-------|-------------|
| _____ | Date: _____ |
| _____ |             |
| _____ | Date: _____ |
| _____ |             |

**EXHIBIT D**  
**AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS**  
**(DIRECT DEBITS)**

The undersigned franchisee/depositor ("**Depositor**") hereby (1) authorizes Hot Palette America Incorporated and its Affiliates ("**Franchisor**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account indicated below, and (2) authorizes the depository designated below ("**Depository**") to debit such account pursuant to Franchisor's instructions.

|                          |                |
|--------------------------|----------------|
| _____                    | _____          |
| Depository               | Branch         |
| _____                    | _____          |
| City and State           | Zip Code       |
| _____                    | _____          |
| Bank Transit /ABA Number | Account Number |

This authority is to remain in full force and effect until Depository has received joint written notification from Franchisor and Depositor of the Depositor's termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository shall provide Franchisor and Depositor with thirty (30) days' prior written notice of the termination of this authority. If an erroneous debit entry is initiated to Depositor's account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if (a) within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or (b) forty-five (45) days after posting, whichever comes first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error, and requesting Depository to credit the amount of the entry to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws. Depositor shall be responsible for all charges assessed by Depository to process all debit entries and/or credit corrections entries to the undersigned's checking and/or savings account initiated by Franchisor. Franchisor will credit Depositor for fees if error is deemed to be caused by Franchisor.

\_\_\_\_\_  
**DEPOSITOR (Print Name)**

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

Its: \_\_\_\_\_

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

**EXHIBIT E**  
**LEASE ADDENDUM FORM**

THIS ADDENDUM is executed as of \_\_\_\_\_ by and between \_\_\_\_\_ ("Tenant") and \_\_\_\_\_ ("Landlord"), as an addendum to the lease dated as of \_\_\_\_\_, as modified, amended, supplemented, renewed and/or extended from time to time as contemplated herein, ("Lease") for the premises located at \_\_\_\_\_, State of \_\_\_\_\_ ("Franchised Location").

Tenant has entered into a Multi-Unit Development Agreement and/or a Franchise Agreement ("Franchise Agreement") with Hot Palette America Incorporated, a California corporation ("Franchisor") for the development and operation of one Pepper Lunch Restaurant at the Franchised Location (the "Pepper Lunch Restaurant"), and as a requirement thereof, the lease for the Franchised Location must contain the provisions set forth in this Addendum.

Landlord and Tenant agree that the terms contained herein shall supersede any terms to the contrary set forth in the Lease.

NOW THEREFORE, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

(1) Landlord consents to Tenant's use at the Franchised Location of the marks and signs, décor items, color schemes, and related components of the Pepper Lunch system as Franchisor may prescribe for the Pepper Lunch Restaurant. During the term of the Franchise Agreement, the Franchised Location may be used only for the operation of the Pepper Lunch Restaurant.

(2) Landlord will furnish Franchisor a copy of any notice sent to Tenant pertaining to any default or violation under the Lease at the same time that such notice is sent to Tenant. If Tenant fails to timely cure the default or violation, Landlord will provide Franchisor written notice of such failure and Franchisor may (but is not obligated): (a) to cure the default or violation by no later than fifteen (15) calendar days after receipt of the notice; and/or (b) take an assignment of the Lease in its sole discretion without paying an assignment fee and without any modification of the terms of the lease. If Franchisor does not timely cure the default or violation, Landlord may exercise any remedy arising as a consequence of Tenant's default or violation. In the event Franchisor elects to exercise its rights under Section 2(b) Franchisor may at any time thereafter further assign the Lease to another duly authorized franchisee for the purpose of the continued operation of the Pepper Lunch Restaurant at the Franchised Location, without paying an assignment fee and without any modification of the Lease, provided Franchisor must: (i) supply Landlord with reasonable documentary evidence confirming that a franchise agreement between such franchisee and Franchisor is (or will be) in full effect as of the date of the assignment, and (ii) ensure that the individual owners of such franchise become guarantors of the Lease. Unless Franchisor elects to exercise its rights under Section (2)(b), Franchisor shall not be deemed to have assumed the terms, covenants, obligations and conditions of the Lease.

(3) Tenant and Landlord will not agree to any assignment, renewal, extension or modification of the Lease without notice to, and consent from, Franchisor.

(4) For notice, Franchisor's mailing address shall be Hot Palette America Incorporated, 2625 Townsgate Road, Suite 340, Westlake Village, California 91361.

(5) Franchisor is an intended third party beneficiary of the provisions of this Addendum.

WITNESS the execution hereof under seal.

LANDLORD:

FRANCHISEE:

DATE: \_\_\_\_\_  
Subscribed and sworn to before me this  
\_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

DATE: \_\_\_\_\_  
Subscribed and sworn to before me this  
\_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

Notary Public  
My Commission expires: \_\_\_\_\_

Notary Public  
My Commission expires: \_\_\_\_\_

## **EXHIBIT F CURRENT INSURANCE REQUIREMENTS**

You must obtain and maintain the at least following insurance:

- worker's compensation insurance with limits in compliance with your state law and employer's liability insurance with at least \$1,000,000 combined single limit coverage, as well as any other insurance that may be required by statute or rule of the state in which your Pepper Lunch Restaurant is located or operated;
- comprehensive general liability insurance and product liability insurance with limits of at least \$1,000,000 combined single limit coverage including the following: broad form contractual liability and personal injury coverage (employee and contractual inclusion deleted) insuring us and you against all claims, suits, obligations, liabilities and damages, including attorneys' fees, for actual or alleged personal injuries or property damage relating to your Pepper Lunch Restaurant business, provided that the required amounts may be modified periodically by us to reflect inflation or future experience with claims;
- food borne illness/trade name restoration with at least \$500,000 in coverage;
- builder's risk during construction with then-current required limits;
- automobile liability insurance on company vehicles, including owned, hired and non-owned vehicle coverage, with a combined single limit of at least \$1,000,000;
- loss of income insurance (in an amount sufficient to cover the continuing license fee and other fees due under the Franchise Agreement for a period of at least 12 months);
- rental value insurance (in an amount sufficient to cover the rents and other fees due the landlord and/or merchants' association under the lease, if any, during any period of business interruption or inability to operate your Pepper Lunch Restaurant) or any greater amounts of insurance as required by the Lease for the Franchised Location;
- dramshop coverage with limits of liability not less than \$1,000,000 combined single limit for both bodily injury and property damage (this may be included within the umbrella coverage);
- employment practices liability insurance with limit of at least \$1,000,000;
- employee non-owned automobile insurance with limits of \$1,000,000;
- cyber-liability insurance with then-current required limits; and
- additional insurance and types of coverage as required by the terms of any Lease for the Franchised Location, including an umbrella policy with limit of at least \$1,000,000.

**\*\*subject to change\*\***

**EXHIBIT G**  
**TERMS AND CONDITIONS FOR RENTAL OF INDUCTION COOKER**

Franchise Agreement Date: \_\_\_\_\_

Franchisee: \_\_\_\_\_

Franchised Location: \_\_\_\_\_

Number of Induction Cookers: \_\_\_\_\_

**1. Rental Period**

The rental period shall commence on the day the Induction Cooker is installed at the Franchised Restaurant and shall expire on the date the Franchise Agreement for the Franchised Restaurant expires or is terminated ("Term"). Unless Franchisee gives Franchisor written notice of any defect within forty-eight (48) hours after receipt of the Induction Cooker, it shall be conclusively presumed that Franchisee received the Induction Cooker in good and working condition.

**2. Rental Rate and Payment**

Franchisee shall pay to Franchisor the rental fees for Induction Cookers calculated at the following rental rate (which Franchisor may revise upon thirty (30) days' notice to Franchisee):

(i) For the Term, the rental rate due is \$200 per new Induction Cooker per month.

(ii) Franchisor may provide refurbished Induction Cookers; Franchisee shall not be able to request refurbished Induction Cookers. For the Term, the rental rate due per refurbished Induction Cooker shall be an agreed up amount per month.

Any applicable taxes and similar charges shall be borne by Franchisee. The monthly payments are due prior to the start of each month and are due to Franchisor on the day designated by Franchisor. Payment terms in Section 4 of the Franchise Agreement apply these Terms and Conditions. The rental payments shall **not** accrue towards purchase of the Induction Cooker.

**3. Title**

Franchisor owns the Induction Cooker and retains all right, title and ownership to Induction Cooker. Franchisor retains the right to recover all payments due even though Induction Cooker is back in Franchisor's possession. Franchisee shall only be permitted to use the Induction Cooker in connection with the operation of a Pepper Lunch Restaurant pursuant to a validly existing franchise agreement.

**4. Responsibility for Installation, Use and Maintenance**

Franchisee shall be responsible for all costs and expenses for delivery, installation and return of Induction Cooker.

Franchisee shall install the Induction Cooker at the Franchised Restaurant at least three (3) days prior to opening of the Franchised Restaurants. Franchisee shall use the Induction Cooker solely at in connection with the operation of the Franchised Restaurant and shall be responsible for the use of the Induction Cooker. The use of the Induction Cooker shall at all times be in accordance with any manual or other instructions provided by Franchisor. Franchisee agrees that the Induction Cooker shall not be disassembled without prior approval from Franchisor, except for the case of repair to be performed by a contractor appointed or approved by Franchisor in writing. During the Term, Franchisee shall maintain the Induction Cooker in good working condition.

## 5. **Repair and Replacement of Cooker**

Franchisee shall be responsible for the cost of any repair or replacement of the Induction Cooker. All repairs to the Induction Cooker shall only be undertaken by a contractor appointed or approved by Franchisor.

Franchisee may purchase the following spare parts for each Induction Cooker from a contractor designated by Franchisor for later use upon initialing these Terms and Conditions. Franchisor shall not be responsible for unavailability or delay in arrival of spare parts for repair or replacement purposes for whatever reasons.

### Parts for Induction Cooker Model: PHI-500S (1 set)

|                          |   |
|--------------------------|---|
| Touch Temperature Sensor | 1 |
| Ceramic Plate            | 1 |
| Electromagnetic Module   | 1 |
| Push Button Switch       | 1 |
| Metal Filter             | 1 |

## 6. **Spare of Induction Cooker**

In addition to the Induction Cookers that Franchisee shall rent from Franchisor in accordance herewith, Franchisor shall provide Franchisee with one (1) Induction Cooker as a spare (the “**Spare Unit**”) free of charge upon or after the opening of the first Franchised Restaurant. Franchisee may request that Franchisor provide one (1) Spare Unit for every thirty (30) Induction Cookers that Franchisee maintains at its Pepper Lunch Restaurants. Franchisee shall not use the Spare Unit except for the case of the emergency such as the malfunction of the Induction Cooker in use. Franchisee agrees that all terms and conditions hereof which are applicable to the Induction Cooker shall apply to the Spare Unit except for the provisions regarding the rental fees of the Induction Cooker.

## 7. **Loss and Damage of Induction Cooker**

If the Induction Cooker becomes unavailable for use or beyond economic repair, including without limitation, stolen or damaged, Franchisee shall bear the cost incurred by Franchisor for a new Induction Cooker.

## **8. Franchisor's Inspection**

Franchisor shall at any and all times have the right to enter into the Franchised Restaurant to inspect and observe the use of the Induction Cooker.

## **9. Indemnification**

Franchisee shall defend, indemnify and hold Franchisor harmless from any claims or suits against Franchisor arising from Franchisee's use of Induction Cooker, including use by its employees and agents so long as such claims or suits are attributable to Franchisee. Franchisee shall pay all costs, damages, losses and expenses (including the reasonable attorneys' fees) incurred by Franchisor.

## **10. Limitation of Liability**

In no event, whether as a result of breach of contract or warranty, tort (including negligence) or otherwise, shall Franchisor be liable for any consequential loss including without limitation any loss of profits or revenue, or loss of use of the Induction Cooker.

## **11. Insurance**

Franchisee shall be liable for any damage or loss of the Induction Cooker and shall insure and keep insured the Induction Cooker against any damage or loss howsoever caused. Franchisor shall be included in all insurance as an insured party.

## **12. Warranty**

Franchisor makes no warranties, either express or implied as to any matter whatsoever, including without limitation the Induction Cooker's fitness for any purpose.

## **13. Termination of Rental and Return of Induction Cooker**

By no later than (30) days after the last day of the Term, Franchisee shall return the Induction Cooker used at the Franchised Business to Franchisor in good repair, condition and working order, ordinary wear and tear resulting from proper use thereof alone excepted.

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

Print Name \_\_\_\_\_

Title: \_\_\_\_\_

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

**EXHIBIT H**  
**DESIGNATED FOOD INGREDIENTS/DESIGNATED EQUIPMENT**

**1. Pepper Lunch Designated Food Ingredients**

Grains

- a) Rice
- b) Corn

Spices

- a) Black Pepper
- b) Curry Mixed Salt
- c) Mixed Salt

Sauces

- a) Margarine Sauces (Pepper, Black Pepper)
- b) Steak Sauces (Hot, Sweet)
- c) Curry Sauce
- d) Tomato Sauce
- e) Brown Sauce
- f) Sukiyaki Sauce
- g) Cream Sauce
- h) Teriyaki Sauce

**2. Pepper Lunch Designated Equipment**

- a) Iron Plate (Patented in Japan)
- b) Wooden Base for Iron Plate
- c) Rice Washer
- d) Advanced Induction Heating (IH) Rice Cooker
- e) Commercial Microwave

**3. Pepper Lunch Designated Chemicals**

- a) Dishmachine
- b) Dishmachine Rinse
- c) Manual Detergent
- d) Hand Soap
- e) Food Contact Surface Sanitizer (No-Rinse)
- f) Degreaser
- g) Bleach
- h) Hall Cleaning and Disinfectant

All Pepper Lunch Designated Products noted above shall be supplied by Franchisor or suppliers designated by Franchisor and shall only be used by Franchisee in the Franchised Restaurant. Franchisor shall have the right to change the Pepper Lunch Designated Products above from time to time. Such changes shall be effective and binding upon Franchisor's notice to Franchisee.

#### **4. Processed Materials**

- a) Beef
- b) Chicken
- c) Seafood, including fish

Franchisee shall purchase all Processed Materials only from factories or distributors designated or approved by Franchisor. All Processed Materials shall only be used by Franchisee in Franchised Restaurant. Franchisor shall have the right to change the Processed Materials from time to time. Such changes shall be effective and binding upon Franchisor's notice to Franchisee.

#### **5. Other Products**

Franchisee shall be responsible to procure products and ingredients listed in the Manual for use at the Franchised Restaurant and shall ensure that such ingredients are of the highest quality. All other products and ingredients shall be approved by Franchisor.

**HOT PALETTE AMERICA INCORPORATED**

**EXHIBIT B**

**MULTI-UNIT DEVELOPMENT AGREEMENT**

**HOT PALETTE AMERICA INCORPORATED**

**MULTI-UNIT DEVELOPMENT AGREEMENT**

**HOT PALETTE AMERICA INCORPORATED  
MULTI-UNIT DEVELOPMENT AGREEMENT**

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## HOT PALETTE AMERICA INCORPORATED MULTI-UNIT DEVELOPMENT AGREEMENT

**THIS MULTI-UNIT DEVELOPMENT AGREEMENT** (the “**Agreement**”) is made and entered into as of \_\_\_\_\_ (the “**Effective Date**”), by and between **HOT PALETTE AMERICA INCORPORATED**, a California corporation (“**Franchisor**”), on the one hand, and the individuals or Entity identified as “**Multi-Unit Developer**” on **Exhibit A**, on the other hand, who are individually referred to in this Agreement as a “**Party**”, and collectively referred to in this Agreement as “**Parties**”, with reference to the following facts:

A. Franchisor and its Affiliates own, have developed and may continue to develop the “**Pepper Lunch System**” for the establishment and operation of fast casual Japanese specialty restaurants (“**Pepper Lunch Restaurants**”) that offer do-it-yourself meals of beef, chicken and seafood cooked on iron griddles accompanied by Franchisor’s signature pepper rice and pasta and proprietary sauces and a variety of other related food products, side dishes and non-alcoholic and alcoholic beverages for both on-premises and off-premises consumption under the trade name and service mark “**Pepper Lunch**” and other related trademarks, service marks, logos and commercial symbols, and the trade dress used to identify Pepper Lunch Restaurants, including the unique and distinctive interior and exterior building designs, color schemes, furniture, fixtures and accessories present in Pepper Lunch Restaurants (collectively, the “**Pepper Lunch Marks**”). Hot Palette Holdings Co., Ltd. (the “**Parent Company**”) owns the Pepper Lunch Marks, which may be modified by Franchisor or Parent Company from time to time. The Parent Company and Franchisor continue to develop, use and control the use of the Pepper Lunch Marks in order to identify for the public the source of services and products marketed under the Pepper Lunch Marks and the Pepper Lunch System, and to represent the Pepper Lunch System’s high standards of quality, appearance and service. The Parent Company has issued a license to Franchisor to use and sublicense the use of the Pepper Lunch Marks for the sale of franchised Pepper Lunch Restaurants within the United States.

B. Franchisor desires to expand and develop Pepper Lunch Restaurants in the Development Area and Multi-Unit Developer desires to develop, own and operate Pepper Lunch Restaurants in the Development Area in accordance with the terms of this Agreement.

### **NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:**

#### **1. DEFINITIONS**

The capitalized terms in this Agreement are assigned these definitions:

“**Additional Development Rights**” means the rights that Franchisor may, but shall not be obligated to, grant Multi-Unit Developer to develop additional Pepper Lunch Restaurants in the Development Area under an Additional Development Plan acceptable to Franchisor.

“**Affiliate**” or “**Affiliates**” mean any person or Entity that controls, is controlled by, or is under common control with, a Party to this Agreement. Control of a person or Entity means the power, direct or indirect, to direct or cause the direction of the management and policies of such person or Entity whether by contract or otherwise.

“**Applicable Law**” means and includes applicable common law and all statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority with jurisdiction over the operation of the Pepper Lunch Restaurants that are in effect on or after the Effective Date, as they may be amended from time to time.

**“Approved Suppliers”** means suppliers of Pepper Lunch Branded Products, Pepper Lunch Proprietary Products and Non-Proprietary Products, and ancillary services, food products, beverages, supplies, furniture, fixtures and equipment for Pepper Lunch Restaurants that have been accepted and approved by Franchisor because they have demonstrated to Franchisor their ability to supply products and services for Pepper Lunch Restaurants meeting Franchisor’s specifications as to brand names, models, contents, manner of preparation, ingredients, quality, freshness, compliance with governmental standards and regulations, reliability with respect to delivery and consistency in the quality of their products or services. Franchisor and its Affiliates may be Approved Suppliers.

**“Authorized Pepper Lunch Products”** means all Pepper Lunch Branded Products, Pepper Lunch Proprietary Products and Non-Proprietary Products offered for sale or used at Pepper Lunch Restaurants, as specified by Franchisor from time to time.

**“Business Judgment”** means that Franchisor is allowed to exercise its judgment however Franchisor believes is appropriate in a given circumstance without limitation, subject to the use of that discretion in any reasonable way as more fully described in Section 18.11.

**“Competitive Business”** means any restaurant business which permits customers to use iron griddles to cook their own beef, chicken and seafood meals accompanied by rice or pasta as its primary menu items and any business which looks like, copies, imitates, or operates with similar trade dress or décor to a Pepper Lunch Restaurant.

**“Constituents”** means past, present and future Affiliates, parents, subsidiaries, divisions, partners, members, trustees, receivers, executors, representatives, administrators, owners, shareholders, distributors, parents, predecessors, officers, directors, agents, managers, principals, employees, insurers, successors, assigns, representatives and attorneys and the past, present and future officers, directors, agents, managers, principals, members, employees, insurers, successors, assigns, representatives and attorneys of each of the foregoing.

**“Default”** means any breach of, or failure to comply with, any of the terms or conditions of an agreement.

**“Development Area”** means the geographic area designated on Exhibit B.

**“Development Fee”** means the development fee payable to Franchisor by Multi-Unit Developer on the Effective Date multiplied by the number of Pepper Lunch Restaurants that are required to be developed, Opened and operated by Multi-Unit Developer under this Agreement in the amount set forth on Exhibit B.

**“Development Period”** means each of the time periods indicated on Exhibit B during which Multi-Unit Developer shall have the right and obligation to construct, equip, open and thereafter continue to operate Pepper Lunch Restaurants in accordance with the Minimum Development Obligation.

**“Electronic Signature”** means any electronic symbol and/or process attached to or logically associated with a document and executed by a Party with the intent to sign such document, including email or other electronic signatures.

**“Entity”** means any limited liability company, partnership, trust, association, corporation or other entity, which is not an individual. If Multi-Unit Developer is an Entity, the Entity shall conduct no business other than the development and operation of Pepper Lunch Restaurants in the Development Area, in accordance with the Minimum Development Obligation.

**"Equity"** means capital stock, membership interests, partnership rights or other equity ownership interests of an Entity.

**"Expiration Date"** means the earlier of the last date stated in the Development Schedule or the date the last Pepper Lunch Restaurant required to be developed pursuant to this Agreement actually opens for business.

**"Force Majeure"** means any event (i) that was reasonably unforeseeable as of the Effective Date, (ii) that is beyond the reasonable control, directly or indirectly, of a Party, (iii) that could not reasonably have been prevented or avoided by that Party with the exercise of reasonable efforts and due diligence, (iv) that does not result from the fault or negligence of that Party or its agents, employees or contractors, and (v) that causes the Party to be delayed, in whole or in part, or unable to partially or wholly perform its obligations under this Agreement. Subject to the satisfaction of the foregoing criteria, Force Majeure shall include: (a) acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe), (b) strikes, lockouts or other industrial disturbances, (c) war, terrorist acts, riot, or other civil disturbance, (d) unilateral governmental action impacting restaurants generally, and (e) epidemics, transportation shortages, inadequate supply of labor, material or energy. Neither an act or failure to act by a Governmental Authority, nor the performance, non-performance or exercise of rights under any agreement with Multi-Unit Developer by any lender, landlord, contractor, or other person, or Multi-Unit Developer's financial inability to perform or Multi-Unit Developer's insolvency, shall be an event of Force Majeure hereunder, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act which is otherwise an event of Force Majeure. An event of Force Majeure will not affect or change Multi-Unit Developer's obligation to timely pay any fees or amounts owed to Franchisor when due.

**"Franchise Agreement"** means the Then-Current form of agreement prescribed by Franchisor and used to grant to Multi-Unit Developer the right to own and operate a single Pepper Lunch Restaurant in the Development Area, including all exhibits, riders, guarantees and other related instruments, all as amended from time to time.

**"General Release"** means the form of general release prescribed by Franchisor of any and all known and unknown obligations, liabilities, demands, costs, expenses, damages, claims, actions and causes of action, of whatever nature, character or description, against Franchisor and its Constituents. A General Release will cover future consequences of acts, omissions events and circumstances predating the date of the General Release, but will not release, in advance, future acts, omissions or events which have not occurred at the time the General Release is executed.

**"Good Standing"** means Multi-Unit Developer is in substantial compliance with the material requirements of this Agreement, the Franchise Agreements, the Manuals and all other agreements then in effect between Franchisor or its Affiliates, and Multi-Unit Developer, and has substantially cured each curable Default for which Franchisor has issued a notice of Default to Multi-Unit Developer within the time periods set forth in Section 11.3.

**"Governmental Authority"** means all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

**"Gross Sales"** means the total of all revenues derived from sales of any nature or kind whatsoever from the Pepper Lunch Restaurants during the Term, whether evidenced by cash, services, property, barter, or other means of exchange, including orders taken in or from a Pepper Lunch Restaurant although filled elsewhere. **"Gross Sales"** shall include the full value of meals Multi-Unit Developer provides to its employees as incident to their employment (less the value of any

discounts against Gross Sales given during the month in which the meals were provided) and all proceeds from the redemption of coupons, gift certificates or vouchers, as well as the full amount of any fees or amounts assessed or charged on the delivery of products for or on behalf of the Franchised Restaurant. **"Gross Sales"** shall exclude the amount of bona fide refunds paid to customers and the amount of any sales or use taxes actually paid to any Governmental Authority and the retail price of any coupons, gift certificates and vouchers when they are sold.

**"Landlord"** means the owner of a Franchised Location who enters into a Lease with Multi-Unit Developer for a Franchised Location.

**"Lease"** shall mean any agreement, however denominated, that allows Multi-Unit Developer to occupy a Franchised Location owned by a Landlord, including any lease, sublease, concession agreement, license and similar arrangement between Multi-Unit Developer and a Landlord.

**"Manuals"** means Franchisor's operations and training manuals, and any other written directive related to the Pepper Lunch System, as the same may be amended and revised from time to time, including all bulletins, supplements and ancillary and additional manuals and written directives established by Franchisor as in effect and amended from time to time.

**"Minimum Development Obligation"** shall mean the Multi-Unit Developer's right and obligation to construct, equip, open and thereafter continue to operate at sites within the Development Area the cumulative number of Pepper Lunch Restaurants set forth in **Exhibit B** to this Agreement within each Development Period.

**"Non-Proprietary Products"** means the food products, condiments, beverages, raw materials, fixtures, furnishings, equipment, uniforms, supplies, paper goods, services, menus, packaging, forms, POS Systems, computer hardware, software, modems and peripheral equipment and other products, supplies, services and equipment, other than Pepper Lunch Branded Products and Pepper Lunch Proprietary Products, that may or must be used, offered and sold at the Pepper Lunch Restaurants.

**"Non-Traditional Venues"** means a broad variety of atypical retail sites, including, without limitation, a site, venue or location within a captive market site, another primary business or in conjunction with other businesses or at institutional settings including office buildings and business complexes, arenas, stadiums and entertainment venues, health clubs and recreational facilities, airports, train and bus stations, food service fulfillment centers, toll road facilities and other transportation terminals and related facilities, educational, medical, governmental and other types of institutional facilities, virtual spaces, restaurant-in retail locations or restaurant-in restaurant locations (for example, a kiosk within a grocery store, other restaurant or movie theater), food courts operated by a master concessionaire and any site for which the lessor, owner or operator limits the operation of its food service facilities to a master concessionaire or contract food service provider.

**"Open", "Open For Business", "Opened" and "Opened For Business"** means that Multi-Unit Developer has actually begun to sell food products to the public from a Pepper Lunch Restaurant.

**"Opening Date"** means the day that (i) Multi-Unit Developer receives written authorization from Franchisor and all applicable Governmental Authorities to commence business operations at a Pepper Lunch Restaurant, and (ii) Multi-Unit Developer actually begins to offer Authorized Pepper Lunch Products for sale to the public from the Pepper Lunch Restaurant, whichever occurs last.

**"Owner"** means each of the individuals (and/or entities directly or indirectly owned by such individuals) listed on **Exhibit A** and each future direct or indirect shareholder, member, general or

limited partner, trustee, or other Equity owner Multi-Unit Developer. Each Owner shall jointly and severally guarantee Multi-Unit Developer's payment and performance of its obligations under this Agreement under a Guarantee in the form of **Exhibit C**.

**"Pepper Lunch Trade Secrets"** means proprietary and Confidential Information, including, recipes, ingredients, specifications, procedures, policies, concepts, systems, know-how, plans, software, strategies and methods and techniques of operating Pepper Lunch Restaurants and producing Authorized Pepper Lunch Products, excluding information that is or becomes a part of the public domain through publication or communication by third parties not bound by any confidentiality obligation or that can be shown that was already lawfully in a third party's possession before receipt from Franchisor.

**"Principal Owner"** means the individual designated by Multi-Unit Developer on **Exhibit A**, and accepted by Franchisor, to serve as the authorized representative of Multi-Unit Developer, who shall act as Multi-Unit Developer's representative in all matters with Franchisor, as Multi-Unit Developer's liaison with Franchisor, the Franchisor Owners and the Owners, who shall have the authority to act on behalf of Multi-Unit Developer during the Term without the participation of any other Owner. In certain circumstances, instead of designating a Principal Owner, Franchisor may permit Multi-Unit Developer to employ or hire a manager (who does not have an equity interest) ("Managing Director") to oversee the development. The Managing Director must be approved by Franchisor and will need to satisfy any operational, management, or similar criteria Franchisor specifies. The Managing Director will be required to sign a Confidentiality and Non-Disclosure Agreement; but will not be required to sign a guarantee.

**"Protected Area"** means the exclusive area granted to each Pepper Lunch Restaurant in which Franchisor shall not develop, own or operate, or issue a franchise to any third party to develop, own or operate any other Pepper Lunch Restaurant.

**"Then-Current"** means the form of agreement then-currently provided by Franchisor to similarly situated prospective Pepper Lunch Multi-Unit Developers and Pepper Lunch Franchisees, which may contain terms and conditions that are materially different from this Agreement, or if not then being so provided, then a form of agreement selected by Franchisor in its discretion which previously has been delivered to and executed by a Pepper Lunch Multi-Unit Developer or a Pepper Lunch franchisee, or, as the context of this Agreement indicates, the fees then-currently charged by Franchisor or its Affiliates, or Franchisor's specifications, standards or the like, or, as the context of this Agreement indicates, the standards or requirements then-currently imposed by Franchisor for certain elements of the System..

**"Venue"** means any site other than a Non-Traditional Venue.

## **2. DEVELOPMENT RIGHTS**

2.1. **Grant and Minimum Development Obligation**. Franchisor hereby grants Multi-Unit Developer, and Multi-Unit Developer hereby accepts the limited exclusive right and obligation to develop the Minimum Development Obligation of Pepper Lunch Restaurants set forth in **Exhibit B** only at Venues in the Development Area during the individual Development Periods listed on **Exhibit B** under the Development Schedule set forth on **Exhibit B** in accordance with the terms and conditions in this Agreement. Except as provided in **Section 2.6**, Multi-Unit Developer shall not develop more Pepper Lunch Restaurants in the Development Area than the Minimum Development Obligation during the Initial Term. Multi-Unit Developer shall not subcontract, sublicense, share, divide or partition this Agreement and nothing in this Agreement will be construed as granting Multi-Unit Developer the right to do so.

2.2. **Rights in the Development Area.** Except as otherwise provided in this Section 2.2 and in Section 2.4, so long as Multi-Unit Developer is in Good Standing, and neither Franchisor, nor any of its Affiliates shall themselves develop, own and operate or grant third parties the right to develop, own and operate, Pepper Lunch Restaurants in the Development Area during the Initial Term. Multi-Unit Developer acknowledges the Development Area may be subject to pre-existing franchises granted prior to the Effective Date. The Development Area will not contain any areas granted to other franchisees prior to the Effective Date. Existing franchisees may renew or transfer the franchise rights previously granted to them under their Multi-Unit Development Agreements or Franchise Agreements.

2.3. **Adherence to Development Schedule.** Multi-Unit Developer shall satisfy the Minimum Development Obligation by Opening the number of Pepper Lunch Restaurants only at Venues in the Development Area within each Development Period as required by the Development Schedule and by continuing to operate the cumulative number of Pepper Lunch Restaurants required by the Minimum Development Obligation. Failure to comply with a scheduled Opening Date set forth in the Development Schedule shall constitute a Default under this Agreement and shall entitle Franchisor to terminate this Agreement, unless the Default results from an event of Force Majeure, in which case, the Opening Date may be extended by Franchisor as provided in Section 2.7.

2.4. **Rights Reserved by Franchisor.** Except as provided in Section 2.2, Franchisor expressly reserves all other rights, including the exclusive, unrestricted right, in its discretion, directly and indirectly, through its employees, Affiliates, representatives, licensees, assigns, agents and others, without paying Multi-Unit Developer any compensation or granting Multi-Unit Developer any rights in the same to: (i) develop, own and operate, and to grant franchises to third parties to develop, own and operate, Pepper Lunch Restaurants outside the Development Area, regardless of their proximity to the Development Area; (ii) develop, own and operate, and to grant franchises to third parties to develop, own and operate any other business, including food business, other than a Competitive Business, under marks and systems different from the Pepper Lunch Marks and Pepper Lunch System within and outside the Development Area; (iii) sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, Pepper Lunch Branded Products within and outside the Development Area, through the Internet, mail order catalogs, direct mail advertising and through other distribution methods; (iv) market on the Internet and use the Pepper Lunch Marks on the Internet, including all use of web sites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media; (v) open or operate and to franchise or license others to open or operate Pepper Lunch Restaurants at any Non-Traditional Venue within and outside of the Development Area regardless of their proximity to any Pepper Lunch Restaurants developed or under development by Multi-Unit Developer; (vi) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Pepper Lunch Restaurants or franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating; (vii) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any business providing products and services similar to those provided at Pepper Lunch Restaurants, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses; and (viii) engage in all other activities that this Agreement does not expressly prohibit.

2.5. **Closures and Assignments.** To protect the Pepper Lunch System, the Pepper Lunch Marks, the Pepper Lunch Trade Secrets, and the goodwill associated with the same, if, during the Term, Multi-Unit Developer ceases to operate any Pepper Lunch Restaurant developed and Opened under this Agreement for any reason, Multi-Unit Developer must develop a

replacement Pepper Lunch Restaurant to fulfill Multi-Unit Developer's obligation to have Open and in operation the required number of Pepper Lunch Restaurants at the expiration of each Development Period. The replacement Pepper Lunch Restaurants must be Opened within twelve (12) months after the closing of the Pepper Lunch Restaurant that will be replaced. Pepper Lunch Restaurants that are Open and operating that are assigned to Affiliates of Multi-Unit Developer with Franchisor's consent, shall count in determining whether Multi-Unit Developer has satisfied the Minimum Development Obligation for so long as the applicable Affiliate continues to comply with the terms of this Agreement.

2.6. **Additional Development Rights.** If Multi-Unit Developer satisfies the Minimum Development Obligation before the Expiration Date and desires to develop, own and operate additional Pepper Lunch Restaurants in the Development Area, Multi-Unit Developer shall notify Franchisor in writing (the "**Additional Development Notice**") that Multi-Unit Developer desires to do so and provide Franchisor with a proposal for the development of additional Pepper Lunch Restaurants in the Development Area (the "**Additional Development Obligation**"), setting forth the number of additional Pepper Lunch Restaurants proposed to be Opened by Multi-Unit Developer and development fees payable to Franchisor for each Pepper Lunch Restaurant proposed to be developed and the proposed Opening Dates for each Pepper Lunch Restaurant during the remainder of the Initial Term. Franchisor may, but shall have no obligation to, grant Multi-Unit Developer the Additional Development Rights described in this Section 2.6 in its sole and absolute discretion.

2.6.1. If Franchisor elects to grant the Additional Development Rights to Multi-Unit Developer and if the Additional Development Obligation proposed by Multi-Unit Developer is unacceptable to Franchisor in any respect, Franchisor and Multi-Unit Developer shall negotiate during the following thirty (30) day period to agree upon an acceptable Additional Development Obligation. If the Additional Development Obligation proposed by Multi-Unit Developer is acceptable to Franchisor, or if Franchisor and Multi-Unit Developer reach agreement on an alternative Additional Development Obligation within the thirty (30) day period after the date of the Additional Development Notice, Franchisor shall deliver to Multi-Unit Developer its Then-Current form of Multi-Unit Development Agreement (the "**Additional Multi-Unit Development Agreement**") setting forth the agreed upon Additional Development Obligation. Within thirty (30) days after Multi-Unit Developer's receipt of the Additional Multi-Unit Development Agreement, Multi-Unit Developer shall execute the Additional Multi-Unit Development Agreement, and return it to Franchisor. If Multi-Unit Developer has so executed and returned the Additional Multi-Unit Development Agreement, and has satisfied the conditions precedent set forth in Section 2.6.2, Franchisor shall execute the Additional Multi-Unit Development Agreement, and return a fully executed copy to Multi-Unit Developer.

2.6.2. Franchisor shall execute the Additional Multi-Unit Development Agreement, if, and only if, (i) Franchisor elects to grant the Additional Development Rights to Multi-Unit Developer, (ii) Multi-Unit Developer has fully performed all of its obligations under this Agreement and all other agreements between Franchisor and Multi-Unit Developer and is in Good Standing on the date of the Additional Development Notice and on the date of Franchisor's execution of the Additional Multi-Unit Development Agreement, (iii) Multi-Unit Developer has demonstrated Multi-Unit Developer's Then-Current financial ability to timely implement and complete the Additional Development Obligation, (iv) Multi-Unit Developer continues to operate no less than the aggregate number of Pepper Lunch Restaurants in the Development Area as required by the Minimum Development Obligation, (v) Multi-Unit Developer has executed the Additional Multi-Unit Development Agreement and delivered it to Franchisor together with the initial franchise fees and development fees payable to

Franchisor for the Additional Development Rights, and (vi) Multi-Unit Developer executes and delivers to Franchisor a General Release in a form acceptable to Franchisor.

2.7. **Force Majeure.** Neither Party will be in default in the performance of its obligations under this Agreement if such performance is prevented or delayed due to Force Majeure. If Multi-Unit Developer is unable to meet the Minimum Development Obligation for any Development Period solely as the result of Force Majeure or any legal disability of Franchisor to deliver a Disclosure Document, which results in the inability of Multi-Unit Developer to construct and Open the Pepper Lunch Restaurants as required by this Agreement, Multi-Unit Developer shall provide Franchisor, within ten (10) days after the occurrence of an event that Multi-Unit Developer believes is an event of Force Majeure, with notice of the specific nature and extent of the Force Majeure and an explanation as to how the event has delayed Multi-Unit Developer's performance under this Agreement. The determination of whether an event of Force Majeure has occurred shall be made by Franchisor upon Franchisor's assessment of the event causing the delay. Multi-Unit Developer shall provide Franchisor with continuing updates and all information requested by Franchisor regarding Multi-Unit Developer's progress and diligence in responding to and overcoming the event of Force Majeure.

2.8. **No Rights to Use the Pepper Lunch Marks or Pepper Lunch System.** This Agreement is not a Pepper Lunch Franchise Agreement, and does not grant Multi-Unit Developer any right to use the Pepper Lunch Marks or the Pepper Lunch System or to sell or distribute any Authorized Pepper Lunch Products. To protect the Pepper Lunch System, the Pepper Lunch Marks, the Pepper Lunch Trade Secrets and the goodwill associated with the same, Multi-Unit Developer's rights to use the Pepper Lunch Marks and the Pepper Lunch System will be granted to Multi-Unit Developer solely under the terms of a Pepper Lunch Franchise Agreement.

### **3. INITIAL TERM**

3.1. **Initial Term.** The Initial Term shall commence on the Effective Date and shall expire on the Expiration Date.

3.2. **Effect of Expiration.** Multi-Unit Developer shall have no further right to develop additional Pepper Lunch Restaurants in the Development Area and no further rights or obligations under this Agreement. Multi-Unit Developer shall have the right to continue to own and operate all Pepper Lunch Restaurants Opened by Multi-Unit Developer prior to the Expiration Date under Franchise Agreements with Franchisor that remain in full force and effect on the Expiration Date. Franchisor, may, but shall not be required to, develop, own and operate, and grant franchises to third parties to develop, own and operate Pepper Lunch Restaurants at any location within or outside of the Development Area, without restriction, subject only to any Protected Area rights previously granted to Multi-Unit Developer under a Franchise Agreement with Franchisor that remains in full force and effect on the Expiration Date.

### **4. DEVELOPMENT FEE**

On the Effective Date, Multi-Unit Developer shall pay the Development Fee to Franchisor for the rights granted to Multi-Unit Developer under this Agreement in the manner directed by Franchisor. The Development Fee is fully earned by Franchisor when paid and is non-refundable under any circumstances. There is no additional initial franchise fee due when the Franchise Agreement is signed for each Pepper Lunch Restaurant.

## 5. INITIAL SERVICES AND ONGOING OBLIGATIONS OF FRANCHISOR

5.1. **Limited Obligations.** Multi-Unit Developer acknowledges and agrees that Franchisor's obligations under this Agreement are limited to identifying the Development Area and that Franchisor has no ongoing obligations for training or operational support for Multi-Unit Developer under this Agreement. All initial and continuing obligations of Franchisor to Multi-Unit Developer shall be provided by Franchisor under Franchisor's Then-Current Franchise Agreement for each Pepper Lunch Restaurant to be developed and opened in the Development Area by Multi-Unit Developer.

5.2. **Franchised Locations.** Multi-Unit Developer shall, at all times during the Term, exert Multi-Unit Developer's best efforts to diligently identify proposed sites for the Pepper Lunch Restaurants. When Multi-Unit Developer identifies a proposed site for a Pepper Lunch Restaurant, Multi-Unit Developer shall submit to Franchisor all demographic and other information regarding the proposed site and neighboring areas that Franchisor shall require, in the form prescribed by Franchisor, and shall request Franchisor to consider and approve the site. If Franchisor accepts a proposed site (a "**Franchised Location**"), Franchisor shall notify Multi-Unit Developer of its acceptance of the Franchised Location. Multi-Unit Developer acknowledges and agrees that it is Multi-Unit Developer's sole responsibility to identify and obtain each Franchised Location for the Pepper Lunch Restaurants to be developed under this Agreement. Each Lease shall comply with the requirements set forth in Sections 5.1 and 5.2 of Franchisor's current Franchise Agreement. Multi-Unit Developer or its Affiliate shall execute Franchisor's Then-Current Franchise Agreement upon receipt of Franchisor's approval of a Franchised Location (or earlier if requested by Franchisor).

5.3. **Conditions to Franchisor's Obligations.** To protect the Pepper Lunch System, the Pepper Lunch Marks, the Pepper Lunch Trade Secrets and the goodwill associated with the same, Multi-Unit Developer acknowledges and agrees that, as a condition precedent to Multi-Unit Developer's right to develop each Pepper Lunch Restaurant, all of the following conditions precedent must be satisfied and Franchisor shall execute a Then-Current Franchise Agreement for each Pepper Lunch Restaurant if, and only if (i) Multi-Unit Developer has fully performed all of its obligations under this Agreement and all other agreements between Franchisor and Multi-Unit Developer and is in Good Standing on the date of Franchisor's execution of a Franchise Agreement; (ii) Multi-Unit Developer demonstrates Multi-Unit Developer's Then-Current financial ability to implement and complete the construction and Opening of the Pepper Lunch Restaurants; (iii) Multi-Unit Developer has Opened and continues to operate no less than the aggregate number of Pepper Lunch Restaurants required by the Minimum Development Obligation in compliance with the Development Schedule; (iv) Multi-Unit Developer has executed a Then-Current Franchise Agreement and delivered it to Franchisor; and (v) Multi-Unit Developer executes and delivers a General Release to Franchisor in a form acceptable to Franchisor.

## 6. OBLIGATIONS OF MULTI-UNIT DEVELOPER

To protect the Pepper Lunch System, the Pepper Lunch Marks, the Pepper Lunch Trade Secrets, and the goodwill associated with the same:

6.1. **Development and Operation of Pepper Lunch Restaurants.** Multi-Unit Developer shall, at all times during the Term, exert Multi-Unit Developer's best efforts to faithfully, honestly and diligently develop, own and operate the number of Pepper Lunch Restaurants in the Development Area in order to satisfy the Minimum Development Obligation and the Development Schedule in accordance with the requirements of this Agreement and each Franchise Agreement for each Pepper Lunch Restaurant.

6.2. **Pepper Lunch System.** Multi-Unit Developer shall operate the Pepper Lunch Restaurants in compliance with the terms of the Franchise Agreements and the Manuals. Multi-Unit Developer acknowledges and agrees that Multi-Unit Developer alone shall exercise day-to-day control over all operations, activities and elements of the Pepper Lunch Restaurants, including over Multi-Unit Developer's employees, and that under no circumstance shall Franchisor do so or be deemed to do so. Multi-Unit Developer further acknowledges and agrees that the various requirements, restrictions, prohibitions, specifications and procedures of the Pepper Lunch System that Multi-Unit Developer must comply with under the Franchise Agreements, the Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Pepper Lunch Restaurants, which Multi-Unit Developer alone controls, but only constitute standards to which Multi-Unit Developer must adhere when exercising Multi-Unit Developer's control over the day-to-day operations of the Pepper Lunch Restaurants consistent with the policies of Franchisor. Multi-Unit Developer shall comply with each Franchise Agreement and shall operate the Pepper Lunch Restaurants in conformity with the methods, standards, and specifications that Franchisor may from time to time prescribe in the Manuals or otherwise. Since every detail of the Pepper Lunch System is essential in order to develop and maintain quality operating standards, to increase the demand for the products and services sold by Pepper Lunch Restaurants under the Pepper Lunch System and to protect the Pepper Lunch Marks and reputation and goodwill, Franchisor shall have the right to disapprove, as it believes necessary, any modification of, or addition to, the Pepper Lunch System suggested by Multi-Unit Developer that is reasonably likely to have an adverse material effect on the Pepper Lunch System, the Pepper Lunch Marks or Franchisor's reputation or goodwill.

## **7. PEPPER LUNCH MARKS**

Franchisor and its Affiliates continue to develop, use and control the use of the Pepper Lunch Marks in order to identify for the public the source of services and products marketed under the Pepper Lunch Marks and the Pepper Lunch System, and to represent the Pepper Lunch System's high standards of quality, appearance and service. To protect the Pepper Lunch System, the Pepper Lunch Marks, the Pepper Lunch Trade Secrets and the goodwill associated with the same:

7.1. **Ownership and Goodwill of Pepper Lunch Marks.** Multi-Unit Developer acknowledges that its right to use the Pepper Lunch Marks is derived solely from this Agreement and is limited to use in operating as Multi-Unit Developer pursuant to and in compliance with this Agreement. Any unauthorized use of the Pepper Lunch Marks by Multi-Unit Developer shall constitute a breach of this Agreement and an infringement of Franchisor's (and Parent Company's) rights in and to the Pepper Lunch Marks. Multi-Unit Developer acknowledges and agrees that (i) the Parent Company owns the Pepper Lunch Marks and Franchisor owns the Pepper Lunch System, (ii) Multi-Unit Developer owns no goodwill or rights in the Pepper Lunch Marks or the Pepper Lunch System except for the license granted by this Agreement, and (iii) Multi-Unit Developer's use of the Pepper Lunch Marks and any goodwill established by that use shall inure to the exclusive benefit of Franchisor (or the Parent Company). Multi-Unit Developer agrees not to contest, or assist any other person to contest, the validity of (1) the Parent Company's rights and interest in the Pepper Lunch Marks or (2) Franchisor's rights and interest in the Pepper Lunch System either during the Term or after this Agreement terminates or expires.

7.2. **Limitations on Use.** Multi-Unit Developer shall not use any Pepper Lunch Mark (i) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos licensed to Multi-Unit Developer under this Agreement), (ii) in connection with unauthorized services or products, (iii) as part of any domain name or electronic address maintained on the, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system, or (iv) in any other manner not expressly authorized in writing by Franchisor. Multi-Unit Developer

shall give all notices of trademark and service mark registration as Franchisor specifies and shall use and obtain all fictitious or assumed name registrations required by Franchisor or under applicable, law. Multi-Unit Developer further agrees that no service mark other than “**Pepper Lunch**” or other Pepper Lunch Marks specified by Franchisor shall be used in marketing, promoting, or operating the Pepper Lunch Restaurants.

7.3. **Modifications.** Franchisor reserves the right to (i) modify or discontinue licensing any of the Pepper Lunch Marks, (ii) add new names, marks, designs, logos or commercial symbols to the Pepper Lunch Marks and require that Multi-Unit Developer use them, and (iii) require that Multi-Unit Developer introduce or observe new practices as part of the Pepper Lunch System in operating the Pepper Lunch Restaurants. Multi-Unit Developer acknowledges and agrees that the term Pepper Lunch Marks means the specific names, marks, designs, logos or commercial symbols licensed by Franchisor at any given point in time, subject to Franchisor’s right to impose changes. Multi-Unit Developer shall comply, at Multi-Unit Developer’s sole expense, with Franchisor’s directions regarding changes in the Pepper Lunch Marks and Pepper Lunch System within a reasonable time after written notice from Franchisor. Franchisor shall have no liability to Multi-Unit Developer for any cost, expense, loss or damage that Multi-Unit Developer incurs in complying with Franchisor’s directions and conforming to required changes.

7.4. **Defense of Pepper Lunch Marks and Pepper Lunch System.** Franchisor shall have the sole right to handle disputes with Multi-Unit Developers and third parties concerning Franchisor’s or Franchisor’s Affiliates’ (including the Parent Company’s) ownership of, rights in, or Multi-Unit Developer’s use of, the Pepper Lunch Marks or the Pepper Lunch System. Multi-Unit Developer shall immediately notify Franchisor in writing if Multi-Unit Developer receives notice, or is informed, of any: (i) improper use of any of the Pepper Lunch Marks or elements of the Pepper Lunch System, including misuse by Multi-Unit Developers, (ii) use by any third party of any mark, design, logo or commercial symbol which, in Multi-Unit Developer’s judgment, may be confusingly similar to any of the Pepper Lunch Marks, (iii) use by any third party of any business practice which, in Multi-Unit Developer’s judgment, unfairly simulates the Pepper Lunch System in a manner likely to confuse or deceive the public, or (iv) claim, challenge, suit or demand asserted against Multi-Unit Developer based upon Multi-Unit Developer’s use of the Pepper Lunch Marks or the Pepper Lunch System. Franchisor shall have sole discretion to take all action as it deems appropriate, including, without limitation, to take no action, and the sole right to control any legal proceeding or negotiation arising out of any infringement, challenge or claim or otherwise relating to the Pepper Lunch Marks or the Pepper Lunch System. Multi-Unit Developer shall not settle or compromise any claim, suit or demand asserted against it and agrees to be bound by Franchisor’s decisions in handling disputes regarding the Pepper Lunch Marks and the Pepper Lunch System. Multi-Unit Developer shall cooperate fully with Franchisor and execute all documents and perform all actions as may, in Franchisor’s judgment, be necessary, appropriate or advisable in the defense of all claims, suits or demands and to protect and maintain Franchisor’s and the Parent Company’s rights in the Pepper Lunch Marks and the Pepper Lunch System. Unless it is established that a third party claim asserted against Multi-Unit Developer is based directly upon Multi-Unit Developer’s misuse of the Pepper Lunch Marks or the Pepper Lunch System, Franchisor agrees to defend Multi-Unit Developer against the third party claim and indemnify Multi-Unit Developer for any losses resulting therefore, provided Multi-Unit Developer has notified Franchisor as soon as practical after learning of the claim and fully cooperates in the defense of the action. Because Franchisor will defend the third party claim, Multi-Unit Developer is not entitled to be reimbursed for legal or other professional fees or costs paid to independent legal counsel or others in connection with the matter. Multi-Unit Developer has no right, independent of Franchisor, to make any demand against any such user or challenger or to prosecute any claim of any kind or nature whatsoever relating to the Pepper Lunch Marks.

## 8. CONFIDENTIAL INFORMATION

8.1. **Confidential Information.** Multi-Unit Developer acknowledges and agrees that the Pepper Lunch System is comprised of confidential information that has been developed by Franchisor and its affiliates by the investment of time, skill, effort and money and is widely recognized by the public, is of substantial value, and is proprietary, confidential and constitutes Pepper Lunch Trade Secrets of Franchisor and its affiliates, and includes, without limitation, tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, products and services, recipes, sources of materials and equipment, client management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, designs, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories, prices charged to customers, customer lists and customer data, information regarding the skills and compensation of employees of Franchisor and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, Pepper Lunch Trade Secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, knowledge or know-how concerning the methods of operation of the Pepper Lunch Restaurant which may be communicated to Multi-Unit Developer, or of which Multi-Unit Developer may be apprised under the terms of this Agreement, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential (collectively, the "**Confidential Information**"). Confidential Information does not include any information that was in the lawful and unrestricted possession of Multi-Unit Developer prior to its disclosure by Franchisor; is or becomes generally available to the public by acts other than those of Multi-Unit Developer after receiving it; has been received lawfully and in good faith by Multi-Unit Developer from a third party who did not derive it from Franchisor or Multi-Unit Developer; or is shown by acceptable evidence to have been independently developed by Multi-Unit Developer.

8.2. **Value.** Multi-Unit Developer acknowledges and agrees the Confidential Information is not generally known by the public or parties other than Franchisor, its affiliates, its franchisees and Multi-Unit Developer; derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor, its franchisees or Multi-Unit Developer; and is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information, including, without limitation (i) not revealing the Confidential Information to unauthorized parties; (ii) requiring its franchisees to acknowledge and agree in writing that the Confidential Information is confidential; (iii) requiring its franchisees to agree in writing to maintain the confidentiality of the Confidential Information; (iv) monitoring electronic access to the Confidential Information by the use of passwords and other restrictions so that electronic access to the Confidential Information is limited to authorized parties; and (v) requiring its franchisees to return all Confidential Information to Franchisor upon the expiration or termination of their Franchise Agreements.

8.3. **Maintain Confidentiality.** To protect the Pepper Lunch System, the Pepper Lunch Marks, the Pepper Lunch Trade Secrets and the goodwill associated with the same, Multi-Unit Developer shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of anyone else, any information that Franchisor considers its Pepper Lunch Trade Secrets and/or Confidential Information. Multi-Unit Developer shall divulge such Confidential Information only to its supervisory or managerial personnel who must have access to it in order to perform their employment responsibilities.

8.4. **Irreparable Injury from Disclosure of Confidential Information.** Multi-Unit Developer acknowledges that failure to comply with the requirements of this Section 8 will result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Multi-Unit Developer consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to the requirements of this Section 8.

8.5. **Confidentiality Covenants from Individuals Associated with Multi-Unit Developer.** Multi-Unit Developer shall require any supervisory or managerial employee who may have access to any Confidential Information of Franchisor to execute covenants that they will maintain the confidentiality of the Confidential Information they receive in connection with their association with Multi-Unit Developer. Such covenants shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

8.6. **No Restriction.** Nothing in this Section 8 is intended to prohibit or restrict any activity which prohibition or restriction violates Multi-Unit Developer's employees' rights to engage in protected concerted activity under the National Labor Relations Act.

## **9. TRANSFER OF INTEREST**

9.1. **Transfer by Franchisor.** Franchisor shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal Entity without the consent or approval of Multi-Unit Developer. With respect to any assignment which results in the subsequent performance by the assignee of all of Franchisor's obligations under this Agreement, the assignee shall expressly assume and agree to perform such obligations and shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. Franchisor and or its Affiliates may sell their assets, the Pepper Lunch Marks, or the Pepper Lunch System, may sell securities in a public offering or in a private placement, may merge, acquire other corporations, or be acquired by another corporation, and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring (collectively, a "**Capital Event**"), all without the consent or approval of Multi-Unit Developer. In connection with any of the foregoing, at Franchisor's request, Multi-Unit Developer shall deliver to Franchisor a statement in writing certifying (a) that this Agreement is unmodified and in full force and effect (or if there have been modifications that the Agreement as modified is in full force and effect and identifying the modifications); (b) that Multi-Unit Developer is not in default under any provision of this Agreement, or if in default, describing the nature thereof in detail; and (c) as to such other matters as Franchisor may reasonably request; and Multi-Unit Developer agrees that any such statements may be relied upon by Franchisor and any prospective purchaser, assignee or lender of Franchisor.

9.2. **Assignment by Multi-Unit Developer.** Multi-Unit Developer acknowledges and agrees that the rights granted to Multi-Unit Developer under this Agreement are personal and are

granted in reliance upon, among other considerations, the individual or collective character, skill, aptitude, attitude, experience, business ability and financial condition and capacity of Multi-Unit Developer and, if Multi-Unit Developer is an Entity, that of the Owners. Multi-Unit Developer acknowledges and agrees that Multi-Unit Developer has no right, by operation of law or otherwise, to sell, assign, transfer, pledge, donate, encumber or otherwise deal with, directly or indirectly, (i) any interest in this Agreement, or (ii) the right to use the Pepper Lunch System or the Pepper Lunch Marks granted pursuant to this Agreement (an “**Assignment**”) without Franchisor’s prior written consent. Franchisor shall not unreasonably withhold its consent to an Assignment if, in Franchisor’s judgment, Multi-Unit Developer satisfies the conditions to the Assignment identified in this Agreement.

9.2.1. Without Franchisor’s prior written consent, which may be withheld by Franchisor in its discretion (i) Multi-Unit Developer shall not offer for sale or transfer at public or private auction any of the rights of Multi-Unit Developer under this Agreement, and (ii) Multi-Unit Developer shall not, directly or indirectly, pledge, encumber, hypothecate or otherwise grant any third party a security interest in this Agreement in any manner whatsoever. To the extent that the foregoing prohibition may be ineffective under Applicable Law, Multi-Unit Developer shall provide not less than ten (10) days’ prior written notice (which notice shall contain the name and address of the secured party and the terms of such pledge, encumbrance, hypothecation or security interest) of any pledge, encumbrance, hypothecation or security interest in this Agreement.

9.2.2. For purposes of this Agreement, each of the following events is an Assignment subject to the conditions to transfer identified in this Agreement: (i) the death or incapacity of any Owner, (ii) the offer or sale of securities of Multi-Unit Developer pursuant to a transaction subject to registration under applicable securities laws or by private placement pursuant to a written offering memorandum, (iii) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or other encumbrance of more than twenty percent (20%) in the aggregate, whether in one or more transactions, of the equity or voting power of Multi-Unit Developer, by operation of law or otherwise or any other events or transactions which, directly or indirectly, effectively changes control of Multi-Unit Developer, (iv) the issuance of any securities by Multi-Unit Developer which itself or in combination with any other transactions results in the Owners, as constituted on the Execution Date, owning less than forty percent (40%) of the outstanding Equity or voting power of Multi-Unit Developer, and (v) any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of the Multi-Unit Developer, however effected. Multi-Unit Developer shall promptly provide Franchisor with written notice (stating such information as Franchisor may from time to time require) of each and every transfer, assignment and encumbrance by any Multi-Unit Developer Owner of any direct or indirect equity or voting rights in Multi-Unit Developer, notwithstanding that the same may not constitute an “**Assignment**” as defined under this Section 9.

9.2.3. Neither Franchisor’s right of first refusal nor the other conditions of Assignment shall apply to a transfer by Multi-Unit Developer of all of Multi-Unit Developer’s rights under this Agreement to a newly-formed corporation, limited liability company or other business Entity provided all of the equity or voting interests of the new business Entity are owned by the same Owners (a “**Qualified Assignment**”). Any attempted or purported Assignment which fails to comply with the requirements of this Section 9 shall be null and void and shall constitute a Default under this Agreement.

9.3. **Right of First Refusal**. Except with respect to a “**Qualified Assignment**”, if Multi-Unit Developer or an Owner receive a bona fide written offer (“**Third Party Offer**”) from a third party

(the “**Proposed Buyer**”) to purchase or otherwise acquire any interest in Multi-Unit Developer which will result in an Assignment within the meaning of this Agreement, Multi-Unit Developer or the Proposed Buyer, shall, within five (5) days after receiving the Third Party Offer and before accepting it, apply to Franchisor in writing for Franchisor’s consent to the proposed Assignment. To constitute a bona fide written offer, the Third Party Offer must also apply to all of the Pepper Lunch Restaurants then owned and operated by Multi-Unit Developer in the Development Area.

9.3.1. Multi-Unit Developer, or the Proposed Buyer, shall attach to its application for consent to complete the transfer a copy of the Third Party Offer together with (i) information relating to the proposed transferee’s experience and qualifications, (ii) a copy of the proposed transferee’s current financial statement, and (iii) any other information material to the Third Party Offer, proposed transferee and proposed assignment or that Franchisor requests.

9.3.2. Franchisor or its nominee shall have the right, exercisable by written notice (“**Purchase Notice**”) given to Multi-Unit Developer or the Proposed Buyer, within thirty (30) days following receipt of the Third Party Offer, all supporting information, and the application for consent, to notify Multi-Unit Developer or the Proposed Buyer that it will purchase or acquire the rights, assets, equity or interests proposed to be assigned on the same terms and conditions set forth in the Third Party Offer, except that Franchisor may (i) substitute cash for any form of payment proposed in the offer discounted to present value based upon the rate of interest stated in the Third Party Offer, and (ii) deduct from the purchase price the amount of all amounts then due and owing from Multi-Unit Developer to Franchisor under this Agreement or otherwise.

9.3.3. If Franchisor or its nominee elects to purchase or acquire the rights, assets, equity or interests proposed to be assigned to the Proposed Buyer, the closing shall take no later than sixty (60) days following the date that the Purchase Notice was issued by Franchisor.

9.3.4. If Franchisor does not elect to purchase or acquire the rights, assets, equity or interests proposed to be assigned to the Proposed Buyer, the closing of the sale to the Proposed Buyer shall take no later than ninety (90) days following the date that the Third Party Offer was received by Multi-Unit Developer. If there is any material change in the terms of the Third Party Offer before the closing of the sale, Franchisor shall have a right of first refusal to accept the new terms subject to the conditions stated in this Section 9.3.

9.4. **Conditions of Assignment to Third Party**. As a condition to obtaining Franchisor’s consent to an Assignment, all of the following conditions must be satisfied:

9.4.1. The Proposed Buyer must submit a completed franchise application to Franchisor and meet Franchisor’s Then-Current qualifications for new Pepper Lunch Multi-Unit Developers, including qualifications pertaining to financial condition, credit rating, experience, moral character and reputation.

9.4.2. Multi-Unit Developer must be in Good Standing on the date consent is requested and until the date of closing of the Assignment.

9.4.3. The sales price of the interest to be conveyed must not be so high, or the terms of the sale so onerous, that, in the judgment of Franchisor, the Proposed Buyer will be unlikely to meet the Proposed Buyer’s financial and other obligations to Franchisor, third party suppliers and creditors following the closing. Franchisor shall have no liability to either

Multi-Unit Developer or the Proposed Buyer if Franchisor approves the Assignment and the Proposed Buyer thereafter experiences financial difficulties.

9.4.4. The Proposed Buyer must sign Franchisor's Then-Current form of Multi-Unit Development Agreement, the terms of which may differ materially from any and all of the terms contained in this Agreement, and which shall supersede this Agreement in all respects. If Franchisor is not offering new area development franchises, is in the process of revising, amending or renewing Franchisor's form of Multi-Unit Development Agreement or Disclosure Document or is not lawfully able to offer Franchisor's Then-Current form of Multi-Unit Development Agreement at the time of an Assignment, Franchisor may offer to amend this Agreement, upon terms and conditions that will be established by Franchisor and the Proposed Buyer at that time, or may offer to amend the term of this Agreement on substantially the terms and conditions set forth in this Agreement on a month-to-month basis for as long as Franchisor deems necessary or appropriate so that Franchisor may subsequently offer and utilize a Then-Current form of Multi-Unit Development Agreement.

9.4.5. Multi-Unit Developer will remain subject to all obligations stated in this Agreement that expressly, or by implication due to their nature, survive the transfer, termination or expiration of this Agreement, including, without limitation, the provisions prohibiting competition, non-interference and non-disclosure of Confidential Information.

9.4.6. Multi-Unit Developer and the Proposed Buyer shall execute a General Release in a form acceptable to Franchisor.

9.4.7. Multi-Unit Developer shall pay Franchisor fifty percent (50%) of the Then-Current initial franchise fee as a transfer fee to apply against Franchisor's administrative and other costs to process the Assignment.

9.4.8. Multi-Unit Developer must simultaneously transfer its rights all contracts for which continuation is necessary for operation of the Pepper Lunch Restaurants to the Proposed Buyer and satisfy any separate conditions to obtain any third party consents required for the transfer of Multi-Unit Developer's rights to the Proposed Buyer. The Proposed Buyer must execute all other documents and agreements required by Franchisor to consummate the Assignment. All required third party consents to the Assignment must be obtained. If the Proposed Buyer is a corporation, limited liability company or other business Entity, each person who at the time of the Assignment, or later, owns or acquires, either legally or beneficially, twenty percent (20%) or more of the equity or voting interests of the Proposed Buyer must execute a Guarantee in a form acceptable to Franchisor.

9.4.9. Multi-Unit Developer's right to receive the sales proceeds from the Proposed Buyer in consideration of the Assignment shall be subordinate to the obligations of the Proposed Buyer owed to Franchisor and its Affiliates under, or pursuant to, this Agreement or any other agreement. All contracts by and between Multi-Unit Developer and the Proposed Buyer shall expressly include a subordination provision permitting payment of the sales proceeds to Multi-Unit Developer only after any outstanding obligations owed to Franchisor and its Affiliates are fully satisfied.

9.4.10. Except when the transferee is an existing Multi-Unit Developer or franchisee of Franchisor, the Proposed Buyer, and a supervisory or managerial employee of the Proposed Buyer who will have general management and supervisory responsibilities for the Pepper Lunch Restaurants, must complete to Franchisor's sole satisfaction Franchisor's Initial Training Program prior to the effective date of the Assignment.

9.4.11. The Proposed Buyer must conform the Pepper Lunch Restaurants with Franchisor's Then-Current appearance and design standards and equipment specifications applicable to new Pepper Lunch Restaurants.

9.5. **Death or Incapacity.** In the event of the death or incapacity of an Owner, the spouse, heirs or personal representative of the deceased or incapacitated person, or the remaining shareholders, members, partners or owners (the "**Successor**") shall have one hundred eighty (180) days from the date of death or incapacity in which to (i) purchase the interest of the deceased or incapacitated person, or (ii) complete an Assignment of the interest of the deceased or incapacitated person to a qualified, approved third party, subject to the provisions of this Section 9. If a Successor has not purchased the interest of the deceased or incapacitated person or completed an Assignment of the interest of the deceased or incapacitated person to a qualified, approved third party within one hundred eighty (180) days from the date of death or incapacity, Franchisor may terminate this Agreement.

9.6. **Restriction on Publicly Traded and Private Securities.** Securities, partnership or other ownership interests in Multi-Unit Developer may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation. Such interests may be offered by private offering or otherwise only with the prior written consent of Franchisor, which consent shall not be unreasonably withheld. All materials required for any private offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No offering by Multi-Unit Developer shall imply that Franchisor is participating in an underwriting, issuance or offering of securities of Multi-Unit Developer or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Multi-Unit Developer and Franchisor, and its Affiliates. Franchisor may, at its option, require Multi-Unit Developer's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Multi-Unit Developer, its Owners and other participants in the offering must fully agree in writing to defend and indemnify Franchisor, its Affiliates, their respective partners and the officers, directors, manager(s) (if a limited liability company), shareholders, members, partners, agents, representatives, independent contractors, servants and employees of each of them, from and against any and all losses, costs and liability in connection with the offering and shall execute any documentation required by Franchisor to further evidence this indemnity. For each proposed offering, Multi-Unit Developer shall pay to Franchisor a non-refundable fee of \$10,000, which shall be in addition to any Transfer Fee under any Franchise Agreement and/or Development Agreement or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including without limitation, legal and accounting fees. Multi-Unit Developer shall give Franchisor written notice at least thirty (30) days prior to the date of commencement of any offering or other transaction covered by this Section.

## **10. TRANSFER BY MULTI-UNIT DEVELOPER IN BANKRUPTCY**

If, for any reason, this Agreement is not terminated pursuant to Section 11.1 and this Agreement is assumed, or Assignment of the same to any person or Entity who has made a bona fide offer to accept an Assignment of this Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of the proposed Assignment or assumption, setting forth (a) the name and address of the proposed assignee, and (b) all of the terms and conditions of the proposed Assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of the proposed assignee's offer to accept Assignment of this Agreement, and, in any event, within

ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into the Assignment and assumption, and Franchisor shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of the proposed Assignment and assumption, to accept an Assignment of this Agreement to Franchisor itself upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by Multi-Unit Developer out of the consideration to be paid by the assignee for the Assignment of this Agreement.

## **11. DEFAULT AND TERMINATION**

### **11.1. Termination In the Event of Multi-Unit Developer's Bankruptcy or Insolvency.**

Multi-Unit Developer shall be deemed to be in Default under this Agreement, and all rights granted to Multi-Unit Developer of this Agreement shall automatically terminate without notice to Multi-Unit Developer, (i) if Multi-Unit Developer or its Principal Owner becomes insolvent or makes a general assignment for the benefit of creditors, (ii) if a petition in bankruptcy is filed under the United States Bankruptcy Act by Multi-Unit Developer or its Principal Owner or such a petition is filed against and not opposed by Multi-Unit Developer or its Principal Owner, (iii) if Multi-Unit Developer or its Principal Owner is adjudicated as bankrupt or insolvent, (iv) if a bill in equity or other proceeding for the appointment of a receiver of Multi-Unit Developer or its Principal Owner or other custodian for any Pepper Lunch Restaurants is filed and consented to by Multi-Unit Developer or its Principal Owner, (v) if a receiver or other custodian (permanent or temporary) of Multi-Unit Developer's or its Principal Owner's assets or property, or any part thereof, is appointed by any court of competent jurisdiction, (vi) if proceedings for a composition with creditors under any Applicable Law is instituted by or against Multi-Unit Developer or its Principal Owner, (vii) if a final judgment in excess of \$100,000 against any Pepper Lunch Restaurant remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed), (viii) if Multi-Unit Developer or its Principal Owner admits Multi-Unit Developer or its Principal Owner is unable to generally pay Multi-Unit Developer's or its Principal Owner's debts as they become due, (ix) if execution is levied against any Pepper Lunch Restaurant or property, (x) if suit to foreclose any lien or mortgage against any Pepper Lunch Restaurant or the equipment of any Pepper Lunch Restaurant is instituted against Multi-Unit Developer or its Principal Owner and not dismissed within thirty (30) days, or (xi) if any Pepper Lunch Restaurant shall be sold after levy thereupon by any sheriff, marshal, or constable.

**11.2. Termination With Notice and Without Opportunity to Cure.** Multi-Unit Developer shall be in Default under this Agreement, and Franchisor may, at its option, terminate this Agreement and all rights granted under this Agreement, without affording Multi-Unit Developer any opportunity to cure the Default, effective immediately upon receipt of notice by Multi-Unit Developer (i) if Multi-Unit Developer or an Owner is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the Pepper Lunch System, the Pepper Lunch Marks, the goodwill associated therewith, or Franchisor's interest therein, (ii) if Multi-Unit Developer fails to comply with the Development Schedule at any time, (iii) if any of the Franchise Agreements or any other agreement between Multi-Unit Developer and Franchisor or its Affiliates are terminated due to a breach or Default by Multi-Unit Developer, (iv) if any purported assignment or transfer of any direct or indirect interest in this Agreement, in the Pepper Lunch Restaurants, or in all or substantially all of Multi-Unit Developer's assets is made to any third party by Multi-Unit Developer or an Owner without Franchisor's prior written consent or otherwise not in compliance with this Agreement, (v) if any transfer of the equity ownership interests of Multi-Unit Developer or an Owner is made to any third party without Franchisor's prior written consent, (vi) if Multi-Unit Developer or an Owner discloses or divulges the contents of Franchisor's Manuals, Pepper Lunch Trade Secrets or other Confidential Information provided to Multi-Unit Developer by Franchisor, (vii) if an approved Assignment, as

required by Section 9.5, is not effected within the time provided following death or incapacity of an Owner, (viii) if Multi-Unit Developer or an Owner fails to comply with the covenants in Section 13 or fails to obtain execution of and deliver the covenants required under Section 13.6, (ix) if Multi-Unit Developer or an Owner has made any material misrepresentations in connection with their application to Franchisor for the development rights granted by this Agreement, (x) if Multi-Unit Developer or an Owner, after curing a Default pursuant to Section 11.3, commits the same, similar, or different Default, whether or not cured after notice, (xi) if any Owner fails or refuses to deliver to Franchisor, within ten (10) days after Franchisor's written request, a Guarantee in substantially the form attached to this Agreement as Exhibit C and current financial statements as may from time to time be requested by Franchisor, (xii) if Multi-Unit Developer, an Owner or an Affiliate fails to comply with any or all of the terms of this Agreement, the Stock Purchase Agreement or any other agreement between Franchisor, or its Affiliates, and Multi-Unit Developer or an Owner beyond the applicable cure period, (xiii) upon a breach of Multi-Unit Developer's obligations under this Agreement or any other agreement between Multi-Unit Developer and Franchisor, which by its nature is not capable of being cured by Multi-Unit Developer, (xiv) if funding promised or otherwise represented to be made available to Multi-Unit Developer or its Owners on the condition that Multi-Unit Developer sign this Agreement is not made available to Multi-Unit Developer or its Owners within ten (10) business days after Multi-Unit Developer signs this Agreement, (xv) if, in Franchisor's Business Judgment, Franchisor has grounds to believe that Multi-Unit Developer or any of its Owners, officers, directors, or key employees has engaged or attempted to engage, through one or more affirmative acts or a failure to act, in any fraudulent, dishonest, unethical, immoral, or similar conduct in connection with Multi-Unit Developer's development of Pepper Lunch Restaurants, whether such conduct is directed at or reasonably expected to impact Multi-Unit Developer's development of Pepper Lunch Restaurants, the Pepper Lunch System, the Franchisor or its Affiliates, suppliers, other Multi-Unit Developers, or another third party, or (xvi) if, in Franchisor's Business Judgment, Franchisor has grounds to believe that Multi-Unit Developer or any of its Owners, officers, or directors has engaged in any lewd or immoral conduct, whether or not in connection with Multi-Unit Developer's development of Pepper Lunch Restaurants.

**11.3. Termination With Notice and Opportunity to Cure.** Except as provided in Sections 11.1 and 11.2, Multi-Unit Developer shall have thirty (30) days after its receipt of written notice from Franchisor within which to remedy any Default under this Agreement and to provide evidence thereof to Franchisor. If any such Default is not cured within the specified time, or such longer period as Applicable Law may require, this Agreement shall terminate without further notice to Multi-Unit Developer effective immediately upon expiration of the thirty (30) day period or such longer period as Applicable Law may require. Multi-Unit Developer shall be in Default pursuant to this Section 11.3 for failure to substantially comply with any of the requirements imposed by this Agreement, as it may from time to time reasonably be modified or supplemented by the Manuals, or for failure to carry out the terms of this Agreement in good faith.

**11.4. Options At Termination.** Upon any Default under Sections 11.2 or 11.3, Franchisor may immediately take any one or more of the following actions, by written notice to Multi-Unit Developer: (i) terminate this Agreement and all rights granted to Multi-Unit Developer under this Agreement; (ii) accelerate or decelerate the Development Schedule; (iii) reduce the Minimum Development Obligation; (iv) eliminate or diminish Multi-Unit Developer's rights with respect to the Development Area or the size of the Development Area; or (v) increase the fees to be paid by Multi-Unit Developer to Franchisor.

**11.5. Cross-Default.** Any Default by Multi-Unit Developer under the terms and conditions of this Agreement, any Franchise Agreement, or any other agreement between Franchisor, or its Affiliates, and Multi-Unit Developer, shall be deemed to be a Default of each and every other such agreement. In the event of the termination of this Agreement for any cause, or the termination of

any other agreement between Franchisor, or its Affiliates, and Multi-Unit Developer, Franchisor may, at its option, terminate any or all of such other agreements.

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

Upon termination or expiration of this Agreement, all rights granted under this Agreement to Multi-Unit Developer shall forthwith terminate, and:

12.1. **No Right to Open Additional Pepper Lunch Restaurants.** To protect the Pepper Lunch System, the Pepper Lunch Marks, the Pepper Lunch Trade Secrets and the goodwill associated with the same, upon termination or expiration of this Agreement: (i) Multi-Unit Developer shall have no further right to develop or open any Pepper Lunch Restaurants; (ii) Multi-Unit Developer shall have no further rights or obligations under this Agreement or the Franchise Agreements that were terminated; (iii) Multi-Unit Developer shall have the right to continue to own and operate all Pepper Lunch Restaurants Opened by Multi-Unit Developer prior to the termination date under Franchise Agreements with Franchisor that remain in full force and effect on the termination date; and (iv) Franchisor may thereafter develop, own and operate, and grant franchises to third parties to develop, own and operate Pepper Lunch Restaurants at any location within or outside of the Development Area, without restriction, subject only to any Protected Area rights previously granted to Multi-Unit Developer for any Pepper Lunch Restaurant under a Franchise Agreement that remains in full force and effect on the termination date.

12.2. **Payment of Monies Due.** Multi-Unit Developer shall promptly pay all sums owing to Franchisor and its Affiliates. If this Agreement is terminated because of a Default by Multi-Unit Developer, such sums also shall include all damages, costs, and expenses, including attorneys' fees, incurred by Franchisor as a result of the Default. Franchisor shall have the right to set off any amounts which Franchisor deems are payable to Franchisor by Multi-Unit Developer.

12.3. **Return of Materials and Other Confidential Information.** Multi-Unit Developer shall immediately deliver to Franchisor the Manuals and all other records, files, and any instructions containing Confidential Information which are in Multi-Unit Developer's possession and all copies thereof (all of which are acknowledged to be the property of Franchisor).

## **13. COVENANTS**

13.1. **Non-Competition During Term of Agreement.** Multi-Unit Developer specifically acknowledges that, pursuant to this Agreement, Multi-Unit Developer will receive valuable specialized training and Confidential Information, including, without limitation, Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the Pepper Lunch System. Multi-Unit Developer and each Owner covenants that during the Term, except as otherwise approved in writing by Franchisor, Multi-Unit Developer and each Owner shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, or legal Entity (i) divert or attempt to divert any present or prospective Pepper Lunch customer to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Pepper Lunch Marks and the Pepper Lunch System, or (ii) own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business, provided, however, the restrictions stated in this Section 13.1 shall not apply to any Owner after two (2) years from the date the Owner ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Multi-Unit Developer.

13.2. **Non-Competition After Expiration or Termination of Agreement.** Commencing upon the date of: (i) an Assignment permitted under Section 9 (ii) the Expiration Date of this Agreement, (iii) the termination of this Agreement (regardless of the cause for termination), or (iv) a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 13.2, and continuing for an uninterrupted period of two (2) years thereafter, Multi-Unit Developer and each Owner shall not, own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any Competitive Business located at a location designated as a "Franchised Location" in a Franchise Agreement between Franchisor, as franchisor, and Multi-Unit Developer, or an Affiliate or Owner of Multi-Unit Developer, as franchisee, except in accordance with the terms of an effective Franchise Agreement between Franchisor, as franchisor, and Multi-Unit Developer, or an Affiliate or Owner of Multi-Unit Developer, as franchisee, or any location within a three (3) mile radius of any Pepper Lunch Restaurant or a Franchised Location, as defined above; provided, however, the restrictions stated in this Section 13.2 shall not apply to any Owner after two (2) years from the date the Owner ceases to be an officer, director, shareholder, member, manager, trustee, owner, general partner, employee or otherwise associated in any capacity with Multi-Unit Developer in the Development Area.

13.3. **Exceptions to Non-Compete Covenants.** Sections 13.1 and 13.2 shall not apply to ownership by Multi-Unit Developer or an Owner of a less than five percent (5%) beneficial interest in the outstanding equity securities of any Competitive Business registered under the Securities Act of 1833, the Securities Exchange Act of 1834.

13.4. **Reducing Scope of Covenants.** Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 13.1 and 13.2, or any portion thereof, without Multi-Unit Developer's consent, effective immediately upon receipt by Multi-Unit Developer of written notice thereof, and Multi-Unit Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

13.5. **Enforceability of Covenants Not Affected by Multi-Unit Developer Claims.** The existence of any claims Multi-Unit Developer may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 13. Multi-Unit Developer shall pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 13.

13.6. **Covenants from Individuals.** Multi-Unit Developer shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Section 13 (including covenants applicable upon the termination of a person's relationship with Multi-Unit Developer) from all Owners. Every covenant required by this Section 13.6 shall be in a form acceptable to Franchisor, and shall include, without limitation, a designation of Franchisor as a third party beneficiary of the covenants with the independent right to enforce them.

13.7. **Breach of Covenants Causes Irreparable Injury.** Multi-Unit Developer acknowledges that the violation of any covenant in this Section 13 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Multi-Unit Developer consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to such conduct or action.

13.8. **Effect of Applicable Law.** In the event any portion of the covenants in this Section 13 violates laws affecting Multi-Unit Developer, or is held invalid or unenforceable in a final

judgment to which Franchisor and Multi-Unit Developer are parties, then the maximum legally allowable restriction permitted by Applicable Law shall control and bind Multi-Unit Developer. The provisions of this Section 13 shall be in addition to and not in lieu of any other confidentiality obligation of Multi-Unit Developer, or any other person, whether pursuant to another agreement or pursuant to Applicable Law.

13.9. **Survival.** The provisions of this Section 13 shall survive the expiration and termination of this Agreement and shall not limit, restrain or otherwise affect any right or cause of action which may accrue to Franchisor for any infringement of, violation of, or interference with, this Agreement, or the Pepper Lunch Marks, the Pepper Lunch System, the Confidential Information, the Pepper Lunch Trade Secrets, or any other proprietary aspects of Franchisor's business.

#### **14. INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

14.1. **No Fiduciary Relationship.** This Agreement does not create a fiduciary relationship between the Parties. Multi-Unit Developer shall be an independent contractor, and nothing in this Agreement is intended to constitute or appoint either Party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

14.2. **Public Notice of Independent Status.** Multi-Unit Developer shall conspicuously identify itself in all dealings with its customers, contractors, suppliers, public officials, and others, as an independent Multi-Unit Developer of Franchisor, and shall place such notice of independent ownership on all forms. Franchisor shall have the right to specify the language of any such notice.

14.3. **Independent Contractor.** Multi-Unit Developer acknowledges and agrees that it is not authorized to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligations in Franchisor's name, and that Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, nor shall Franchisor be liable by reason of any act or omission of Multi-Unit Developer in its conduct of the operation of the Pepper Lunch Restaurants or for any claim or judgment arising therefrom against Multi-Unit Developer or Franchisor.

14.4. **Indemnification.** Multi-Unit Developer and its Owners and Affiliates (collectively, the "**Indemnitors**") shall indemnify, defend and hold harmless to the fullest extent permitted by Applicable Law, Franchisor, its Affiliates and their respective directors, officers, employees, shareholders and agents (collectively, the "**Indemnitees**"), from any and all "**Losses and Expenses**" incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof, and regardless of whether the same is between Indemnitors and Indemnities (collectively, an "**Indemnifiable Claim**") which arises directly or indirectly from, as a result of, or in connection with Multi-Unit Developer's operation of a Pepper Lunch Restaurant and regardless of whether the Indemnifiable Claim or the Losses and Expenses resulted from any strict or vicarious liability imposed by law on Multi-Unit Developer; provided, however, that this indemnity shall not apply to any liability arising from the gross negligence of Franchisor (except to the extent that joint liability is involved, in which event the indemnification provided for in this Section 14.4 shall extend to any finding of comparative negligence or contributory negligence attributable to Multi-Unit Developer). For the purpose of this Section 14.4, the term "**Losses and Expenses**" shall mean and include compensatory, exemplary, or punitive damages, fines and penalties, attorneys' fees, experts' fees, court costs, costs associated with investigating and defending against claims, settlement amounts, judgments, compensation for damages to a Party's reputation and goodwill, and all other costs associated with any of the foregoing Losses and Expenses.

14.4.1. The Indemnitees shall give the Indemnitors prompt notice of any Indemnifiable Claim of which the Indemnitees are aware for which indemnification is required under this Section 14.4. The notice shall specify whether the Indemnifiable Claim arises as a result of an Indemnifiable Claim by a third party against the Indemnitees (a **"Third Party Claim"**) or whether the Indemnifiable Claim does not result from an Indemnifiable Claim by a third party against the Indemnitees (a **"Direct Claim"**), and shall also specify with reasonable particularity (to the extent that the information is available) the factual basis for the Indemnifiable Claim and the amount of the Indemnifiable Claim, if known. If, through the fault of the Indemnitees, the Indemnitors do not receive notice of any Indemnifiable Claim in time to effectively contest the determination of any Losses and Expenses susceptible of being contested, the Indemnitors shall be entitled to set off against the amount claimed by the Indemnitees the amount of any Losses and Expenses incurred by the Indemnitors resulting from the Indemnitees' failure to give such notice on a timely basis.

14.4.2. With respect to Third Party Claims, the Indemnitors shall have the right, at their expense and at their election, to assume control of the negotiation, settlement and defense of Third Party Claims through counsel of their choice. The election of the Indemnitors to assume such control shall be made within thirty (30) days after the Indemnitors' receipt of notice of a Third Party Claim. If the Indemnitors elect to assume control, the Indemnitors shall do so at the Indemnitors' sole expense. The Indemnitees shall have the right to be informed and consulted with respect to the negotiation, settlement or defenses of the Third Party Claim and to retain counsel to act on the Indemnitees' behalf, at the Indemnitees' sole expense, unless the Indemnitors consent to the retention of the Indemnitees' counsel at the Indemnitors' expense or unless the Indemnitors and the Indemnitees are both named in any action or proceeding and the representation of both the Indemnitors and the Indemnitees by the same counsel would be appropriate because of the absence of any actual or potential differing interests between them (such as the availability of different defenses).

14.4.3. If the Indemnitors elect to assume control, but thereafter fail to defend the Third Party Claim within a reasonable time, the Indemnitees shall be entitled to assume control and the Indemnitors shall be bound by the results obtained by the Indemnitees with respect to the Third Party Claim. If any Third Party Claim is of a nature that the Indemnitees are required by Applicable Law to make a payment to any claimant with respect to the Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnitees may make such payment and the Indemnitors shall, within thirty (30) days after demand by the Indemnitees, reimburse the Indemnitees for the amount of the payment. If the Indemnitees' liability under the Third Party Claim, as finally determined, is less than the amount paid by the Indemnitors to the Indemnitees, the Indemnitees shall, within thirty (30) days after receipt of the difference from the claimant, pay the difference to the Indemnitors.

14.4.4. If the Indemnitors fail to assume control of the defense of any Third Party Claim, the Indemnitees shall have the exclusive right to consent, settle or pay the amount claimed. Whether or not the Indemnitors assume control of the negotiation, settlement or defenses of any Third Party Claim, the Indemnitors shall not settle any Third Party Claim without the written consent of the Indemnitees, which consent shall not be unreasonably withheld or delayed. The Indemnitees and the Indemnitors shall cooperate fully with each other with respect to Third Party Claims, and shall keep each other fully advised with respect to Third Party Claims (including supplying copies of all relevant documentation promptly as they becomes available).

14.4.5. With respect to Direct Claims, following receipt of notice from the Indemnitees of the Direct Claim, the Indemnitors shall have thirty (30) days to make such investigation of the Direct Claim as is considered necessary or desirable. For the purpose of the investigation, the Indemnitees shall make available to the Indemnitors the information relied upon by the Indemnitees to substantiate the Direct Claim, together with all other information that the Indemnitors may reasonably request. If the Indemnitors and the Indemnitees agree at or prior to the expiration of the thirty (30) day period (or any mutually agreed upon extension thereof) to the validity and amount of a Direct Claim, the Indemnitors shall immediately pay the Indemnitees the full agreed upon amount of the Direct Claim. If the Indemnitors fails to pay the same, the matter shall be resolved in the manner described in Section 15.

14.4.6. The Indemnitees shall exert commercially reasonable efforts to mitigate the Losses and Expenses upon and after becoming aware of any Indemnifiable Claim which could reasonably be expected to give rise to the payment of Losses and Expenses.

## **15. DISPUTE RESOLUTION**

15.1. **Judicial Relief, Choice of Law.** The Parties agree that all disputes arising out of or relating to this Agreement shall be brought in the Superior Court of California, County of Los Angeles, or the United States District Court of the Central District of California. To the fullest extent that the Parties may do so under Applicable Law, the Parties waive the defense of inconvenient forum to the maintenance of an action in these Courts and agree not to commence any action of any kind except in these Courts. California law shall govern the construction, interpretation, validity and enforcement of this Agreement, except to the extent the subject matter of the dispute arises exclusively under federal law, in which event federal law shall govern. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of California, and if the Pepper Lunch Restaurants are located outside of California and such provision would be enforceable under the laws of the state in which the Pepper Lunch Restaurants are located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 15.1 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of any state to which it would not otherwise be subject.

15.2. **Waivers.** The Parties agree, to the extent permitted by Applicable Law, that any legal action of any kind by either Party arising out of or relating to this Agreement or its breach must be commenced by no later than the last to occur of the following: (i) one hundred eighty (180) days after obtaining knowledge of the facts which constituted or gave rise to the alleged violation or liability, or (ii) one year after the act, event, occurrence or transaction which constituted or gave rise to the alleged violation or liability. Franchisor and Franchise, for themselves, and for and on behalf of the Franchisor Owners and the Owners, respectively, hereby waive to the fullest extent permitted by Applicable Law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, Franchisor and Multi-Unit Developer shall each be limited to recovering only the actual damages proven to have been sustained by that Party, except as provided in Section 15.3.

15.3. **Specific Performance.** Franchisor and Multi-Unit Developer acknowledge that each Party would be irreparably damaged if the provisions of this Agreement were not capable of being specifically enforced, and for this reason, Franchisor and Multi-Unit Developer agree that the provisions of this Agreement shall be specifically enforceable. Franchisor and Multi-Unit Developer further agree that any act or failure to act which does not strictly comply with the provisions and conditions of this Agreement may be specifically restrained, and that the equitable relief provided

for in this Agreement shall not in any way limit or deny any other remedy at law or in equity that either Franchisor or Multi-Unit Developer might otherwise have.

15.4. **Attorneys' Fees**. In any legal action or proceeding brought to enforce any provision of this Agreement or arising out of, or in connection with, this Agreement, the prevailing Party shall be entitled to recover from the other Party its reasonable attorneys' fees and costs in addition to any other relief that may be awarded by a Court.

15.5. **Exclusive Remedy**. In no event shall either Party make or have any claim for money damages based on any claim or assertion that the other Party has unreasonably withheld, conditioned or delayed any consent, approval or authorization required under this Agreement. Each Party waives any such claim for damages. Neither Party may claim any such damages by way of setoff, counterclaim or defense. Each Party's sole remedy for such a claim shall be an action or proceeding to enforce the provisions of this Agreement, for specific performance or for declaratory judgment.

## 16. ANTI-TERRORISM LAWS

Multi-Unit Developer shall comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Executive Order 13224 issued by the President of the United States, the USA Patriot Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority addressing or in any way relating to terrorist acts and acts of war (the "**Anti-Terrorism Laws**"). In connection with its compliance, Multi-Unit Developer certifies, represents and warrants that none of Multi-Unit Developer's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Multi-Unit Developer is not otherwise in violation of any of the Anti-Terrorism Laws. Any violation of the Anti-Terrorism Laws by Multi-Unit Developer or Multi-Unit Developer's employees or any "blocking" of Multi-Unit Developer's assets under the Anti-Terrorism Laws constitute grounds for immediate termination of this Agreement and any other agreements Multi-Unit Developer has entered into with Franchisor or any of its Affiliates, in accordance with the provisions of Section 11.2.

## 17. NOTICES

All notices or demands to be given under this Agreement shall be in writing and shall be served in person, by air courier delivery with a guaranteed tracking facility, by certified mail, or by electronic transmission (email). Service shall be deemed conclusively made (i) at the time of service, if personally served; (ii) three (3) business days after delivery by the Party giving the notice, statement or demand if by air courier with a guaranteed tracking facility; (iii) three (3) business days after placement in the United States mail by Certified Mail, Return Receipt Requested, with postage prepaid; and (iv) on the day of electronic transmission to the email address given below if telephonic confirmation of receipt is obtained by the sender promptly after completion of electronic transmission. Notices and demands shall be given to the respective Parties at the following addresses, unless and until a different address has been designated by written notice to the other Party:

**Notices to Franchisor:** Hot Palette America Incorporated  
2625 Townsgate Road, Suite 340  
Westlake Village, California 91361  
Attention: President  
Email: \_\_\_\_\_

**Notices to Multi-Unit Developer:** See **Exhibit A**

Either Party may change its address for the purpose of receiving notices, demands and other communications provided by a written notice given in the manner aforesaid to the other Party.

## **18. ACKNOWLEDGMENTS**

18.1. **Waiver and Delay.** No waiver by Franchisor of any Default, or series of Defaults in performance by Multi-Unit Developer, and no failure, refusal or neglect of Franchisor to exercise any right, power or option given to it under this Agreement or under any agreement between Franchisor and Multi-Unit Developer, whether entered into before, after or contemporaneously with the execution of this Agreement, or to insist upon strict compliance with or performance of Multi-Unit Developer's obligations under this Agreement or any Franchise Agreement or other agreement between Franchisor and Multi-Unit Developer, whether entered into before, after or contemporaneously with the execution of this Agreement, shall constitute a waiver of the provisions of this Agreement with respect to any continuing or subsequent Default or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

18.2. **Survival of Covenants.** The covenants contained in this Agreement which, by their nature or terms, require performance by the Parties after the expiration or termination of this Agreement shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

18.3. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Multi-Unit Developer and his or their respective, heirs, executors, administrators, and its successors and assigns, subject to the prohibitions and restrictions against Assignment contained in this Agreement.

18.4. **Joint and Several Liability.** If Multi-Unit Developer consists of more than one Owner, the obligations and liabilities of each person or Entity to Franchisor are joint and several.

18.5. **Entire Agreement.** This Agreement and the Exhibits contain all of the terms and conditions agreed upon by the Parties concerning the subject matter of this Agreement. No other agreements concerning the subject matter of this Agreement, written or oral, shall be deemed to exist or to bind either of the Parties and all prior agreements, understandings and representations, including, without limitation, the Letter of Intent, are merged into this Agreement and superseded by this Agreement. No officer or employee or agent of Franchisor has any authority to make any representation or promise not included in this Agreement and Multi-Unit Developer agrees that it has executed this Agreement without reliance upon any representation or promise not included in this Agreement. This Agreement cannot be modified or changed except by written instrument signed by both of the Parties. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

18.6. **Titles and Recitals.** Section titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement. The Recitals set forth in Recitals A through B of this Agreement are true and correct and are hereby incorporated by reference into the body of this Agreement.

18.7. **Gender and Construction.** The terms of all Exhibits attached to this Agreement are hereby incorporated into and made a part of this Agreement as if the same had been set forth in full in this Agreement. All terms used in any one number or gender shall extend to mean and include

any other number and gender as the facts, context, or sense of this Agreement or any Section in this Agreement may require. As used in this Agreement, the words “include,” “includes” or “including” are used in a non-exclusive sense. Unless otherwise expressly provided in this Agreement to the contrary, any consent, approval, acceptance or authorization of Franchisor or Multi-Unit Developer that may be required under this Agreement shall be in writing and shall not be unreasonably withheld, conditioned or delayed by the Party whose consent, approval, acceptance or authorization has been requested. To protect the Pepper Lunch System, the Pepper Lunch Marks, the Pepper Lunch Trade Secrets and the goodwill associated with the same, on any occasion where Franchisor is required or permitted to make any judgment, determination or use its discretion, including any decision as to whether any condition or circumstance meets Franchisor’s standards or satisfaction, Franchisor may do so in its sole subjective judgment and discretion. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by the Parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of both Parties. Franchisor and Multi-Unit Developer intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

18.8. **Severability; Modification.** Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to Applicable Law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the Parties have no legal right to contract, the latter shall prevail, but in that event, the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, section, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

18.9. **Counterparts and Electronic Transmission.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or otherwise shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement.

18.10. **Time of the Essence.** Time is of the essence of this Agreement with respect to each and every provision of this Agreement in which time is a factor.

18.11. **Atypical Arrangements.** Multi-Unit Developer acknowledges and agrees that Franchisor may modify the offer of its franchises to other Pepper Lunch Multi-Unit Developers and franchisees in any manner and at any time, which offers have or may have terms, conditions, and obligations which may differ from the terms, conditions, and obligations in this Agreement. Multi-Unit Developer further acknowledges and agrees that Franchisor has made no warranty or representation that Multi-Unit Development Agreements or Franchise Agreements previously issued or issued after this Agreement by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Franchisor may, in its reasonable business judgment and its sole and absolute discretion, due to local business conditions or otherwise, waive or modify comparable provisions of other Agreements previously executed or executed after the date of this Agreement with other Pepper Lunch Multi-Unit Developers and franchisees in a non-uniform manner.

**IN WITNESS WHEREOF**, the Parties have executed this Agreement on the Effective Date.

**FRANCHISOR:**

**HOT PALETTE AMERICA INCORPORATED,**  
A California corporation

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**MULTI-UNIT DEVELOPER:**

**(IF MULTI-UNIT DEVELOPER IS A  
CORPORATION, LIMITED LIABILITY  
COMPANY, OR PARTNERSHIP):**

\_\_\_\_\_  
[Print Name of Multi-Unit Developer Entity]

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**(IF MULTI-UNIT DEVELOPER IS AN  
INDIVIDUAL):**

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

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

**EXHIBIT A**  
**ENTITY INFORMATION DISCLOSURE**

Multi-Unit Developer represents and warrants that the following information is accurate and complete in all material respects:

(1) Multi-Unit Developer is a (check as applicable):

☐ corporation  
☐ limited liability company  
☐ general partnership  
☐ limited partnership  
☐ Other (specify): \_\_\_\_\_

State of incorporation/organization: \_\_\_\_\_  
Name of Multi-Unit Developer entity: \_\_\_\_\_  
Federal Tax Identification #: \_\_\_\_\_

(2) The name and address of each Owner is:

| NAME  | HOME ADDRESS | NUMBER OF SHARES OR<br>PERCENTAGE INTEREST |
|-------|--------------|--------------------------------------------|
| _____ | _____        | _____                                      |
| _____ | _____        | _____                                      |
| _____ | _____        | _____                                      |

(3) The names, addresses and titles of the Owners who will be devoting their full time to the Multi-Unit Developer business are:

| NAME  | HOME ADDRESS | TITLE |
|-------|--------------|-------|
| _____ | _____        | _____ |
| _____ | _____        | _____ |
| _____ | _____        | _____ |

(4) The Principal Owner is \_\_\_\_\_.

**NOTICE ADDRESS FOR MULTI-UNIT DEVELOPER:** \_\_\_\_\_  
**EMAIL:** \_\_\_\_\_.

**EXHIBIT B**  
**DEVELOPMENT AREA, OBLIGATION, SCHEDULE, PERIODS AND FEES**

- A. The **DEVELOPMENT AREA** is defined as the territory within the boundaries described below:

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If the Development Area is defined by streets, highways, freeways or other roadways then the boundary of the Development Area shall extend to the center line of each street, highway, freeway or other roadway.

- B. **MINIMUM DEVELOPMENT OBLIGATION:** \_\_\_\_\_ Pepper Lunch Restaurants
- C. **DEVELOPMENT FEE:** \$\_\_\_\_\_, which is \$35,000 for each Pepper Lunch Restaurant. There is no additional Initial Franchise Fee due under the then-current Franchise Agreement for each Restaurant.
- D. **DEVELOPMENT SCHEDULE:** \_\_\_\_\_ Pepper Lunch Restaurants must be Opened in \_\_\_\_\_ months.

| DEVELOPMENT PERIOD ENDING | CUMULATIVE NUMBER OF<br>PEPPER LUNCH RESTAURANTS TO BE IN<br>OPERATION |
|---------------------------|------------------------------------------------------------------------|
|                           |                                                                        |
|                           |                                                                        |
|                           |                                                                        |
| <b>TOTAL</b>              |                                                                        |

**EXHIBIT C**  
**GUARANTEE OF MULTI-UNIT DEVELOPMENT AGREEMENT**

The undersigned (collectively, "**Guarantors**") have requested **HOT PALETTE AMERICA INCORPORATED**, a California corporation ("**Franchisor**"), to enter into an Multi-Unit Development Agreement dated \_\_\_\_\_ (the "**Multi-Unit Development Agreement**") with \_\_\_\_\_, a \_\_\_\_\_ ("**Multi-Unit Developer**"). In consideration for, and as an inducement to, Franchisor's execution of the Multi-Unit Development Agreement, Guarantors hereby grant this guarantee (this "**Guarantee**") and agree as follows:

1. "**Obligations**" means and includes any and all obligations of Multi-Unit Developer arising under or pursuant to the Multi-Unit Development Agreement and all other obligations, whether now existing or hereafter arising, of Multi-Unit Developer to Franchisor of whatever nature.
2. Guarantors irrevocably and unconditionally, fully guarantee to Franchisor the prompt, full and complete payment of any and all Obligations of Multi-Unit Developer to Franchisor and the performance of any and all Obligations of Multi-Unit Developer including, without limitation, Obligations under the Multi-Unit Development Agreement or any other agreement, instrument or document relating to, evidencing or securing any Obligations.
3. If Multi-Unit Developer fails to pay any of the Obligations, Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, pay all of the Obligations in like manner as if the Obligations constituted the direct and primary obligation of Guarantors. Guarantors agree that if any Obligation, covenant or agreement contained in the Multi-Unit Development Agreement is not observed, performed or discharged as required by the Multi-Unit Development Agreement (taking into consideration any applicable cure periods), Guarantors shall, within five (5) days after a written demand therefore has been given to Guarantors by Franchisor, observe, perform or discharge such obligation, covenant or agreement in like manner as if the same constituted the direct and primary obligation of Guarantors.
4. No exercise or non-exercise by Franchisor of any right under this Guarantee, no dealing by Franchisor with Multi-Unit Developer or any other person and no change, impairment or suspension of any right or remedy of Franchisor shall in any way affect any Obligations of Guarantors under this Guarantee or give Guarantors any recourse against Franchisor. Without limiting the generality of the foregoing, Guarantors agree that, regardless of whether Franchisor gives notice thereof or obtains the consent of Guarantors thereto, Guarantors' liability under this Guarantee shall not be released, extinguished or otherwise reduced in any way by reason of (i) any amendment, modification, renewal, extension, substitution or replacement of the Multi-Unit Development Agreement or of any of the Obligations, in whole or in part; (ii) any acceptance, enforcement or release by Franchisor of any security for the Multi-Unit Development Agreement or of any of the Obligations, any addition, substitution or release of any of the Guarantors, or any enforcement, waiver, surrender, impairment, release, compromise or settlement of any matter with respect to the Multi-Unit Development Agreement or the Obligations or any security therefore; (iii) any assignment of this Guarantee, in whole or in part by Franchisor, or any assignment or transfer of the Multi-Unit Development Agreement (or any of them) by Franchisor or Multi-Unit Developer; (iv) the invalidity or unenforceability of any provision of the Multi-Unit Development Agreement or any of the Obligations; or (v) any failure, omission or delay of Franchisor in enforcing the Multi-Unit Development Agreement, the Obligations or this Guarantee.
5. Guarantors waive and agree not to assert or take advantage of (i) any right to require Franchisor to proceed against Multi-Unit Developer or any other person, firm or corporation or to proceed against or exhaust any security held by Franchisor at any time or to pursue any other remedy

in Franchisor's power; (ii) any statute of limitations in any action under this Guarantee to collect any Obligations guaranteed hereby; (iii) any defense that may arise by reason of Multi-Unit Developer's incapacity, lack of authority, insolvency or bankruptcy or Franchisor's failure to file or enforce a claim against the estate (either in bankruptcy or other proceeding) of Multi-Unit Developer, any other or others; (iv) any defense arising out of any alteration of the Multi-Unit Development Agreement or the Obligations; (v) notice of Multi-Unit Developer's default in the payment or performance of any of the Obligations; (vi) demand, protest and notice of any kind including, without limitation, notice of acceptance, notice of the existence, creation or incurring of new or additional Obligations or of any action or non-action on the part of Multi-Unit Developer, Franchisor, any endorser, creditor of Multi-Unit Developer or Guarantors under this or any other instrument, or any other person, in connection with any obligation or evidence of Obligations held by Franchisor or in connection with any Obligations hereby guaranteed; (vii) all rights and defenses arising out of an election of remedies by Franchisor, even though that election of remedies, such as non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantors' rights of subrogation and reimbursement against Multi-Unit Developer by operation of Applicable Law or otherwise; (viii) any duty of Franchisor to disclose to Guarantors any facts that Franchisor may now or hereafter know about Multi-Unit Developer, regardless of whether Franchisor has reason to believe that any such facts materially increase the risk beyond that which Guarantors intends to assume or has reason to believe that such facts are unknown to Guarantors or has a reasonable opportunity to communicate such facts to Guarantors, it being understood and agreed that Guarantors is responsible to be and to keep informed of Multi-Unit Developer's financial condition and of all circumstances bearing on the risk of nonpayment of any Obligations hereby guaranteed; and (ix) any right to the benefit of or to direct the application of any security held by Franchisor.

6. Until all Obligations to Franchisor are paid in full and fully performed, Guarantors shall have no right of subrogation and waive any right to enforce any remedy that Franchisor now has or may hereafter have against Multi-Unit Developer. All existing or future indebtedness of Multi-Unit Developer to Guarantors and any right to withdraw capital invested in Multi-Unit Developer by Guarantors are hereby subordinated to all Obligations.

7. Guarantors' liabilities and all rights, powers and remedies of Franchisor under this Guarantee and under any other agreement now or at any time hereafter in force between Franchisor and Guarantors shall be cumulative and not alternative and such rights, powers and remedies shall be additional to all rights, powers and remedies given to Franchisor by Applicable Law. Without limiting the generality of anything contained in this Guarantee, Guarantors waive and agree not to assert or take advantage of (i) all rights described in California Civil Code Section 2856(a)(1) through 2856(a)(3), inclusive, including, without limitation, any rights or defenses which are or may become available to Guarantors by reason of California Civil Code Sections 2787 through 2855, inclusive; and (ii) California Civil Code Sections 2899.

8. The liability of Guarantors under this Guarantee shall be an absolute, direct, immediate and unconditional continuing guarantee of payment and performance and not of collection. Guarantors' obligations under this Guarantee are independent of Multi-Unit Developer's Obligations. This is a continuing Guarantee. It shall be irrevocable during the initial term and each renewal term and through any extensions, amendments, modifications, substitutions or replacements of the Multi-Unit Development Agreement and until all Obligations have been fully paid and the Obligations have been fully performed. In the event of any default under this Guarantee, a separate action and/or successive actions may be brought and prosecuted against Guarantors regardless of whether action is brought against Multi-Unit Developer or whether Multi-Unit Developer is joined in any such action or actions. Franchisor may maintain successive actions for other defaults. Franchisor's rights under this Guarantee shall not be exhausted by Franchisor's exercise of any rights or remedies or by any such action or by any number of successive actions until and unless all Obligations have fully been paid

and performed. The obligations of Guarantors shall be primary and are independent of the Obligations of Multi-Unit Developer and Franchisor may directly enforce its rights under this Guarantee without proceeding against or joining Multi-Unit Developer or any other person or entity, or applying or enforcing any security of the Multi-Unit Development Agreement. Guarantors acknowledge and agree that Guarantors shall, and hereby are, bound by each and all of the confidentiality and non-competition provisions of the Franchise Agreement.

9. Nether any provision of this Guarantee nor right of Franchisor under this Guarantee can be waived, nor can Guarantors be released from Guarantors' obligations under this Guarantee except by a written agreement executed by Franchisor. If any provision or portion of any provision of this Guarantee is found by a court of competent jurisdiction to be illegal or unenforceable, all other provisions shall, nevertheless, remain enforceable and effective. This Guarantee constitutes the entire agreement of Guarantors and Franchisor with respect to the subject matter of this Guarantee and no representation, understanding, promise or condition concerning the subject matter of this Guarantee shall bind Franchisor unless expressed in this Guarantee.

10. All written notices permitted or required under this Guarantee shall be deemed given and delivered in accordance with Section 18 of the Multi-Unit Development Agreement. Notices to Guarantors shall be sent to the address set forth below each Guarantors' signature below.

11. This Guarantee may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Guarantee with signatures that have transmitted by email shall constitute and be deemed original copies of this Guarantee for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Guarantee. In addition, this Guarantee may be signed electronically by Guarantors and electronic signatures appearing on this Guarantee shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Guarantee.

12. This Guarantee shall be governed by and construed in accordance with the laws of the State of California. In the event of any conflict of law, the laws of California shall prevail, without regard to the application of California conflict of law rules. Nothing in this Section 12 is intended by the Parties to subject this Agreement to any franchise or similar law, rules, or regulation of the state of California to which it would not otherwise be subject. Venue for purposes of any legal proceedings brought in connection with or arising out of this Guarantee shall be conclusively presumed to be in the State of California, County of Los Angeles. Guarantors hereby submit to the jurisdiction of the United States District Court for the Central District of California.

Executed by or on behalf of Guarantors on the date set forth below.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

**HOT PALETTE AMERICA INCORPORATED**

**EXHIBIT C**

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**HOT PALETTE AMERICA INCORPORATED**

**EXHIBIT D  
GENERAL RELEASE**

## FORM OF GENERAL RELEASE

**THIS GENERAL RELEASE** ("Release") is executed on \_\_\_\_\_ by \_\_\_\_\_ ("Franchisee") and \_\_\_\_\_ ("Guarantors") as a condition of (1) transfer of the Franchise Agreement or Multi-Unit Development Agreement dated as of \_\_\_\_\_ ("Agreement"); or (2) exercise of a renewal term under the Franchise Agreement. Franchisee and Guarantors acknowledge that this Release is made in favor of and for the benefit of HOT PALETTE AMERICA INCORPORATED ("Franchisor").

**1. Release by Franchisee and Guarantors.** Franchisee (if Franchisee is an entity, on behalf of itself and its parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities and, if Franchisee is an individual, on behalf of himself/herself and his/her heirs, representatives, successors and assigns) and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, "Releasors") freely and without any influence forever release Franchisor and its parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities, (collectively "Releasees") from any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "Claims"), which any Releasor ever owned or held, now owns or holds or may in the future own or hold, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to the Agreement and all other agreements between any Releasor and any Releasee, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

**2. Liability in Maryland.** Any general release you sign as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

**3. Liability under the Washington Franchise Investment Protection Act and Rules.** This Release does not apply to claims arising under the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, or the rules adopted thereunder in accordance with RCW 19.100.220(2).

**4. Risk of Changed Facts.** Franchisee and Guarantors understand that the facts underlying Release in Section 1 may turn out to be different from the facts now known or believed by them to be true. Franchisee and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the Release shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

**5. Waiver of Section 1542.** Further, Releasors expressly waive all right, protection, privilege and benefit under Section 1542 of the Civil Code of the State of California, which provides:

**1542 A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.**

*By signing this Release of All Claims, Releasors are giving up all rights under Section 1542 and any similar provision of any state.*

**6. No Prior Assignment.** Franchisee and Guarantors represent and warrant that the Releasors are the sole owners of all Claims and rights released hereunder and that Releasors have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1 above.

**7. Covenant Not to Sue.** Franchisee and Guarantors (on behalf of Releasors) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any Releasee with respect to any Claim released under Section 1.

**8. Complete Defense.** Franchisee and Guarantors: **(A)** acknowledge that the Release in Section 1 shall be a complete defense to any Claim released under Section 1; and **(B)** consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

**9. Successors and Assigns.** This Release will inure to the benefit of and bind the successors, assigns, heirs and personal representatives of Franchisor and each Releasor.

**10. Miscellaneous.**

**A.** Franchisee and Guarantors acknowledge and agree that they have been represented by independent counsel of their own choice throughout all negotiations which preceded the execution of this Release, and that they have executed this Release with the consent and upon the advice of said independent counsel.

**B.** The masculine gender shall be deemed to refer to and include the feminine and neuter, and the singular to refer to and include the plural, and vice versa.

**C.** This Release and all claims relating to this Release shall be governed by and construed under the law of the State of California. Franchisee and Guarantor shall file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where Franchisor's principal offices are located. Franchisor shall file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where its principal offices are located, where Franchisee resides or does business, or where the claim arose.

**D.** The terms of this Release shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws, court orders or regulations.

**E.** The prevailing party in any suit to enforce the terms of this Release shall be awarded reasonable attorneys' fees.

**IN WITNESS WHEREOF**, Franchisee and Guarantors have executed this Release as of the date shown above.

**FRANCHISEE:**

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title \_\_\_\_\_  
Date: \_\_\_\_\_

**GUARANTOR:**

\_\_\_\_\_  
[Signature]  
\_\_\_\_\_  
[Print Name]  
Date: \_\_\_\_\_

**HOT PALETTE AMERICA INCORPORATED**

**EXHIBIT E  
STATE SPECIFIC ADDENDA**

**HOT PALETTE AMERICA INCORPORATED  
STATE SPECIFIC ADDENDA**

Each provision of this Addenda shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of a state are met independently, without reference to this Addenda.

**CALIFORNIA**  
**ADDENDUM TO DISCLOSURE DOCUMENT**

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516, and the California Franchise Relations Act, Cal. Bus. & Prof. Code §§ 20000-20043, the Pepper Lunch Disclosure Document for use in the State of California is amended to include the following:

1. Our website, [www.pepperlunchrestaurants.com](http://www.pepperlunchrestaurants.com), has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of the website may be directed to the California Department of Financial Protection and Innovation at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

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

3. SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

4. YOU MUST SIGN A GENERAL RELEASE IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE § 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE §§ 31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE § 20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§ 20000 THROUGH 20043).

5. California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

6. Item 5, "Initial Fees", is amended by adding the following paragraph to the end of the Item:

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a multi-unit development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

7. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is amended by adding the following paragraph(s) to the end of the Item:

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

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

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

8. The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

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

To the extent this Addendum is deemed to be inconsistent with the Disclosure Document, the terms of this Addendum shall govern.

**CALIFORNIA**  
**ADDENDUM TO FRANCHISE AGREEMENT**

**THIS ADDENDUM TO FRANCHISE AGREEMENT** (this “**Addendum**”) dated \_\_\_\_\_, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “**Franchise Agreement**”) dated \_\_\_\_\_, by and between **HOT PALETTE AMERICA INCORPORATED**, a California corporation, as franchisor (“**Franchisor**”), and \_\_\_\_\_, as franchisee (“**Franchisee**”). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

1. General. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Franchisee was made in the State of California; **(B)** Franchisee is a resident of the State of California; and/or **(C)** the Franchised Restaurant will be located and/or operated, and/or all or part of the Protected Area will be located, in the State of California.
2. Initial Franchise Fee. The following is added to the end of Section 4.1 of the Franchise Agreement:

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a multi-unit development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

3. Miscellaneous. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by facsimile and any other electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

(Signatures on following page)

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**HOT PALETTE AMERICA  
INCORPORATED**

A California corporation

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**FRANCHISEE:**

**(IF FRANCHISEE IS A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
[Print Name of Franchisee Entity]

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**OR**

**(IF FRANCHISEE IS AN INDIVIDUAL):**

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

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

**CALIFORNIA**  
**ADDENDUM TO MULTI-UNIT DEVELOPMENT AGREEMENT**

**THIS ADDENDUM TO MULTI-UNIT DEVELOPMENT AGREEMENT** (this “**Addendum**”) dated \_\_\_\_\_, is intended to be a part of, and by this reference is incorporated into that certain Multi-Unit Development Agreement (the “**Multi-Unit Development Agreement**”) dated \_\_\_\_\_, by and between **HOT PALETTE AMERICA INCORPORATED**, a California corporation, as franchisor (“**Franchisor**”), and \_\_\_\_\_, as Multi-Unit Developer (“**Multi-Unit Developer**”). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Multi-Unit Development Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Multi-Unit Development Agreement shall have the identical meanings in this Addendum.

1. General. The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Developer was made in the State of California; **(B)** Developer is a resident of the State of California; and/or **(C)** part or all of the Development Area is located in the State of California.
2. Development Fee. The following is added to the end of Section 4 of the Multi-Unit Development Agreement:

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a multi-unit development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

3. Miscellaneous. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by facsimile and any other electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

(Signatures on following page)

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**HOT PALETTE AMERICA  
INCORPORATED**

A California corporation

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**FRANCHISEE:**

**(IF FRANCHISEE IS A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
[Print Name of Franchisee Entity]

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**OR**

**(IF FRANCHISEE IS AN INDIVIDUAL):**

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

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

**HAWAII**  
**ADDENDUM TO DISCLOSURE DOCUMENT**

In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., the Hot Palette America Incorporated Franchise Disclosure Document for use in the State of Hawaii is amended to include the following:

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

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

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

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

The name and address of the Franchisor's agent in this state authorized to receive service of process is: Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813.

**Item 5, Additional Disclosures.** The following statements are added to Item 5:

Based upon the review of our audited financial statements, the Hawaii Department of Commerce and Consumer Affairs Business Registration Division requires us to: (1) defer payment of the Initial Franchise Fee and other initial payments owed by you to us until we have completed our pre-opening obligations under the Franchise Agreement and the Franchised Restaurant has opened for business; and (2) defer payment of the initial franchise fee and other initial payments owed by you to us until we have completed our pre-opening obligations under the Development Agreement and the Franchised Restaurant has opened for business. We will prorate the portion of the Development Fee based on the number of Franchised Restaurants to be opened and only

the prorated portion of the Development Fee can be collected as the Franchised Restaurants are open.

**HAWAII**  
**ADDENDUM TO FRANCHISE AGREEMENT**

**THIS ADDENDUM TO FRANCHISE AGREEMENT** (this “**Addendum**”) dated \_\_\_\_\_, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “**Franchise Agreement**”) dated \_\_\_\_\_, by and between **HOT PALETTE AMERICA INCORPORATED**, a California corporation, as franchisor (“**Franchisor**”), and \_\_\_\_\_, as franchisee (“**Franchisee**”). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

2. General. The provisions of this Addendum form an integral part of, and are incorporated into, the Franchise Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Franchisee was made in the State of Hawaii; **(B)** Franchisee is a resident of the State of Hawaii; and/or **(C)** the Restaurant will be located and/or operated, and/or all or part of the Protected Area will be located, in the State of Hawaii.

2. Initial Franchise Fee. The following is added to the end of Section 4.1 of the Franchise Agreement:

The Hawaii Department of Commerce and Consumer Affairs Business Registration Division requires us to defer payment of the Initial Franchise Fee and other initial payments owed by you to us until we have completed our pre-opening obligations under the Franchise Agreement and the Restaurant has opened for business.

3. Miscellaneous. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by facsimile and any other electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

(Signatures on following page)

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**HOT PALETTE AMERICA  
INCORPORATED**

A California corporation

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**FRANCHISEE:**

**(IF FRANCHISEE IS A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
[Print Name of Franchisee Entity]

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**OR**

**(IF FRANCHISEE IS AN INDIVIDUAL):**

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

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

**HAWAII**  
**ADDENDUM TO MULTI-UNIT DEVELOPMENT AGREEMENT**

**THIS ADDENDUM TO MULTI-UNIT DEVELOPMENT AGREEMENT** (this “**Addendum**”) dated \_\_\_\_\_, is intended to be a part of, and by this reference is incorporated into that certain Multi-Unit Development Agreement (the “**Multi-Unit Development Agreement**”) dated \_\_\_\_\_, by and between **HOT PALETTE AMERICA INCORPORATED**, a California corporation, as franchisor (“**Franchisor**”), and \_\_\_\_\_, as Multi-Unit Developer (“**Multi-Unit Developer**”). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Multi-Unit Development Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Multi-Unit Development Agreement shall have the identical meanings in this Addendum.

1. General. The provisions of this Addendum form an integral part of, and are incorporated into, the Development Agreement. This Addendum is being executed because: **(A)** the offer or sale of a franchise to Developer was made in the State of Hawaii; **(B)** Developer is a resident of the State of Hawaii; and/or **(C)** part or all of the Development Area is located in the State of Hawaii.
2. Development Fee. The following is added to the end of Section 4 of the Multi-Unit Development Agreement:

The Hawaii Department of Commerce and Consumer Affairs Business Registration Division requires us to defer payment of the initial franchise fee and other initial payments owed by you to us until we have completed our pre-opening obligations under the Multi-Unit Development Agreement and the Franchised Restaurant has opened for business. We will prorate the portion of the Development Fee based on the number of Franchised Restaurant to be opened and only the prorated portion of the Development Fee can be collected as the Franchised Restaurants are open.

3. Miscellaneous. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect. This Addendum may be executed in multiple counterparts, each of which when executed and delivered shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Addendum by facsimile and any other electronic transmission (including PDF) shall be as effective as delivery of a manually executed counterpart of this Addendum.

(Signatures on following page)

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**HOT PALETTE AMERICA  
INCORPORATED**

A California corporation

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**FRANCHISEE:**

**(IF FRANCHISEE IS A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
[Print Name of Franchisee Entity]

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**OR**

**(IF FRANCHISEE IS AN INDIVIDUAL):**

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

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

**ILLINOIS**  
**ADDENDUM TO DISCLOSURE DOCUMENT**

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, as amended (the “**Act**”), the Disclosure Document is amended as follows:

1. Illinois law governs the agreements between the parties to the Franchise Agreement.
2. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a Franchise Agreement may provide for arbitration outside of Illinois.
3. Section 41 of the Illinois Franchise Disclosure Protection Act provides that any condition, stipulation or provision that purports to bind a person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
4. Your rights upon termination and non-renewal of the Franchise Agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
6. For info about obtaining a liquor license in Illinois, see: <https://www.illinois.gov/ilcc/Pages/Forms-and-Applications.aspx>
7. For info about obtaining TIPS certification in Illinois, see: <https://www.tips-certified.com/tips-state-pages/illinois/>
8. By reading this disclosure document, you are not agreeing to, acknowledging, or making any representations whatsoever to the Franchisor and its affiliates.

**ILLINOIS**  
**ADDENDUM TO FRANCHISE AGREEMENT**

**THIS ADDENDUM TO FRANCHISE AGREEMENT** (this “**Addendum**”) dated \_\_\_\_\_, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “**Franchise Agreement**”) dated \_\_\_\_\_, by and between **HOT PALETTE AMERICA INCORPORATED**, a California corporation, as franchisor (“**Franchisor**”), and \_\_\_\_\_, as franchisee (“**Franchisee**”). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

1. Illinois law governs the agreements between the parties to the Franchise Agreement.
2. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a Franchise Agreement may provide for arbitration outside of Illinois.
3. Section 27 of the Illinois Franchise Disclosure Act provides that causes of action under the Act must be brought within the earlier of: three (3) years of the violation, one (1) year after the franchisee becomes aware of the underlying facts or circumstances or ninety (90) days after delivery to the franchisee of a written notice disclosing the violation.
4. Section 41 of the Illinois Franchise Disclosure Protection Act provides that any condition, stipulation or provision that purports to bind a person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. Your rights upon termination and non-renewal of the Franchise Agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

(Signatures on following page)

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**HOT PALETTE AMERICA  
INCORPORATED**

A California corporation

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**FRANCHISEE:**

**(IF FRANCHISEE IS A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
[Print Name of Franchisee Entity]

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**OR**

**(IF FRANCHISEE IS AN INDIVIDUAL):**

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

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

**ILLINOIS**  
**ADDENDUM TO MULTI-UNIT DEVELOPMENT AGREEMENT**

**THIS ADDENDUM TO MULTI-UNIT DEVELOPMENT AGREEMENT** (this “**Addendum**”) dated \_\_\_\_\_, is intended to be a part of, and by this reference is incorporated into that certain Multi-Unit Development Agreement (the “**Multi-Unit Development Agreement**”) dated \_\_\_\_\_, by and between **HOT PALETTE AMERICA INCORPORATED**, a California corporation, as franchisor (“**Franchisor**”), and \_\_\_\_\_, as Multi-Unit Developer (“**Multi-Unit Developer**”). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Multi-Unit Development Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Multi-Unit Development Agreement shall have the identical meanings in this Addendum.

1. Illinois law governs the agreements between the parties to the Multi-Unit Development Agreement.
2. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the Multi-Unit Development Agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a Multi-Unit Development Agreement may provide for arbitration outside of Illinois.
3. Section 27 of the Illinois Franchise Disclosure Act provides that causes of action under the Act must be brought within the earlier of: three (3) years of the violation, one (1) year after the franchisee becomes aware of the underlying facts or circumstances or ninety (90) days after delivery to the franchisee of a written notice disclosing the violation.
4. Section 41 of the Illinois Franchise Disclosure Protection Act provides that any condition, stipulation or provision that purports to bind a person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. Your rights upon termination and non-renewal of the Multi-Unit Development Agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

(Signatures on following page)

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**HOT PALETTE AMERICA  
INCORPORATED**

A California corporation

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**MULTI-UNIT DEVELOPER:**

**(IF FRANCHISEE IS A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
[Print Name of Franchisee Entity]

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**OR**

**(IF FRANCHISEE IS AN INDIVIDUAL):**

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

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

**MICHIGAN**  
**ADDENDUM TO DISCLOSURE DOCUMENT**

The following disclosures are required by the State of Michigan:

1. THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents related to a franchise:

A. A prohibition on the right of a franchisee to join an association of franchises.

B. A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

C. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure.

D. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five (5) years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months' advance notice of franchisor's intent not to renew the franchise.

E. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

F. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

G. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- 1) Failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

- 2) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.
- 3) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- 4) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

H. A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (C).

I. A provision which permits the franchisor to directly or indirectly convey, assign or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

2. If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00 the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

3. THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE ATTORNEY GENERAL OF THE FRANCHISE OFFERING. Any questions regarding this notice should be directed to:

Michigan Attorney General's Office  
Corporate Oversight Division, Franchise Section  
525 West Ottawa Street  
G. Mennen Williams Building, 1st Floor  
Lansing, Michigan 48913  
(517) 335-7567

**MINNESOTA**  
**ADDENDUM TO DISCLOSURE DOCUMENT**

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the undersigned acknowledge and agree that the attached Pepper Lunch Disclosure Document for use in the State of Minnesota is amended to include the following:

1. Item 13 of the Disclosure Document, "Trademarks," is supplemented by the following sentence:

The franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

2. Item 14 of the Disclosure Document, "Patents, Copyrights, and Proprietary Information," is supplemented by the following sentence:

The franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

3. Item 17 of the Disclosure Document, "Renewal, Termination, Transfer, and Dispute Resolution," is supplemented by the following:

With respect to franchisees/licensees/developers governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee/licensee/developer be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Franchise/License/Development Agreement, and that consent to the transfer of the franchise/license/development not be unreasonably withheld.

Pursuant to Minn. Rule 2860.4400D, any general release of claims that you or a transferor may have against us or our shareholders, directors, employees and agents, including without limitation claims arising under federal, state, and local laws and regulations shall exclude claims you or a transferor may have under the Minnesota Franchise Law and the Rules and Regulations promulgated thereunder by the Commissioner of Commerce.

Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to jury trial, any procedure, forum, or remedies as may be provided for by the laws of the jurisdiction.

Any claim made pursuant to Minn. Stat. § 80C.17, may be brought within three (3) years after the cause of action accrues. (Minn. Stat. § 80C.17, Subd. 5.)

4. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

5. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J) also, a court will determine if a bond is required.

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

7. To the extent this Addendum is deemed to be inconsistent with the Disclosure Document, the terms of this Addendum shall govern.

**THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

## **MINNESOTA**

### **ADDENDUM TO FRANCHISE AGREEMENT**

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the parties to the attached Pepper Lunch Franchise Agreement (the "Agreement") agree as follows:

1. Section 9.1 of the Agreement is supplemented by the following sentence:

The franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

3. Sections 3.3 and 14.4.5 of the Agreement are supplemented by the following:

The general release required as a condition of assignment or transfer shall not apply to any claims that arise under Minnesota Law regulating franchises. (Minn. Rule Part 260.4400D.)

4. Section 16 of the Agreement is supplemented by the following sentence:

With respect to franchises governed by Minnesota Law, the franchisor will comply with Minn. Stat. § 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 day notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement, and that consent to the transfer of the franchise not be unreasonably withheld.

5. Sections 17.9 and 19 of the Agreement are supplemented by the following:

Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit Company from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring Franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to jury trial, any procedure, forum, or remedies as may be provided for by the laws of the jurisdiction.

Any claim made pursuant to Minn. Stat. § 80C.17, may be brought within three (3) years after the cause of action accrues. (Minn. Stat. § 80C.17, Subd. 5.)

7. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

8. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J) also, a court will determine if a bond is required.

9. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other

person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

10. To the extent this Amendment is deemed to be inconsistent with any terms or conditions of the Agreement, the terms of this Amendment shall govern.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment to the Agreement on the same date as the Agreement was executed.

**FRANCHISOR:**

**HOT PALETTE AMERICA  
INCORPORATED**

A California corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**FRANCHISEE:**

**(IF FRANCHISEE IS A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
[Print Name of Franchisee Entity]  
  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**OR**

**(IF FRANCHISEE IS AN INDIVIDUAL):**

\_\_\_\_\_  
Print Name  
  
\_\_\_\_\_  
Signature  
Date: \_\_\_\_\_

\_\_\_\_\_  
Print Name  
  
\_\_\_\_\_  
Signature  
Date: \_\_\_\_\_

**MINNESOTA**  
**ADDENDUM TO MULTI-UNIT DEVELOPMENT AGREEMENT**

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the parties to the attached Pepper Lunch Multi-Unit Development Agreement (the "Agreement") agree as follows:

1. Sections 2.6.2 and 9.4.6 of the Agreement are supplemented by the following:

The general release required as a condition of assignment or transfer shall not apply to any claims that arise under Minnesota Law regulating franchises. (Minn. Rule Part 260.4400D.)
2. Section 11 of the Agreement is supplemented by the following sentence:

With respect to development rights governed by Minnesota Law, Company will comply with Minn. Stat. § 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a Developer be given 90-day notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the development agreement, and that consent to the transfer of the development rights not be unreasonably withheld.
4. Section 15 of the Agreement is supplemented by the following:

Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit Company from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring Developer to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of Developer's rights as provided for in Minnesota Statutes, Chapter 80C, or Developer's rights to jury trial, any procedure, forum, or remedies as may be provided for by the laws of the jurisdiction.

Any claim made pursuant to Minn. Stat. § 80C.17, may be brought within three (3) years after the cause of action accrues. (Minn. Stat. § 80C.17, Subd. 5.)
5. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
6. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J) also, a court will determine if a bond is required.
7. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
8. To the extent this Amendment is deemed to be inconsistent with any terms or conditions of the Agreement, the terms of this Amendment shall govern.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment to the Agreement on the same date as the Agreement was executed.

**FRANCHISOR:**

**HOT PALETTE AMERICA INCORPORATED**  
A California corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**MULTI-UNIT DEVELOPER:**

**(IF FRANCHISEE IS A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
[Print Name of Franchisee Entity]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**OR**

**(IF FRANCHISEE IS AN INDIVIDUAL):**

\_\_\_\_\_  
Print Name

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

\_\_\_\_\_  
Print Name

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

**NEW YORK**  
**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is to be added at the end of Item 3:

Except as provided above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions other than routine litigation incidental to the business that is significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an

action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for a franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; this proviso intends that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by a franchisee”: “You may terminate the agreement on any grounds available by law.”

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum,” and Item 17(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York.

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

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

**NEW YORK**  
**ADDENDUM TO FRANCHISE AGREEMENT**

**THIS ADDENDUM TO FRANCHISE AGREEMENT** (this “**Addendum**”) dated \_\_\_\_\_, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “**Franchise Agreement**”) dated \_\_\_\_\_, by and between **HOT PALETTE AMERICA INCORPORATED**, a California corporation, as franchisor (“**Franchisor**”), and \_\_\_\_\_, as franchisee (“**Franchisee**”). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

The parties to the Franchise Agreement hereby acknowledge and agree that:

1. Irrespective of any requirements for the franchisee to renew or extend the Franchise Agreement and any conditions that must be met for the franchisor to approve a transfer of the franchise, to the extent required by applicable law, all rights the franchisee enjoys and any causes of action arising in the franchisee’s favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.
2. The franchisee may terminate the Franchise Agreement on any grounds available by law.
3. Irrespective of any rights granted to the franchisor to assign the Franchise Agreement, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.
4. No choice of law or choice of forum provision in the Franchise Agreement should be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.
5. Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.
6. In the event of any conflict between the terms of this Addendum and the terms of the Franchise Agreement, the terms of this Addendum shall prevail.
7. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the General Business Law of the State of New York are met independently without reference to this Addendum.

(Signatures on following page)

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**HOT PALETTE AMERICA  
INCORPORATED**

A California corporation

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**FRANCHISEE:**

**(IF FRANCHISEE IS A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
[Print Name of Franchisee Entity]

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**OR**

**(IF FRANCHISEE IS AN INDIVIDUAL):**

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

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

**NEW YORK**  
**ADDENDUM TO MULTI-UNIT DEVELOPMENT AGREEMENT**

**THIS ADDENDUM TO MULTI-UNIT DEVELOPMENT AGREEMENT** (this “**Addendum**”) dated \_\_\_\_\_, is intended to be a part of, and by this reference is incorporated into that certain Multi-Unit Development Agreement (the “**Multi-Unit Development Agreement**”) dated \_\_\_\_\_, by and between **HOT PALETTE AMERICA INCORPORATED**, a California corporation, as franchisor (“**Franchisor**”), and \_\_\_\_\_, as Multi-Unit Developer (“**Multi-Unit Developer**”). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Multi-Unit Development Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Multi-Unit Development Agreement shall have the identical meanings in this Addendum.

The parties to the Multi-Unit Development Agreement hereby acknowledge and agree that:

1. Irrespective of any requirements for the multi-unit developer to renew or extend the Multi-Unit Development Agreement and any conditions that must be met for the franchisor to approve a transfer of the franchise, to the extent required by applicable law, all rights the multi-unit developer enjoys and any causes of action arising in the multi-unit developer’s favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.
2. The multi-unit developer may terminate the Multi-Unit Development Agreement on any grounds available by law.
3. Irrespective of any rights granted to the franchisor to assign the Multi-Unit Development Agreement, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Multi-Unit Development Agreement.
4. No choice of law or choice of forum provision in the Multi-Unit Development Agreement should be considered a waiver of any right conferred upon the franchisor or upon the multi-unit developer by Article 33 of the General Business Law of the State of New York.
5. Notwithstanding the foregoing, the New York Franchises Law shall govern any claim arising under that law.
6. In the event of any conflict between the terms of this Addendum and the terms of the Multi-Unit Development Agreement, the terms of this Addendum shall prevail.
7. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the General Business Law of the State of New York are met independently without reference to this Addendum.

(Signatures on following page)

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**HOT PALETTE AMERICA  
INCORPORATED**

A California corporation

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**MULTI-UNIT DEVELOPER:**

**(IF FRANCHISEE IS A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
[Print Name of Franchisee Entity]

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**OR**

**(IF FRANCHISEE IS AN INDIVIDUAL):**

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

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

**VIRGINIA**  
**ADDENDUM TO DISCLOSURE DOCUMENT**

The Disclosure Document is amended as follows:

1. The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by Franchisees to the Franchisor until the Franchisor has completed its pre-opening obligations under the Franchise Agreement and the Multi-Unit Development Agreement.
2. Any references in Item 17 of the Disclosure Document which provide that the Franchise Agreement may be terminated for any reason are in violation of Section 13.1-564 of the Virginia Retail Franchising Act and are unenforceable.
3. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement or other agreements does not constitute "reasonable cause" as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.
4. Items 17 (r) and 17 (w) are supplemented by adding the following statements:

As of July 1, 2026:

  - A. Under subsection D of § 13.1-559 of the Virginia Retail Franchising Act, for all franchised businesses that are located in Virginia, any franchise contract or agreement offered or entered into pursuant to terms of the Virginia Retail Franchising Act shall be governed by the laws of the Commonwealth of Virginia.
  - B. Under subdivision A 4 of § 13.1-563 of the Virginia Retail Franchising Act, it is unlawful in connection with the sale or offer to sell a franchise for a business to be located in Virginia, to offer or enter into a franchise agreement that restricts the right of a franchisee to engage in the business of offering, selling, or distributing goods or services at retail after termination or expiration of the franchise agreement. However, under subsection B of § 13.1-563 of the Retail Franchising Act, in the event that a franchisee sells a franchise at a mutually agreed upon price to a third party or back to the franchisor, such sale may include a term restricting the right of such franchisee to engage in the business of offering, selling, or distributing goods or services at retail for a period of no more than two years after the closing date of such sale.
5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise

**VIRGINIA**  
**ADDENDUM TO FRANCHISE AGREEMENT**

**THIS ADDENDUM TO FRANCHISE AGREEMENT** (this “**Addendum**”) dated \_\_\_\_\_, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “**Franchise Agreement**”) dated \_\_\_\_\_, by and between **HOT PALETTE AMERICA INCORPORATED**, a California corporation, as franchisor (“**Franchisor**”), and \_\_\_\_\_, as franchisee (“**Franchisee**”). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

The undersigned hereby acknowledge and agree that:

1. The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by Franchisees to the Franchisor until the Franchisor has completed its pre-opening obligations under the Franchise Agreement.
2. Any references in the Franchise Agreement which provide that the Franchise Agreement may be terminated for any reason are in violation of Section 13.1-564 of the Virginia Retail Franchising Act and are unenforceable.
3. In the event of any conflict between the terms of this Addendum and the terms of the Franchise Agreement, the terms of this Addendum shall prevail.
4. If the Franchise Agreement is signed on or after July 1, 2026 (and for so long as the subsections of the Virginia Retail Franchising Act require the changes to the Franchise Agreement noted below), the following shall apply:
  - A. Notwithstanding anything to the contrary in Section 19.1, under subsection D of § 13.1-559 of the Virginia Retail Franchising Act, the Franchise Agreement shall be governed by the laws of the Commonwealth of Virginia.
  - B. The following is added to the end of Section 15.2: Notwithstanding anything to the contrary in Section 15.2, under subdivision A 4 of § 13.1-563 of the Virginia Retail Franchising Act, any provision that restricts Franchisee's right to engage in the business of offering, selling, or distributing goods or services at retail after termination or expiration of the Franchise Agreement is deleted; provided however, as permitted by subsection B of § 13.1-563 of the Retail Franchising Act, if Franchisee sells the Franchised Restaurant at a mutually agreed upon price to a third party or back to Franchisor, such sale will include a term restricting the right of Franchisee to engage in any Competitive Business for a period of two years after the closing date of such sale.
5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor,

franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

6. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently without reference to this Addendum.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**HOT PALETTE AMERICA  
INCORPORATED**

A California corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**FRANCHISEE:**

**(IF FRANCHISEE IS A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
[Print Name of Franchisee Entity]  
  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**OR**

**(IF FRANCHISEE IS AN INDIVIDUAL):**

\_\_\_\_\_  
Print Name  
  
\_\_\_\_\_  
Signature  
Date: \_\_\_\_\_

\_\_\_\_\_  
Print Name  
  
\_\_\_\_\_  
Signature  
Date: \_\_\_\_\_

**VIRGINIA**  
**ADDENDUM TO MULTI-UNIT DEVELOPMENT AGREEMENT**

**THIS ADDENDUM TO MULTI-UNIT DEVELOPMENT AGREEMENT** (this “**Addendum**”) dated \_\_\_\_\_, is intended to be a part of, and by this reference is incorporated into that certain Multi-Unit Development Agreement (the “**Multi-Unit Development Agreement**”) dated \_\_\_\_\_, by and between **HOT PALETTE AMERICA INCORPORATED**, a California corporation, as franchisor (“**Franchisor**”), and \_\_\_\_\_, as Multi-Unit Developer (“**Multi-Unit Developer**”). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Multi-Unit Development Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Multi-Unit Development Agreement shall have the identical meanings in this Addendum.

The undersigned hereby acknowledge and agree that:

1. The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by Multi-Unit Developer to the Franchisor until the Franchisor has completed its pre-opening obligations for the first restaurant opened under the Multi-Unit Development Agreement.
2. Any references in the Multi-Unit Development Agreement which provide that the Multi-Unit Development Agreement may be terminated for any reason are in violation of Section 13.1-564 of the Virginia Retail Franchising Act and are unenforceable.
3. In the event of any conflict between the terms of this Addendum and the terms of the Multi-Unit Development Agreement, the terms of this Addendum shall prevail.
4. If the Multi-Unit Development Agreement is signed on or after July 1, 2026 (and for so long as the subsections of the Virginia Retail Franchising Act require the changes to the Multi-Unit Development Agreement noted below), the following shall apply:
  - A. Notwithstanding anything to the contrary in Section 15.1, under subsection D of § 13.1-559 of the Virginia Retail Franchising Act, the Multi-Unit Development Agreement shall be governed by the laws of the Commonwealth of Virginia.
  - B. The following is added to the end of Section 13.2: Notwithstanding anything to the contrary in Section 13.2, under subdivision A 4 of § 13.1-563 of the Virginia Retail Franchising Act, any provision that restricts Multi-Unit Developer's right to engage in the business of offering, selling, or distributing goods or services at retail after termination or expiration of the Multi-Unit Development Agreement is deleted; provided however, as permitted by subsection B of § 13.1-563 of the Retail Franchising Act, if Multi-Unit Developer sells the Franchised Restaurants at a mutually agreed upon price to a third party or back to Franchisor, such sale will include a term restricting the right of Multi-Unit Developer to engage in any

Competitive Business for a period of two years after the closing date of such sale.

5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
6. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently without reference to this Addendum.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**HOT PALETTE AMERICA  
INCORPORATED**

A California corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**MULTI-UNIT DEVELOPER:**

**(IF FRANCHISEE IS A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
[Print Name of Franchisee Entity]  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**OR**

**(IF FRANCHISEE IS AN INDIVIDUAL):**

\_\_\_\_\_  
Print Name  
\_\_\_\_\_  
Signature  
Date: \_\_\_\_\_

\_\_\_\_\_  
Print Name  
\_\_\_\_\_  
Signature  
Date: \_\_\_\_\_

## **WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are

unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.
15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
16. **Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims

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

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).
18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

**WASHINGTON**  
**ADDENDUM TO THE FRANCHISE AGREEMENT**

THIS ADDENDUM TO FRANCHISE AGREEMENT (this “Addendum”) dated \_\_\_\_\_, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “Franchise Agreement”) dated \_\_\_\_\_, by and between HOT PALETTE AMERICA INCORPORATED, a California corporation, as franchisor (“Franchisor”), and \_\_\_\_\_, as franchisee (“Franchisee”). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Franchise Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Franchise Agreement shall have the identical meanings in this Addendum.

**Background.** The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Agreement regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the Franchise Agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the Franchise Agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Franchise Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. **General Release.** A release or waiver of rights in the Franchise Agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the Franchise Agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the Franchise Agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in Franchise Agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the Franchise Agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the Franchise Agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the Franchise Agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the Franchise Agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the Franchise Agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the Franchise Agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the Franchise Agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.
15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.
16. **Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. **Prohibitions on Communicating with Regulators.** Any provision in the Franchise Agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).
18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.
19. **Fee Deferral.** In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

The undersigned does hereby acknowledge receipt of this Amendment.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**HOT PALETTE AMERICA  
INCORPORATED**

A California corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**FRANCHISEE:**

**(IF FRANCHISEE IS A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
[Print Name of Franchisee Entity]  
  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**OR**

**(IF FRANCHISEE IS AN INDIVIDUAL):**

\_\_\_\_\_  
Print Name  
  
\_\_\_\_\_  
Signature  
Date: \_\_\_\_\_

\_\_\_\_\_  
Print Name  
  
\_\_\_\_\_  
Signature  
Date: \_\_\_\_\_

**WASHINGTON**  
**ADDENDUM TO THE MULTI-UNIT DEVELOPMENT AGREEMENT**

**THIS ADDENDUM TO MULTI-UNIT DEVELOPMENT AGREEMENT** (this “**Addendum**”) dated \_\_\_\_\_, is intended to be a part of, and by this reference is incorporated into that certain Multi-Unit Development Agreement (the “**Multi-Unit Development Agreement**”) dated \_\_\_\_\_, by and between **HOT PALETTE AMERICA INCORPORATED**, a California corporation, as franchisor (“**Franchisor**”), and \_\_\_\_\_, as Multi-Unit Developer (“**Multi-Unit Developer**”). Where and to the extent that any of the provisions of this Addendum are contrary to, in conflict with or inconsistent with any provision contained in the Multi-Unit Development Agreement, the provisions contained in this Addendum shall control. Defined terms contained in the Multi-Unit Development Agreement shall have the identical meanings in this Addendum.

**Background.** The provisions of this Addendum form an integral part of, are incorporated into, and modify the Development Agreement regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the Development Agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the Development Agreement or related agreements concerning your relationship with the franchisor. Development agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Development Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. **General Release.** A release or waiver of rights in the Development Agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the Development Agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the Development Agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in Development Agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the Development Agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the Development Agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the Development Agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the Development Agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the Development Agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the Development Agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.
15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Development Agreement or elsewhere are void and unenforceable in Washington.
16. **Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise

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

17. **Prohibitions on Communicating with Regulators.** Any provision in the Development Agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).
18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.
19. **Fee Deferral.** In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the Area Development Agreement, and (b) is open for business. Because franchisor has material pre-opening obligations with respect to each franchised business Franchisee opens under the Area Development Agreement, payment of the franchise fee will be released proportionally with respect to each franchise outlet opened and until franchisor has met all its pre-opening obligations under the Agreement and Franchisee is open for business with respect to each such location.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

**FRANCHISOR:**

**HOT PALETTE AMERICA  
INCORPORATED**

A California corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**MULTI-UNIT DEVELOPER:  
(IF FRANCHISEE IS A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
[Print Name of Franchisee Entity]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**OR  
(IF FRANCHISEE IS AN INDIVIDUAL):**

\_\_\_\_\_  
Print Name

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

\_\_\_\_\_  
Print Name

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



**HOT PALETTE AMERICA INCORPORATED**

**EXHIBIT F  
FINANCIAL STATEMENTS**

# HOT PALETTE AMERICA INCORPORATED

## CONSOLIDATED FINANCIAL STATEMENTS

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December 31, 2025 and 2024

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## INDEPENDENT AUDITORS' REPORT

To the Stockholder and Management of  
Hot Palette America Incorporated

### Opinion

We have audited the accompanying consolidated financial statements of Hot Palette America Incorporated, a California corporation, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, changes in stockholder's deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hot Palette America Incorporated as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hot Palette America Incorporated's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hot Palette America Incorporated's ability to continue as a going concern for a reasonable period of time.

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



Irvine, California  
April 13, 2026

# HOT PALETTE AMERICA INCORPORATED

## CONSOLIDATED BALANCE SHEETS

### ASSETS

|                                              | December 31,        |                     |
|----------------------------------------------|---------------------|---------------------|
|                                              | 2025                | 2024                |
| <b>CURRENT ASSETS</b>                        |                     |                     |
| Cash                                         | \$ 346,801          | \$ 184,575          |
| Accounts receivable                          | 229,928             | 182,804             |
| Inventory                                    | 112,755             | 42,633              |
| Prepaid expenses and other current assets    | 124,069             | 68,190              |
| Deferred commissions, current portion        | 76,833              | 75,833              |
| Deferred license fee, current portion        | 69,667              | 45,000              |
| Total current assets                         | <u>960,053</u>      | <u>599,035</u>      |
| <b>PROPERTY AND EQUIPMENT, NET</b>           | <u>308,037</u>      | <u>110,554</u>      |
| <b>NONCURRENT ASSETS</b>                     |                     |                     |
| Operating lease right-of-use asset           | 106,783             | 166,781             |
| Deferred commissions, net of current portion | 614,667             | 344,167             |
| Deferred license fee, net of current portion | 557,333             | 603,000             |
| Deferred income taxes                        | 1,387,121           | 952,047             |
| Total noncurrent assets                      | <u>2,665,904</u>    | <u>2,065,995</u>    |
| <b>TOTAL ASSETS</b>                          | <u>\$ 3,933,994</u> | <u>\$ 2,775,584</u> |

The accompanying notes are an integral part of these consolidated financial statements.

**HOT PALETTE AMERICA INCORPORATED**

**CONSOLIDATED BALANCE SHEETS**  
(Continued)

**LIABILITIES AND STOCKHOLDER'S DEFICIT**

|                                                                                              | <b>December 31,</b> |                     |
|----------------------------------------------------------------------------------------------|---------------------|---------------------|
|                                                                                              | <b>2025</b>         | <b>2024</b>         |
| <b>CURRENT LIABILITIES</b>                                                                   |                     |                     |
| Accounts payable                                                                             | \$ 45,953           | \$ 111,294          |
| Accrued expenses and other liabilities                                                       | 121,902             | 78,192              |
| Deferred franchise fee revenue, current portion                                              | 375,556             | 318,000             |
| Operating lease liability, current portion                                                   | 65,807              | 59,998              |
| Total current liabilities                                                                    | <u>609,218</u>      | <u>567,484</u>      |
| <b>NONCURRENT LIABILITIES</b>                                                                |                     |                     |
| Related-party payables                                                                       | 1,260,553           | 828,851             |
| Deferred franchise fee revenue, net of current portion                                       | 3,004,444           | 1,842,000           |
| Operating lease liability, net of current portion                                            | 40,976              | 106,783             |
| Revolving loan payable to related party                                                      | 2,359,458           | 1,314,356           |
| Total noncurrent liabilities                                                                 | <u>6,665,431</u>    | <u>4,091,990</u>    |
| Total Liabilities                                                                            | <u>7,274,649</u>    | <u>4,659,474</u>    |
| <b>STOCKHOLDER'S DEFICIT</b>                                                                 |                     |                     |
| Common stock, no par value; 1,000,000 shares authorized; 3,000 shares issued and outstanding | 300,000             | 300,000             |
| Accumulated deficit                                                                          | (3,640,655)         | (2,183,890)         |
| Total stockholder's deficit                                                                  | <u>(3,340,655)</u>  | <u>(1,883,890)</u>  |
| <b>TOTAL LIABILITIES AND STOCKHOLDER'S DEFICIT</b>                                           | <u>\$ 3,933,994</u> | <u>\$ 2,775,584</u> |

The accompanying notes are an integral part of these consolidated financial statements.

**HOT PALETTE AMERICA INCORPORATED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

|                                   | <b>For the Year Ended<br/>December 31,</b> |                       |
|-----------------------------------|--------------------------------------------|-----------------------|
|                                   | <b>2025</b>                                | <b>2024</b>           |
| <b>REVENUE</b>                    |                                            |                       |
| Royalty income                    | \$ 503,151                                 | \$ 215,125            |
| Product sales                     | 446,637                                    | 127,395               |
| Franchise fees                    | 150,000                                    | -                     |
| Rental income                     | 26,800                                     | -                     |
| Training fees                     | 25,000                                     | -                     |
| Other fee income                  | 10,800                                     | -                     |
| Total revenue                     | <u>1,162,388</u>                           | <u>342,520</u>        |
| <b>COST OF SALES</b>              | <u>365,865</u>                             | <u>96,046</u>         |
| <b>GROSS PROFIT</b>               | 796,523                                    | 246,474               |
| <b>OPERATING EXPENSES</b>         | <u>2,613,868</u>                           | <u>2,214,650</u>      |
| <b>LOSS FROM OPERATIONS</b>       | (1,817,345)                                | (1,968,176)           |
| <b>OTHER INCOME (EXPENSE)</b>     |                                            |                       |
| Foreign exchange transaction gain | 5,196                                      | 63,251                |
| Interest expense                  | <u>(78,890)</u>                            | <u>(40,558)</u>       |
| Total other income (expense)      | <u>(73,694)</u>                            | <u>22,693</u>         |
| <b>LOSS BEFORE INCOME TAXES</b>   | (1,891,039)                                | (1,945,483)           |
| <b>BENEFIT FROM INCOME TAXES</b>  | <u>(434,274)</u>                           | <u>(559,038)</u>      |
| <b>NET LOSS</b>                   | <u>\$ (1,456,765)</u>                      | <u>\$ (1,386,445)</u> |

The accompanying notes are an integral part of these consolidated financial statements.

**HOT PALETTE AMERICA INCORPORATED**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S DEFICIT  
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

|                                         | <u>Common Stock</u> |                   | <u>Accumulated</u>    |                       |
|-----------------------------------------|---------------------|-------------------|-----------------------|-----------------------|
|                                         | <u>Shares</u>       | <u>Amount</u>     | <u>Deficit</u>        | <u>Total</u>          |
| <b>BALANCE AT<br/>DECEMBER 31, 2023</b> | 3,000               | \$ 300,000        | \$ (797,445)          | \$ (497,445)          |
| <b>NET LOSS</b>                         | <u>-</u>            | <u>-</u>          | <u>(1,386,445)</u>    | <u>(1,386,445)</u>    |
| <b>BALANCE AT<br/>DECEMBER 31, 2024</b> | 3,000               | 300,000           | (2,183,890)           | (1,883,890)           |
| <b>NET LOSS</b>                         | <u>-</u>            | <u>-</u>          | <u>(1,456,765)</u>    | <u>(1,456,765)</u>    |
| <b>BALANCE AT<br/>DECEMBER 31, 2025</b> | <u>3,000</u>        | <u>\$ 300,000</u> | <u>\$ (3,640,655)</u> | <u>\$ (3,340,655)</u> |

The accompanying notes are an integral part of these consolidated financial statements.

# HOT PALETTE AMERICA INCORPORATED

## CONSOLIDATED STATEMENTS OF CASH FLOWS

|                                                                          | For the Year Ended<br>December 31, |                    |
|--------------------------------------------------------------------------|------------------------------------|--------------------|
|                                                                          | 2025                               | 2024               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                              |                                    |                    |
| Net loss                                                                 | \$ (1,456,765)                     | \$ (1,386,445)     |
| Adjustments to reconcile net loss to net cash from operating activities: |                                    |                    |
| Noncash interest expense                                                 | 78,891                             | 40,558             |
| Foreign exchange transaction gain                                        | (5,196)                            | (63,251)           |
| Depreciation                                                             | 17,735                             | 6,362              |
| Amortization on operating lease right-of-use asset                       | 59,998                             | 24,570             |
| Changes in operating assets and liabilities:                             |                                    |                    |
| Accounts receivable                                                      | (47,124)                           | (24,664)           |
| Inventory                                                                | (70,122)                           | (42,633)           |
| Prepaid expenses and other current assets                                | (55,879)                           | (44,139)           |
| Deferred commissions                                                     | (271,500)                          | (180,000)          |
| Deferred license fee                                                     | 21,000                             | 360,000            |
| Deferred tax assets                                                      | (435,074)                          | (559,838)          |
| Accounts payable                                                         | (65,341)                           | 61,430             |
| Accrued expenses and other liabilities                                   | 43,710                             | 50,936             |
| Accrued payroll and payroll taxes                                        | -                                  | (12,930)           |
| Deferred franchise fee revenue                                           | 1,220,000                          | 480,000            |
| Operating lease liability                                                | (59,998)                           | (24,570)           |
| Net Cash Used In Operating Activities                                    | <u>(1,025,665)</u>                 | <u>(1,314,614)</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                              |                                    |                    |
| Purchases of property and equipment                                      | <u>(215,218)</u>                   | <u>(116,916)</u>   |
| Net Cash Used In Investing Activities                                    | <u>(215,218)</u>                   | <u>(116,916)</u>   |

The accompanying notes are an integral part of these consolidated financial statements.

**HOT PALETTE AMERICA INCORPORATED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Continued)**

|                                                         | <b>For the Year Ended</b> |             |
|---------------------------------------------------------|---------------------------|-------------|
|                                                         | <b>December 31,</b>       |             |
|                                                         | <b>2025</b>               | <b>2024</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>             |                           |             |
| Proceeds from revolving loan payable to related party   | 959,733                   | 834,164     |
| Advances from related party                             | 443,376                   | 573,882     |
| Net Cash Provided By Financing Activities               | 1,403,109                 | 1,408,046   |
| <b>NET CHANGE IN CASH</b>                               | 162,226                   | (23,484)    |
| <b>CASH AT BEGINNING OF YEAR</b>                        | 184,575                   | 208,059     |
| <b>CASH AT END OF YEAR</b>                              | \$ 346,801                | \$ 184,575  |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b> |                           |             |
| Cash paid during the year for:                          |                           |             |
| Income taxes                                            | \$ 800                    | \$ 800      |
| Interest                                                | \$ 5,175                  | \$ -        |

The accompanying notes are an integral part of these consolidated financial statements.

## **HOT PALETTE AMERICA INCORPORATED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024**

#### **NOTE 1 – Organization and Nature of Operations**

Hot Palette America Incorporated (HPA), a California corporation, was formed on March 1, 2022. The Company's principal operations include the franchising and administration of Pepper Lunch restaurants in the United States. Pepper Lunch restaurants are fast casual, Japanese specialty restaurants that offer do-it-yourself meals of beef, chicken, and seafood cooked on iron griddles accompanied by a signature pepper rice, pasta, proprietary sauces, and a variety of other dishes and beverages. At December 31, 2025, the Company had 15 franchisees located in the U.S.

HPA is a wholly owned subsidiary of Hot Palette Holdings Co., Ltd. (the Parent) which holds the rights to franchise Pepper Lunch restaurants internationally. As of December 31, 2025, there were 550 restaurants worldwide, comprised of 130 owned and operated by the Parent and 420 franchised restaurants. A predecessor of the Parent previously offered licenses for Pepper Lunch restaurants in the United States. At December 31, 2025, there were eight master licensees operating eleven Pepper Lunch restaurants located in California, Nevada, Guam, Florida, Utah, Arizona, Hawaii and Canada.

Pepper Lunch Marketing USA, Inc. is a wholly owned subsidiary of HPA, formed in 2024 to conduct marketing and promotional activities for the franchised restaurants.

Franchise operations are regulated by the Federal Trade Commission (FTC) and various state laws regulating the offer and sale of franchises. The FTC's franchise rule and various state laws require that the Company furnish a franchise disclosure document containing certain information to prospective franchisees. The Company must also complete franchise registration, pursuant to state law, in those states where franchises are planned to be sold.

#### **NOTE 2 – Summary of Significant Accounting Policies**

##### ***Basis of Accounting***

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**HOT PALETTE AMERICA INCORPORATED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of the HPA and PLM (collectively, the Company) after elimination of all material intercompany accounts, transactions, and profits.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

***Reclassification***

Certain prior-period information has been reclassified to conform to the current period presentation.

***Cash***

For purposes of the consolidated statements of cash flows, the Company considers cash on hand and all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. The Company had no cash equivalents at December 31, 2025 and 2024.

***Concentration of Credit Risk***

The Company maintains cash balances at financial institutions and, at times, such balances may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

At December 31, 2025 and 2024, 37% and 77%, respectively, of the Company's total accounts receivable were due from two multi-unit developers.

During the year ended December 31, 2025, 85% of the Company's royalty fees were derived from three franchisees. During the year ended December 31, 2024, 100% of the Company's royalty fees were derived from two franchisees.

HOT PALETTE AMERICA INCORPORATED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024

NOTE 2 – Summary of Significant Accounting Policies (Continued)

*Concentration of Credit Risk (Continued)*

During the year ended December 31, 2025, 100% of the Company's total franchise fees were derived from five franchisees. During the year ended December 31, 2024, the Company did not recognize any franchise fee revenue.

*Accounts Receivable*

The Company operates in the franchisor industry and its accounts receivable are primarily derived from initial franchise and royalty fees due from its franchisees. Accounts receivable are stated at the amount the Company expects to collect from outstanding balances. At each consolidated balance sheet date, the Company recognizes an expected allowance for credit losses based on its evaluation of the current status of individual accounts. In determining these expected credit losses, the Company considers its historical loss experience, the aging of its receivables, current economic and business conditions, and anticipated future economic events that may impact collectability. Balances that are still outstanding after management has made reasonable collection efforts are written off through a charge to the allowance for credit losses and a credit to accounts receivable. Although the Company expects to collect amounts due, actual collections may differ. As of December 31, 2025 and 2024, management believes that all outstanding accounts receivable are fully collectible and, as such, no allowance for credit losses was deemed necessary.

The Company writes off receivables when there is information that indicates a debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized as an offset to credit loss expense in the year of recovery. For the years ended December 31, 2025 and 2024, no accounts receivable were written off.

A summary of accounts receivable is as follows:

|                     | December 31,<br>2025 | December 31,<br>2024 | January 1,<br>2024 |
|---------------------|----------------------|----------------------|--------------------|
| Accounts receivable | \$ 229,928           | \$ 182,804           | \$ 158,140         |

## HOT PALETTE AMERICA INCORPORATED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

#### NOTE 2 – Summary of Significant Accounting Policies (Continued)

##### *Recently Adopted Accounting Pronouncement*

In July 2025, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The guidance introduces a practical expedient and an accounting policy election that simplify the application of the current expected credit loss (CECL) model for current accounts receivable and current contract assets arising from revenue transactions accounted for under Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*.

The amendments allow all entities to elect a practical expedient under which current conditions as of the consolidated balance sheet date are assumed not to change over the remaining life of the asset, eliminating the need to develop and document reasonable and supportable forecasts when estimating expected credit losses for assets within the scope of the guidance. In addition, entities other than public business entities may elect an accounting policy to consider collection activity occurring after the consolidated balance sheet date but before the consolidated financial statements are available to be issued when estimating expected credit losses.

Management has elected early adoption of ASU 2025-05 during the current reporting period. Upon adoption, management elected the practical expedient and the related accounting policy to consider subsequent collections, as applicable. The adoption was applied prospectively, as required by the standard.

The adoption of ASU 2025-05 did not have a material impact on the Company's financial position or results of operations.

##### *Inventory*

Inventory consists of merchandise held for sale and is stated at the lower of cost or net realizable value. The cost is determined using the first-in, first-out (FIFO) method.

##### *Property and Equipment*

Property and equipment are recorded at cost. Depreciation of property and equipment is computed using the straight-line method over their estimated useful lives, which range from three to ten years. Expenditures that materially increase the assets' useful lives are capitalized, while ordinary maintenance and repairs are expensed as incurred.

**HOT PALETTE AMERICA INCORPORATED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Impairment of Long-Lived Assets***

The Company evaluates long-lived assets, such as property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as deemed necessary. No impairment was identified as of December 31, 2025 and 2024.

***Revenue Recognition***

The Company generates revenue primarily from the sale of franchises, including multi-unit development rights, royalty fees based on a percentage of franchisee sales, product sales, and equipment rental income.

The Company recognizes revenue under ASC 606. Under this standard, the amount of revenue to be recognized reflects the consideration to which the Company is entitled to receive in exchange for goods or services delivered to customers. In accordance with ASC 606, the Company applies the following five steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations in the contract; and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

The FASB issued ASU 2021-02, *Franchisors–Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient* (ASU 2021-02), in order to simplify the application of ASC 606 as it applies to initial franchise fees paid by a franchisee to a franchisor. The amendments in ASU 2021-02 permit franchisors to account for pre-opening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list within the ASU. Additionally, amendments in ASU 2021-02 provide an accounting policy election to recognize the pre-opening services as a single performance obligation. The Company has elected to use the practical expedient provided by the amendments in ASU 2021-02 to account for its pre-opening services as distinct from the franchise license. (See Note 6.)

**HOT PALETTE AMERICA INCORPORATED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025 AND 2024**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Revenue Recognition (Continued)***

The Company recognizes initial franchise fees and development fees as it satisfies its performance obligations under contracts with franchisees and the restaurant approaches its opening date. The initial franchise fees or development fees associated with restaurants where the Company has not substantially performed its obligations relating to the sale are recorded as deferred franchise fee revenue on the balance sheets. Royalty fees are recognized as franchisee sales occur.

Product sales are recognized as control of product passes to the customer, generally upon shipment.

Training fees are recognized when the Company provides training programs for new or replacement employees of franchisees following the opening dates of the franchised restaurant.

Rental income from leased equipment to franchisees is accounted for in accordance with ASC 842, *Leases*, and is recognized on a straight-line basis over the lease term based on the contractual rental rates.

Incremental costs to obtain a contract with a customer, including sales commissions for new franchise and multi-unit development contracts and various licensor fees, are initially capitalized and included in deferred commissions and deferred license fees on the accompanying balance sheets. Capitalized costs are recognized as the related performance obligations are satisfied.

Contract liabilities, including deferred franchise fee revenue, represent payments received in advance of performance under a contract.

A summary of contract liabilities is as follows:

|                            | <b>December 31,<br/>2025</b> | <b>December 31,<br/>2024</b> |
|----------------------------|------------------------------|------------------------------|
| Deferred franchise revenue | \$ 3,380,000                 | \$ 2,160,000                 |

**HOT PALETTE AMERICA INCORPORATED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2025 AND 2024**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

A summary of deferred franchise revenue is as follows:

|                         | <u>December 31,</u><br><u>2025</u> | <u>December 31,</u><br><u>2024</u> |
|-------------------------|------------------------------------|------------------------------------|
| Beginning balance       | \$ 2,160,000                       | \$ 960,000                         |
| New franchise fees sold | 1,370,000                          | 1,200,000                          |
| Revenue recognized      | <u>(150,000)</u>                   | <u>-</u>                           |
| Ending balance          | <u>\$ 3,380,000</u>                | <u>\$ 2,160,000</u>                |

***Leasing Arrangements***

The Company determines if an arrangement contains a lease at inception based on whether the Company has the right to control the asset during the contract period and other facts and circumstances.

The Company's policy for determining its lease discount rate used for measuring lease liabilities is to use the rate implicit in the lease whenever that rate is readily determinable. If the rate implicit in the lease is not readily determinable, then the Company has elected to use the risk-free discount rate, as permitted by U.S. GAAP, determined using a period comparable with that of the lease term.

The Company has elected a policy to account for short-term leases, defined as any lease with a term less than 12 months, by recognizing all components of the lease payment in the statements of operations in the period in which the obligation for the payments is incurred.

**HOT PALETTE AMERICA INCORPORATED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Income Taxes***

The Company has adopted the provisions of FASB ASC 740, *Income Taxes*, which specify when to recognize and how to measure the consolidated financial statement effects, if any, of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, if it were more than 50% probable that a material amount of income tax would be imposed at the entity level upon examination by the relevant taxing authorities, a liability would be recognized in the accompanying balance sheets along with any interest and penalties that would result from that assessment. The Company does not believe there are any material uncertain tax positions and, accordingly, did not recognize any liability for unrecognized tax benefits.

No material amounts of interest or penalties were accrued or charged to expense as of December 31, 2025 and 2024 or for the years then ended. The Company's policy is to recognize penalties as an operating expense and interest as interest expense. The Company's tax returns are subject to examination by federal and state taxing authorities. The Company's open audit periods are three and four years for federal and state tax filings, respectively.

***Advertising Costs***

Advertising costs, which are included in operating expenses in the statements of operations, are expensed as incurred.

***Subsequent Events***

In March 2026, the credit limit on the Company's Master Revolving Credit Loan Agreement with the Parent was increased from 500,000,000 to 600,000,000 Japanese Yen (approximately \$3,800,000 based on the exchange rate in effect on the agreement date).

Management has evaluated subsequent events through April 13, 2026, the date the consolidated financial statements were available to be issued.

**HOT PALETTE AMERICA INCORPORATED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 3 – Property and Equipment**

The components of property and equipment are summarized as follows:

|                               | <b>December 31,</b> |                   |
|-------------------------------|---------------------|-------------------|
|                               | <b>2025</b>         | <b>2024</b>       |
| Machinery and equipment       | \$ 164,586          | 92,152            |
| Furniture and fixtures        | 2,226               | 2,226             |
|                               | 166,812             | 94,378            |
| Less accumulated depreciation | (24,097)            | (6,362)           |
|                               | 142,715             | 88,016            |
| Construction in progress      | 165,322             | 22,538            |
|                               | <u>\$ 308,037</u>   | <u>\$ 110,554</u> |

Depreciation expense was \$17,735 and \$6,362 for the years ended December 31, 2025 and 2024, respectively.

**NOTE 4 – Leasing Arrangements**

***Lessee***

The Company leases its office located in Westlake Village, California under an operating lease with initial terms set to expire in July 2027. The lease agreement includes an option to extend the lease for an additional three years through July 2030. The Company only includes options in the measurement of lease right-of-use assets and lease liabilities if they are reasonably certain to be exercised.

**HOT PALETTE AMERICA INCORPORATED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 4 – Leasing Arrangements as Lessee (Continued)**

The following summarizes the line items in the consolidated balance sheets, which include amounts for operating leases:

|                                                | <b>December 31,</b> |                   |
|------------------------------------------------|---------------------|-------------------|
|                                                | <b>2025</b>         | <b>2024</b>       |
| Operating lease right-of-use asset             | \$ 106,783          | \$ 166,781        |
| Current portion of operating lease liability   | \$ 65,807           | \$ 59,998         |
| Long-term portion of operating lease liability | 40,976              | 106,783           |
|                                                | <u>\$ 106,783</u>   | <u>\$ 166,781</u> |

The components of operating lease expenses that are included in operating expenses in the statement of operations were as follows:

|                       | <b>For the Year Ended<br/>December 31,</b> |             |
|-----------------------|--------------------------------------------|-------------|
|                       | <b>2025</b>                                | <b>2024</b> |
| Operating lease costs | \$ 62,590                                  | \$ 22,514   |

The following summarizes the supplemental cash flow information related to operating leases:

|                                                                           | <b>For the Year Ended<br/>December 31,</b> |             |
|---------------------------------------------------------------------------|--------------------------------------------|-------------|
|                                                                           | <b>2025</b>                                | <b>2024</b> |
| Cash paid for amounts included in the measurement of lease liabilities:   |                                            |             |
| Operating cash flows from operating lease                                 | \$ 59,998                                  | \$ 24,570   |
| Noncash investing and financing activity:                                 |                                            |             |
| Right-of-use asset obtained in exchange for new operating lease liability | \$ -                                       | \$ 191,351  |

**HOT PALETTE AMERICA INCORPORATED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 4 – Leasing Arrangements (Continued)**

***Lessee (Continued)***

The weighted-average remaining lease term and discount rate for the operating lease were as follows:

|                                       | <u>December 31,</u> |             |
|---------------------------------------|---------------------|-------------|
|                                       | <u>2025</u>         | <u>2024</u> |
| Weighted-average remaining lease term | 1.6 years           | 2.6 years   |
| Weighted-average discount rate        | 3.96%               | 3.96%       |

The maturities of the operating lease liability as of December 31, 2025 are as follows:

| <u>Year Ending<br/>December 31,</u>     |                  |
|-----------------------------------------|------------------|
| 2026                                    | \$ 70,439        |
| 2027                                    | <u>41,800</u>    |
| Total minimum lease payments            | 112,239          |
| Less amount representing interest       | <u>(5,456)</u>   |
| Present value of minimum lease payments | 106,783          |
| Less current portion                    | <u>(65,807)</u>  |
|                                         | <u>\$ 40,976</u> |

***Lessor***

The Company leases cooking equipment at \$200 per month to franchisees for the duration of a 10-year contract term. Rental income is collected monthly and does not include material non-lease components. For the year ended December 31, 2025, rental income totaled \$26,800. For the year ended December 31, 2024, no rental income was received.

# HOT PALETTE AMERICA INCORPORATED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

### NOTE 4 – Leasing Arrangements (Continued)

#### *Lessor (Continued)*

Future minimum rental income expected to be received under the lease arrangements is as follows:

| <u>Year Ending<br/>December 31,</u> |                   |
|-------------------------------------|-------------------|
| 2026                                | \$ 45,000         |
| 2027                                | 45,000            |
| 2028                                | 45,000            |
| 2027                                | 45,000            |
| 2028                                | 45,000            |
| Thereafter                          | <u>207,974</u>    |
|                                     | <u>\$ 432,974</u> |

### NOTE 5 – Revolving Loan Payable to Related Party

In March 2023, the Company entered into a Master Revolving Credit Loan Agreement with the Parent. This agreement allows each party to make loans to the other party with a maximum commitment amount of 200,000,000 Japanese Yen (approximately \$1,500,000 based on the exchange rate in effect on the agreement date). In July 2025, the agreement was amended to increase the maximum commitment amount to 500,000,000 Japanese Yen (approximately \$3,100,000 based on the exchange rate in effect on the agreement date). The loan matures on February 28, 2029. Interest accrues at 3.75% per annum and is payable in a lump-sum amount on the maturity date or prepayment date. The Company may prepay all or part of the loan, including accrued interest, at any time.

During the year ended December 31, 2025, the Company took two drawdowns on the revolving loan totaling approximately \$960,000 based on exchange rates in effect on the date of the drawdowns. As of December 31, 2025 and 2024, the outstanding balance on the loan was \$2,359,458 and \$1,314,356, including accrued interest of \$123,608 and \$49,894, respectively. For the years ended December 31, 2025 and 2024, interest expense associated with the revolving loan totaled \$78,890 and \$40,558, respectively, and the foreign exchange transaction loss and gain associated with the revolving loan totaled \$6,478 and \$57,614, respectively.

## HOT PALETTE AMERICA INCORPORATED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

#### NOTE 6 – Related-Party Transactions

##### *Assignment of Guam Franchisee*

Prior to the formation of the Company, a predecessor of the Parent entered into a Pepper Lunch Single-Unit Franchise Agreement dated July 17, 2018, granting franchise rights for one restaurant in the territory of Guam. This franchised restaurant remains in operation under the franchise agreement. Pursuant to a Novation Agreement, the Parent assigned its rights, title, and interest in the franchised restaurant to the Company effective September 1, 2023. The Company agreed to undertake the franchisor performance obligations and to be entitled to the rights and remedies of the franchisor under the existing franchise agreement.

##### *Licensing Fees*

In June 2023, the Company entered into a Trademark License Agreement as a licensee with the Parent as the licensor. This agreement grants the licensee a perpetual, exclusive right to use and sublicense intellectual property owned by the licensor in connection with the development, franchising, and operation of Pepper Lunch restaurants in the United States.

In consideration for the grant of these rights, the Company will pay the licensor's a licensing fee equal to 30% of all initial franchise fees, development fees, territory fees, royalty fees, renewal fees, transfer fees, and commissions collected from the Company's franchisees and developers. The term of this agreement commenced on June 1, 2023. In April 2025, the agreement was amended to modify the licensing fees to be 20% of royalty fees only. During the years ended December 31, 2025 and 2024, the Company recorded \$124,738 and \$92,197 in licensing fees in connection with royalty fees paid by a franchisee, respectively. As of December 31, 2025 and 2024, the Company had \$627,000 and \$648,000 in deferred licensing fees in connection with franchise fees collected from developers, respectively. During the year ended December 31, 2025, the Company recognized \$45,000 license fees included in cost of sales. There was no license fee recognized during the year ended December 31, 2024 in relation to the deferred licensing fees.

# HOT PALETTE AMERICA INCORPORATED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

### NOTE 6 – Related-Party Transactions (Continued)

#### *Related-Party Payables*

At December 31, 2025 and 2024, the Company had accounts payable to the Parent totaling \$1,260,553 and \$828,851, respectively. These payables primarily arise from licensing fees, are unsecured, do not bear interest, and contain no fixed repayment terms. These payables are not expected to be repaid in the next year and have therefore been classified as noncurrent liabilities on the accompanying consolidated balance sheets. Included in the accompanying consolidated statements of operations is a foreign exchange transaction loss of \$11,674 during the year ended December 31, 2025. No significant foreign transaction gain or loss was recognized during December 31, 2024.

### NOTE 7 – Contingencies

The Company may be subject to legal proceedings and claims arising in the ordinary course of conducting its business. Management is not currently aware of any legal proceedings in which the outcome may have a material adverse effect on the financial position, results of operations, or cash flows of the Company.

### NOTE 8 – Provision for Income Taxes

The provision for (benefit from) income taxes consist of the following:

|           | For the Year Ended<br>December 31, |                     |
|-----------|------------------------------------|---------------------|
|           | 2025                               | 2024                |
| Current:  |                                    |                     |
| Federal   | \$ -                               | \$ -                |
| State     | 800                                | 800                 |
|           | <u>800</u>                         | <u>800</u>          |
| Deferred: |                                    |                     |
| Federal   | \$ (326,241)                       | \$ (419,855)        |
| State     | (108,833)                          | (139,983)           |
|           | <u>(435,074)</u>                   | <u>(559,838)</u>    |
|           | <u>\$ (434,274)</u>                | <u>\$ (559,038)</u> |

# HOT PALETTE AMERICA INCORPORATED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

### NOTE 8 – Provision for Income Taxes (Continued)

The reconciliation of the federal statutory income tax rate to the effective tax rate is as follows:

|                                          | For the Year Ended<br>December 31, |                     |
|------------------------------------------|------------------------------------|---------------------|
|                                          | 2025                               | 2024                |
| Federal taxes at statutory rate          | \$ (390,192)                       | \$ (408,551)        |
| State tax net of federal benefit         | (127,864)                          | (136,184)           |
| Permanent items                          | 18,203                             | 3,177               |
| Deferred tax adjustments                 | 49,414                             | -                   |
| Change in state effective rate and other | 16,165                             | (17,480)            |
|                                          | <u>\$ (434,274)</u>                | <u>\$ (559,038)</u> |

The Company's deferred tax assets and deferred tax liabilities consist of the following:

|                           | December 31,        |                   |
|---------------------------|---------------------|-------------------|
|                           | 2025                | 2024              |
| Deferred tax assets:      |                     |                   |
| Amortization              | \$ 17,491           | \$ 18,938         |
| Lease liability           | 29,881              | 46,671            |
| State taxes               | 234                 | -                 |
| Net operating losses      | <u>1,415,302</u>    | <u>946,283</u>    |
|                           | <u>1,462,908</u>    | <u>1,011,892</u>  |
| Deferred tax liabilities: |                     |                   |
| Depreciation              | (26,751)            | \$ (13,412)       |
| Right-of-use asset        | (29,882)            | (46,433)          |
| Foreign exchange gain     | <u>(19,154)</u>     | <u>-</u>          |
|                           | <u>(75,787)</u>     | <u>(59,845)</u>   |
| Net deferred income taxes | <u>\$ 1,387,121</u> | <u>\$ 952,047</u> |

**HOT PALETTE AMERICA INCORPORATED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024**

**NOTE 8 – Provision for Income Taxes (Continued)**

At December 31, 2025 and 2024, the Company had state net operating losses of \$4,951,266 and \$3,120,343, respectively, that begin to expire in 2029 and federal net operating losses of \$5,093,236 and \$3,235,179, respectively, that do not expire.

Deferred income taxes reflect the net tax effects of (a) temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for income tax purposes, and (b) operating losses and tax credit carryforwards. Realization of the future tax benefits is dependent on the Company's ability to generate sufficient taxable income within the carry forward period. Based on all available evidence, management believes that recognition of the deferred tax assets above are more likely than not to be realized in future years and accordingly, no valuation allowance has been placed against these net deferred tax amounts.

# **HOT PALETTE AMERICA INCORPORATED**

## **FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2023 AND  
PERIOD FROM MARCH 1, 2022 (DATE OF INCEPTION)  
TO DECEMBER 31, 2022**

**ALBERT & ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANT**

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**AN ACCOUNTANCY CORPORATION**

**HOT PALETTE AMERICA INCORPORATED**  
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**DECEMBER 31, 2023 AND 2022**

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**FINANCIAL STATEMENTS**

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**ALBERT & ASSOCIATES**  
**CERTIFIED PUBLIC ACCOUNTANT**

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AN ACCOUNTANCY CORPORATION

**INDEPENDENT AUDITOR'S REPORT**

To the Stockholder and Management of  
Hot Palette America Incorporated

**Opinion**

We have audited the financial statements of Hot Palette America Incorporated, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, stockholder's equity and cash flows for the year ended December 31, 2023 and the period from inception (March 1, 2022) to December 31, 2022 and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hot Palette America Incorporated as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the year ended December 31, 2023 and the initial period ended December 31, 2022 in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hot Palette America Incorporated's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hot Palette America Incorporated's ability to continue as a going concern for a reasonable period of time.

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

*Albert & Associates*

Laguna Niguel, California  
August 21, 2024

HOT PALETTE AMERICA INCORPORATED  
BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022

ASSETS

|                      | December 31,             |                          |
|----------------------|--------------------------|--------------------------|
|                      | 2023                     | 2022                     |
| CURRENT ASSETS       |                          |                          |
| Cash                 | \$ 208,059               | \$ 131,870               |
| Accounts receivable  | 158,140                  | -                        |
| Prepaid expenses     | 24,051                   | 1,568                    |
| Total current assets | <u>390,250</u>           | <u>133,438</u>           |
| OTHER ASSETS         |                          |                          |
| Deferred tax assets  | 392,209                  | -                        |
| Total other assets   | <u>392,209</u>           | <u>-</u>                 |
| TOTAL ASSETS         | <u><u>\$ 782,459</u></u> | <u><u>\$ 133,438</u></u> |

LIABILITIES AND STOCKHOLDER'S EQUITY

|                                                                  |                          |                          |
|------------------------------------------------------------------|--------------------------|--------------------------|
| CURRENT LIABILITIES                                              |                          |                          |
| Accounts payable                                                 | \$ 49,864                | \$ -                     |
| Accrued expenses                                                 | 27,256                   | 8,054                    |
| Accrued payroll and payroll taxes                                | 12,930                   | -                        |
| Related party payables                                           | 254,969                  | -                        |
| Deferred franchise fee revenue                                   | 63,000                   | -                        |
| Total current liabilities                                        | <u>408,019</u>           | <u>8,054</u>             |
| LONG-TERM LIABILITIES                                            |                          |                          |
| Deferred franchise fee revenue, net of current portion           | 609,000                  | -                        |
| Revolving loan payable to related party                          | 502,885                  | -                        |
| Total long-term liabilities                                      | <u>1,111,885</u>         | <u>-</u>                 |
| TOTAL LIABILITIES                                                | 1,519,904                | 8,054                    |
| STOCKHOLDER'S EQUITY                                             |                          |                          |
| Common stock, no par value                                       |                          |                          |
| Authorized - 1,000,000 shares                                    |                          |                          |
| Issued and outstanding - 3,000 at 12/31/23 and 2,000 at 12/31/22 | 300,000                  | 200,000                  |
| Accumulated deficit                                              | <u>(1,037,445)</u>       | <u>(74,616)</u>          |
| Total stockholder's equity                                       | <u>(737,445)</u>         | <u>125,384</u>           |
| TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY                       | <u><u>\$ 782,459</u></u> | <u><u>\$ 133,438</u></u> |

The accompanying notes are an integral part of these financial statements.

HOT PALETTE AMERICA INCORPORATED  
STATEMENTS OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2023 AND THE PERIOD FROM  
MARCH 1, 2022 (DATE OF INCEPTION) TO DECEMBER 31, 2022

|                                                 | Year Ended<br><u>Dec 31, 2023</u> | Period Ended<br><u>Dec 31, 2022</u> |
|-------------------------------------------------|-----------------------------------|-------------------------------------|
| REVENUE                                         |                                   |                                     |
| Royalty fees                                    | \$ 27,573                         | \$ -                                |
| OPERATING EXPENSES                              |                                   |                                     |
| Accounting and audit fees                       | 39,191                            | 15,083                              |
| Advertising and marketing                       | 276,028                           | -                                   |
| Commission expense                              | 217,500                           | -                                   |
| Consulting fees                                 | 41,191                            | -                                   |
| Dues and subscriptions                          | 5,665                             | -                                   |
| Franchise sales management and development      | 217,049                           | -                                   |
| Information technology                          | 78,154                            | -                                   |
| Insurance expense                               | 18,286                            | -                                   |
| Legal fees                                      | 62,410                            | 59,426                              |
| Licensing fees                                  | 8,272                             | -                                   |
| Meals and entertainment                         | 16,349                            | -                                   |
| Office equipment and supplies                   | 8,209                             | 59                                  |
| Office expense                                  | 927                               | 48                                  |
| Payroll taxes                                   | 14,951                            | -                                   |
| Salaries                                        | 256,709                           | -                                   |
| Travel, meeting and conference expenses         | 102,950                           | -                                   |
| Total operating expenses                        | <u>1,363,841</u>                  | <u>74,616</u>                       |
| LOSS FROM OPERATIONS                            | (1,336,268)                       | (74,616)                            |
| OTHER INCOME (EXPENSE)                          |                                   |                                     |
| Foreign exchange transaction loss               | (7,418)                           | -                                   |
| Interest expense                                | (10,552)                          | -                                   |
| Total other income (expense)                    | <u>(17,970)</u>                   | <u>-</u>                            |
| LOSS BEFORE INCOME TAXES                        | (1,354,238)                       | (74,616)                            |
| PROVISION FOR (BENEFIT FROM) INCOME TAXES       |                                   |                                     |
| Current                                         | 800                               | -                                   |
| Deferred                                        | (392,209)                         | -                                   |
| Total provision for (benefit from) income taxes | <u>(391,409)</u>                  | <u>-</u>                            |
| NET LOSS                                        | <u>\$ (962,829)</u>               | <u>\$ (74,616)</u>                  |

The accompanying notes are an integral part of these financial statements.

HOT PALETTE AMERICA INCORPORATED  
STATEMENTS OF STOCKHOLDER'S EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2023 AND THE PERIOD FROM  
MARCH 1, 2022 (DATE OF INCEPTION) TO DECEMBER 31, 2022

|                              | <u>Common Stock</u> |                          | <u>Accumulated</u>           |                            |
|------------------------------|---------------------|--------------------------|------------------------------|----------------------------|
|                              | <u>Shares</u>       | <u>Amount</u>            | <u>Deficit</u>               | <u>Total</u>               |
| BALANCE AT MARCH 1, 2022     | -                   | \$ -                     | \$ -                         | \$ -                       |
| Issuance of common stock     | 2,000               | 200,000                  | -                            | 200,000                    |
| Net loss                     | -                   | -                        | (74,616)                     | (74,616)                   |
| BALANCE AT DECEMBER 31, 2022 | <u>2,000</u>        | <u>\$ 200,000</u>        | <u>\$ (74,616)</u>           | <u>\$ 125,384</u>          |
| Issuance of common stock     | 1,000               | 100,000                  | -                            | 100,000                    |
| Net loss                     | -                   | -                        | (962,829)                    | (962,829)                  |
| BALANCE AT DECEMBER 31, 2023 | <u><u>3,000</u></u> | <u><u>\$ 300,000</u></u> | <u><u>\$ (1,037,445)</u></u> | <u><u>\$ (737,445)</u></u> |

The accompanying notes are an integral part of these financial statements.

HOT PALETTE AMERICA INCORPORATED  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2023 AND THE PERIOD FROM  
MARCH 1, 2022 (DATE OF INCEPTION) TO DECEMBER 31, 2022

|                                                                                | Year Ended<br><u>Dec 31, 2023</u> | Period Ended<br><u>Dec 31, 2022</u> |
|--------------------------------------------------------------------------------|-----------------------------------|-------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES                                           |                                   |                                     |
| Net loss                                                                       | \$ (962,829)                      | \$ (74,616)                         |
| Adjustments to reconcile net loss to<br>net cash used in operating activities: |                                   |                                     |
| Foreign exchange transaction loss                                              | 7,418                             | -                                   |
| Changes in operating assets and liabilities:                                   |                                   |                                     |
| Decrease (increase) in accounts receivable                                     | (158,140)                         | -                                   |
| Decrease (increase) in prepaid expenses                                        | (22,483)                          | (1,568)                             |
| Decrease (increase) in deferred tax asset                                      | (392,209)                         | -                                   |
| Increase (decrease) in accounts payable                                        | 49,864                            | -                                   |
| Increase (decrease) in accrued expenses                                        | 28,539                            | 8,054                               |
| Increase (decrease) in accrued payroll and payroll taxes                       | 12,930                            | -                                   |
| Increase (decrease) in deferred franchise fee revenue                          | 672,000                           | -                                   |
| Total adjustments                                                              | <u>197,919</u>                    | <u>6,486</u>                        |
| Net cash used in operating activities                                          | <u>(764,910)</u>                  | <u>(68,130)</u>                     |
| CASH FLOWS FROM FINANCING ACTIVITIES                                           |                                   |                                     |
| Proceeds from issuance of common stock                                         | 100,000                           | 200,000                             |
| Proceeds from revolving loan payable to related party                          | 486,130                           | -                                   |
| Related party payables                                                         | 254,969                           | -                                   |
| Net cash provided by financing activities                                      | <u>841,099</u>                    | <u>200,000</u>                      |
| Net increase in cash                                                           | 76,189                            | 131,870                             |
| Cash at beginning of period                                                    | <u>131,870</u>                    | <u>-</u>                            |
| CASH AT END OF PERIOD                                                          | <u><u>\$ 208,059</u></u>          | <u><u>\$ 131,870</u></u>            |
| <u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>                       |                                   |                                     |
| Cash paid for income taxes                                                     | \$ 800                            | \$ -                                |
| Cash paid for interest                                                         | \$ 1,216                          | \$ -                                |

The accompanying notes are an integral part of these financial statements.

**HOT PALETTE AMERICA INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**Note 1 – Nature of Operations**

Hot Palette America Incorporated (“the Company”) is a corporation formed on March 1, 2022 in the state of California. The Company’s principal operations include the franchising and administration of Pepper Lunch restaurants in the United States. Pepper Lunch restaurants are fast casual, Japanese specialty restaurants that offer do-it-yourself meals of beef, chicken and seafood cooked on iron griddles accompanied by a signature pepper rice, pasta and proprietary sauces and a variety of other dishes and beverages. As of December 31, 2023, the Company had one franchisee located in Guam.

The Company’s parent company, Hot Palette Holdings Co., Ltd. (“Parent Company”), offers franchises for Pepper Lunch Restaurants internationally. As of December 31, 2023, there were 373 franchised restaurants and 125 restaurants owned and operated by the Parent Company outside of the United States. A predecessor of the Parent Company previously offered licenses for Pepper Lunch restaurants in the United States. As of December 31, 2023, there was one master licensee operating five Pepper Lunch restaurants, located in California, Nevada and Texas.

**Note 2 – Summary of Significant Accounting Policies**

Basis of Presentation

The Company’s financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash

For purposes of the statement of cash flows, the Company considers all highly liquid investments with original maturities of three months or less to be cash.

Accounts Receivable and Allowance for Credit Losses

The Company operates in the franchisor industry and its accounts receivable are primarily derived from initial franchise and royalty fees due from its franchisees. Accounts receivable are stated at the amount the Company expects to collect from outstanding balances. At each balance sheet date, the Company recognizes an expected allowance for credit losses based on its evaluation of the current status of individual accounts. No allowance for credit losses was considered necessary at December 31, 2023 or 2022.

HOT PALETTE AMERICA INCORPORATED  
NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2023 AND 2022

**Note 2 – Summary of Significant Accounting Policies (continued)**

Accounts Receivable and Allowance for Credit Losses (continued)

The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized as an offset to credit loss expense in the year of recovery. For the year ended December 31, 2023 and the period ended December 31, 2022, no accounts receivable were written-off.

Fair Value of Financial Instruments

The carrying amounts of financial instruments approximate fair value due to the short-term nature of these instruments.

Revenue Recognition

The Company generates revenue primarily from the sale of franchises, including multi-unit development rights, and from royalty fees based on a percentage of franchisee sales.

The Company recognizes revenue under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*. Under this standard, the amount of revenue to be recognized reflects the consideration to which the Company is entitled to receive in exchange for the goods or services delivered. To achieve this core principle, the Company applies the following five steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations in the contract; and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

The FASB issued Accounting Standards Update (“ASU”) 2021-02, *Franchisors–Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient* in order to simplify the application of FASB ASC 606 as it applies to initial franchise fees paid by a franchisee to a franchisor. The amendments in ASU 2021-02 permit franchisors to account for pre-opening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list within the ASU. Additionally, amendments in ASU 2021-02 provide an accounting policy election to recognize the pre-opening services as a single performance obligation. The Company has elected to use the practical expedient provided by the amendments in ASU 2021-02 to account for its pre-opening services (as further described in Note 6) as distinct from the franchise license.

HOT PALETTE AMERICA INCORPORATED  
NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2023 AND 2022

**Note 2 – Summary of Significant Accounting Policies (continued)**

Revenue Recognition (continued)

The Company recognizes initial franchise fees and development fees as the Company satisfies its performance obligations under the franchise agreement and the restaurant approaches its opening date. The initial franchise fees or development fees associated with restaurants where the Company has not substantially performed its obligations relating to the sale are recorded as deferred franchise fee revenue on the balance sheet. Royalty fees are recognized as franchisee sales occur.

Income Taxes

For the year ended December 31, 2023, the components of the provision for (benefit from) income taxes are as follows:

|          | Federal          | State            | Total            |
|----------|------------------|------------------|------------------|
| Current  | -                | 800              | 800              |
| Deferred | (273,260)        | (118,949)        | (392,209)        |
| Total    | <u>(273,260)</u> | <u>(118,149)</u> | <u>(391,409)</u> |

The tax effects of temporary differences that have resulted in the creation of deferred tax assets and deferred tax liabilities at December 31, 2023 are as follows:

|                      | Federal        | State          | Total          |
|----------------------|----------------|----------------|----------------|
| Start-up costs       | 15,298         | 6,440          | 21,738         |
| Net operating losses | 282,941        | 112,509        | 395,450        |
| State income taxes   | (24,979)       | -              | (24,979)       |
| Total                | <u>273,260</u> | <u>118,149</u> | <u>392,209</u> |

The federal net operating losses of \$1,347,240 can be carried forward indefinitely. No valuation allowance was considered necessary at December 31, 2023.

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes and represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses and tax credits that are available to offset future taxable income.

HOT PALETTE AMERICA INCORPORATED  
NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2023 AND 2022

**Note 2 – Summary of Significant Accounting Policies (continued)**

Income Taxes (continued)

The Company has adopted the provisions of FASB ASC 740, *Income Taxes*, which prescribe when to recognize and how to measure the financial statement effects, if any, of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, if it were more than 50% probable that a material amount of income tax would be imposed at the entity level upon examination by the relevant taxing authorities, a liability would be recognized in the accompanying balance sheet along with any interest and penalties that would result from that assessment. The Company does not believe there are any material uncertain tax positions and, accordingly, did not recognize any liability for unrecognized tax benefits.

No material amounts of interest or penalties were accrued or charged to expense as of December 31, 2023 and 2022 or for the periods then ended. The Company's policy is to recognize penalties as an operating expense and interest as other expense. The Company's tax returns are subject to examination by federal and state taxing authorities, generally for a period of three years.

Advertising Costs

Advertising costs, which are included in operating expenses, are expensed as incurred.

Recently Adopted Accounting Pronouncements

**Allowance for Credit Losses:** In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new guidance significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

The Company adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

HOT PALETTE AMERICA INCORPORATED  
NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2023 AND 2022

**Note 2 – Summary of Significant Accounting Policies (continued)**

Reclassifications

Certain items in the financial statements for the prior period have been reclassified to conform to the current year presentation. Such reclassification had no effect on net income for the prior period.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through August 21, 2024, the date the financial statements were available to be issued.

**Note 3 – Revolving Loan Payable to Related Party**

In March 2023, the Company entered into a Master Revolving Credit Loan Agreement with its Parent Company. This agreement allows each party to make loans to the other party with a maximum commitment amount of 200,000,000 Japanese Yen (approximately \$1,500,000 based on the exchange rate in effect on the agreement date). The loan matures on February 28, 2029. Interest accrues at 3.75% per annum and is payable in lump-sum on the maturity date or prepayment date. The Company may prepay all or part of the loan, including accrued interest, at any time.

During the year ended December 31, 2023, the Company took two drawdowns on the revolving loan totaling approximately \$486,000, based on exchange rates in effect on the date of the drawdown. As of December 31, 2023, the outstanding balance on the loan was \$502,885, including accrued interest of \$9,337. For the year ended December 31, 2023, interest expense and foreign exchange transaction loss associated with the revolving loan totaled \$9,337 and \$7,418, respectively, and are recorded on the statement of operations.

HOT PALETTE AMERICA INCORPORATED  
NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2023 AND 2022

**Note 4 – Stockholder’s Equity**

Ownership of the Company is represented by shares of common stock. During the year ended December 31, 2023, an additional 1,000 shares of common stock were issued. As of December 31, 2022, 100% of the issued and outstanding shares of common stock were held by Hot Palette Co., Ltd., a corporation formed under the laws of Japan. During the year ended December 31, 2023, all outstanding shares of common stock were transferred from Hot Palette Co., Ltd. to Hot Palette Holdings Co., Ltd., also a Japanese corporation.

**Note 5 – Related Party Transactions**

Assignment of Guam Franchisee

Prior to the formation of the Company, a predecessor of the Parent Company entered into a Pepper Lunch Single-Unit Franchise Agreement dated July 17, 2018 granting franchise rights for one restaurant in the territory of Guam. This franchised restaurant remains in operation under the franchise agreement. Pursuant to a Novation Agreement, the Parent Company assigned its rights, title and interest in and to the franchise agreement to the Company effective September 1, 2023. The Company agreed to undertake to perform the franchisor obligations and to be entitled to the rights and remedies of the franchisor under the existing 2018 franchise agreement.

Licensing Fees

In June 2023, the Company entered into a Trademark License Agreement as a licensee with its Parent Company as the licensor. This agreement grants the licensee a perpetual, exclusive right and license to use and sublicense intellectual property owned by the licensor in connection with the development, franchising and operation of Pepper Lunch restaurants in the United States. In consideration for the grant of these rights, the Company will pay the licensor licensing fees equal to 30% of all initial franchise fees, development fees, territory fees, royalty fees, renewal fees, transfer fees and commissions collected from the licensee’s franchisees and developers. The term of this agreement commenced on June 1, 2023 and shall continue in perpetuity until terminated. During the year ended December 31, 2023, the Company recorded \$8,272 in licensing fees in connection with royalty fees paid by a franchisee and deferred \$288,000 in licensing fees in connection with deferred franchise fee revenue.

Related Party Payables

As of December 31, 2023, the Company had accounts payable to its Parent Company totaling \$254,969. These payables primarily arise from transactions in the ordinary course of business, are unsecured and bear no fixed repayment terms.

**HOT PALETTE AMERICA INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2023 AND 2022**

**Note 5 – Related Party Transactions (continued)**

Kiwi Restaurant Partners, LLC

Kiwi Restaurant Partners, LLC is a California limited liability company managed by the Company's Chief Executive Officer. During the year ended December 31, 2023, the Company made payments totaling approximately \$165,000 for franchise sales management services rendered under the terms of a one-year consulting agreement.

**Note 6 – Franchise and Multi-Unit Development Agreements**

The Company's franchise agreement has an initial term of ten years. The franchisee may renew the agreement for one additional term of ten years provided certain requirements established by the Company have been satisfied. The initial franchise fee for each new restaurant is \$50,000. Royalty fees are 5% of gross sales of the Pepper Lunch restaurant. A brand building fund may be established in the future to promote all Pepper Lunch restaurants. Brand building fund contributions may not exceed 2.5% of gross sales.

The Company also offers multi-unit development agreements granting the developer the right to develop and operate a minimum of five Pepper Lunch restaurants within a specified period of time and a defined area. The development fee for each Pepper Lunch restaurant is \$30,000 (minimum \$150,000 for five restaurants). There is no additional initial franchise fee due when the franchise agreement for each restaurant is subsequently signed.

The Company's pre-opening obligations are limited to site selection assistance, site design assistance, providing pre-opening and on-site training programs, providing operations and training manuals and designating approved suppliers for products to be used in the restaurant.

**Note 7 – Concentrations of Credit Risk**

Cash

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits in excess of Federal Deposit Insurance Corporation ("FDIC") limits. The Company maintains its cash account at a FDIC-insured financial institution. At December 31, 2023, the FDIC insurance limit was \$250,000 and the Company had no cash balances in excess of this limit. Cash balances maintained by the Company may exceed FDIC limits at various times and amounts throughout the year. Management believes there is a low risk of loss from cash concentrations and that the Company is not subject to any unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

HOT PALETTE AMERICA INCORPORATED  
NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2023 AND 2022

**Note 7 – Concentrations of Credit Risk (continued)**

Accounts Receivable

As of December 31, 2023, 95% of the Company's accounts receivable were due from one multi-unit developer.

Revenue

During the year ended December 31, 2023, 100% of the Company's royalty fees were derived from one franchisee located in the United States territory of Guam.

**Note 8 – Commitments and Contingencies**

Legal Matters

The Company is subject to legal proceedings and claims arising in the ordinary course of conducting its business. Management is not currently aware of any legal proceedings in which the outcome may have a material adverse effect on the financial position, results of operations or cash flows of the Company.

**HOT PALETTE AMERICA INCORPORATED**

**EXHIBIT G**  
**STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

## **LIST OF STATE ADMINISTRATORS**

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

|                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CALIFORNIA</b><br>Commissioner of Financial Protection and Innovation<br>Department of Financial Protection and Innovation<br>320 West Fourth Street, Suite 750<br>Los Angeles, California 90013-2344<br>(213) 576-7500 / Toll Free: (866) 275-2677<br>Email: ASK.DFPI@dfpi.ca.gov<br>Website: <a href="http://www.dfpi.ca.gov">http://www.dfpi.ca.gov</a> | <b>NEW YORK</b><br>NYS Department of Law<br>Investor Protection Bureau<br>28 Liberty St. 21st Fl<br>New York, NY 10005<br>(212) 416-8222                                                                     |
| <b>HAWAII</b><br>Commissioner of Securities<br>Department of Commerce & Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813<br>(808) 586-2722                                                                                                                       | <b>NORTH DAKOTA</b><br>North Dakota Insurance & Securities Department<br>600 East Boulevard Avenue, Dept. 401<br>Bismarck, North Dakota 58505-0510<br>(701) 328-2910                                         |
| <b>ILLINOIS</b><br>Illinois Office of the Attorney General<br>Franchise Bureau<br>500 South Second Street<br>Springfield, Illinois 62701<br>(217) 782-4465                                                                                                                                                                                                    | <b>RHODE ISLAND</b><br>Department of Business Regulation<br>Securities Division, Building 69, First Floor<br>John O. Pastore Center<br>1511 Pontiac Avenue<br>Cranston, Rhode Island 02920<br>(401) 462-9527 |
| <b>INDIANA</b><br>Secretary of State<br>Franchise Section<br>302 West Washington, Room E-111<br>Indianapolis, Indiana 46204<br>(317) 232-6681                                                                                                                                                                                                                 | <b>SOUTH DAKOTA</b><br>Division of Insurance<br>Securities Regulation<br>124 South Euclid Avenue, 2 <sup>nd</sup> Floor<br>Pierre, South Dakota 57501<br>(605) 773-3563                                      |
| <b>MARYLAND</b><br>Office of the Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, Maryland 21202-2020<br>(410) 576-6360                                                                                                                                                                                                            | <b>VIRGINIA</b><br>State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 East Main Street, 9th Floor<br>Richmond, Virginia 23219<br>(804) 371-9051                           |
| <b>MICHIGAN</b><br>Michigan Attorney General's Office<br>Corporate Oversight Division, Franchise Section<br>525 West Ottawa Street<br>G. Mennen Williams Building, 5 <sup>th</sup> Floor<br>Lansing, Michigan 48913<br>(517) 335-7567                                                                                                                         | <b>WASHINGTON</b><br>Department of Financial Institutions<br>Securities Division<br>P.O. Box 41200<br>Olympia, Washington 98504-1200<br>(360) 902-8760                                                       |
| <b>MINNESOTA</b><br>Minnesota Department of Commerce<br>85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, Minnesota 55101<br>(651) 539-1600                                                                                                                                                                                                               | <b>WISCONSIN</b><br>Division of Securities<br>4822 Madison Yards Way, North Tower<br>Madison, Wisconsin 53705<br>(608) 266-2139                                                                              |

## **AGENTS FOR SERVICE OF PROCESS**

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents in some of the states listed.

|                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CALIFORNIA</b><br>Commissioner of Financial Protection and Innovation<br>Department of Financial Protection and Innovation<br>320 West Fourth Street, Suite 750<br>Los Angeles, California 90013-2344<br>(213) 576-7500 / Toll Free: (866) 275-2677<br>Email: ASK.DFPI@dfpi.ca.gov<br>Website: <a href="http://www.dfpi.ca.gov">http://www.dfpi.ca.gov</a> | <b>NEW YORK</b><br>New York Secretary of State<br>One Commerce Plaza<br>99 Washington Avenue<br>Albany, NY 12231<br>(518) 473-2492                                                                                                                            |
| <b>HAWAII</b><br>Commissioner of Securities<br>Department of Commerce & Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813<br>(808) 586-2722                                                                                                                       | <b>NORTH DAKOTA</b><br>North Dakota Insurance Commissioner<br>North Dakota Insurance & Securities Department<br>600 East Boulevard Avenue, Dept. 401<br>Bismarck, North Dakota 58505-0510<br>(701) 328-2910                                                   |
| <b>ILLINOIS</b><br>Illinois Attorney General<br>500 South Second Street<br>Springfield, Illinois 62701<br>(217) 782-4465                                                                                                                                                                                                                                      | <b>RHODE ISLAND</b><br>Director of Department of Business Regulation<br>Department of Business Regulation<br>Securities Division, Building 69, First Floor<br>John O. Pastore Center<br>1511 Pontiac Avenue<br>Cranston, Rhode Island 02920<br>(401) 462-9527 |
| <b>INDIANA</b><br>Secretary of State<br>Franchise Section<br>302 West Washington, Room E-111<br>Indianapolis, Indiana 46204<br>(317) 232-6681                                                                                                                                                                                                                 | <b>SOUTH DAKOTA</b><br>Division of Insurance<br>Director of the Securities Regulation<br>124 South Euclid Avenue, 2 <sup>nd</sup> Floor<br>Pierre, South Dakota 57501<br>(605) 773-3563                                                                       |
| <b>MARYLAND</b><br>Maryland Securities Commissioner<br>200 St. Paul Place<br>Baltimore, Maryland 21202-2020<br>(410) 576-6360                                                                                                                                                                                                                                 | <b>VIRGINIA</b><br>Clerk of the State Corporation Commission<br>1300 East Main Street, 1 <sup>st</sup> Floor<br>Richmond, Virginia 23219<br>(804) 371-9733                                                                                                    |
| <b>MICHIGAN</b><br>Michigan Attorney General's Office<br>Corporate Oversight Division, Franchise Section<br>525 West Ottawa Street<br>G. Mennen Williams Building, 5 <sup>th</sup> Floor<br>Lansing, Michigan 48913<br>(517) 335-7567                                                                                                                         | <b>WASHINGTON</b><br>Director of Department of Financial Institutions<br>Securities Division – 3 <sup>rd</sup> Floor<br>150 Israel Road, Southwest<br>Tumwater, Washington 98501<br>(360) 902-8760                                                            |
| <b>MINNESOTA</b><br>Commissioner of Commerce<br>Minnesota Department of Commerce<br>85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, Minnesota 55101<br>(651) 539-1600                                                                                                                                                                                   | <b>WISCONSIN</b><br>Division of Securities<br>4822 Madison Yards Way, North Tower<br>Madison, Wisconsin 53705<br>(608) 266-2139                                                                                                                               |

**HOT PALETTE AMERICA INCORPORATED**

**EXHIBIT H  
NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT FOR EMPLOYEES OF  
FRANCHISEE**

## NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT

THIS NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT (this "**Agreement**") is made on \_\_\_\_\_, 20\_\_ (the "**Effective Date**"), by and between \_\_\_\_\_ ("**Franchisee**"), on the one hand, and \_\_\_\_\_ ("**Recipient**"), on the other hand, who are individually referred to in this Agreement as a "**Party**", and collectively referred to in this Agreement as "**Parties**", with reference to the following facts:

A. Hot Palette America Incorporated, a California corporation ("**Franchisor**"), and its Affiliates have developed the "**Pepper Lunch System**" for the establishment and operation of fast casual Japanese specialty restaurants ("**Pepper Lunch Restaurants**") that offer do-it-yourself meals of beef, chicken and seafood cooked on iron griddles accompanied by Franchisor's signature pepper rice and pasta and proprietary sauces and a variety of other related food products, side dishes and non-alcoholic beverages for both on-premises and off-premises consumption under the trade name and service mark "**Pepper Lunch**" and other related trademarks, service marks, logos and commercial symbols, and the trade dress used to identify Pepper Lunch Restaurants, including the unique and distinctive interior and exterior building designs, color schemes, furniture, fixtures and accessories present in Pepper Lunch Restaurants (collectively, the "**Pepper Lunch Marks**"). The Pepper Lunch Marks may be modified by Franchisor from time to time. Our parent company owns and may develop, use and control the use of the Pepper Lunch Marks in order to identify for the public the source of services and products marketed under the Pepper Lunch Marks. Our parent Company has issued a license to Franchisor to use and sublicense the use of the Pepper Lunch Marks for the sale of franchises to operate Pepper Lunch Restaurants within the United States.

B. The "**Pepper Lunch System**" includes, without limitation, the operations and training manuals and any other written directives related to the Pepper Lunch System (the "**Manuals**"), the system developed includes operating methods and business practices related to Pepper Lunch Restaurants, interior and exterior restaurant design, other items of trade dress, specifications for equipment, fixtures and uniforms, defined product offerings, recipes and unique cooking and preparation techniques and methods, specified pricing and promotions, restrictions on ownership, standard operating and administrative procedures, management and technical training programs, marketing and public relations programs, and Franchisor's website, all as Franchisor may modify the same from time to time, and may be disclosed to Recipient by Franchisee.

C. Franchisor has protected and continues to protect the confidentiality of the "**Confidential Information**" by, among other things: (i) not revealing the confidential contents of the Confidential Information to unauthorized parties; (ii) requiring Franchisees to acknowledge and agree in writing that the Confidential Information is confidential; (iii) requiring Franchisees to agree in writing to maintain the confidentiality of the Confidential Information; (iv) monitoring electronic access to the Confidential Information by the use of passwords and other restrictions so that electronic access to the Confidential Information is limited to authorized parties; and (v) requiring its franchisees to return all Confidential Information to Franchisor upon the expiration and termination of their Franchise Agreements.

D. Franchisor and Franchisee have entered into a Franchise Agreement under which Franchisor has granted Franchisee the right to own and operate a Pepper Lunch Restaurant and to use the Pepper Lunch System, the Pepper Lunch Marks, the Manuals, and the Confidential Information in the operation of the Pepper Lunch Restaurant.

E. Franchisee is obligated under its Franchise Agreement with Franchisor to obtain a written agreement from all supervisory and managerial personnel employed by Franchisee and each

independent contractor engaged by Franchisee who may have access to the Confidential Information and who may be the recipient of the disclosure of the Confidential Information to maintain the confidentiality of the Confidential Information, to obtain the written agreement from all supervisorial and managerial personnel employed by Franchisee and each independent contractor to not use the Confidential Information other than in the course of his or her employment or engagement by Franchisee and to not disclose any of the Confidential Information to any unauthorized parties during the period of time that he or she is providing services for Franchisee and forever after his or her employment or engagement by Franchisee ends.

**NOW, THEREFORE, IT IS AGREED:**

**1. ACKNOWLEDGMENTS OF RECIPIENT.**

**1.1 Confidential Information.** The Confidential Information includes all of the items included elsewhere in this Agreement and, in addition, without limitation, all tangible and intangible information (whether or not in electronic form) relating to Franchisor's business operations, styles, products and services, recipes, cooking and preparation techniques and methods, sources of materials and equipment, customer management and other software, data, other content, formulations, patterns, compilations, programs, devices and processes, business relationships, contact information for industry professionals, developmental or experimental work and services, improvements, discoveries, plans for research, potential new or supplemental products and services, websites, advertisements or ancillary products and services, marketing and selling methods and/or plans, business plans, budgets and unpublished financial statements, licenses, prices and costs, vendors, collaborators, current customer and prospective customer names and addresses, information regarding credit extensions to customers, customer service purchasing histories and prices charged to customers, customer lists and other customer data, information regarding the skills and compensation of employees and contractors of Franchisor, designs, drawings, specifications, source code, object code, documentation, diagrams, flowcharts, research, development, marketing techniques and materials, trademarks, trade secrets, sales/license techniques, inventions, copyrightable material, trademarkable material, databases, relationships between Franchisor and other companies, persons or entities, the Pepper Lunch System, and any other information or material considered proprietary by Franchisor whether or not designated as confidential information by Franchisor, that is not generally known by the public, or which derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or its affiliates and which is the subject of efforts by Franchisor that are reasonable under the circumstances to maintain its secrecy, and any other information in oral, written, graphic or electronic form which, given the circumstances surrounding its disclosure, would be considered confidential. Confidential Information also includes the manner in which any of the above described items may be combined with any other information or products or synthesized or used by Recipient. Confidential Information does not include any information that was in the lawful and unrestricted possession of Recipient prior to its disclosure by Franchisee to Recipient; is or becomes generally available to the public by acts other than those of Recipient after receiving it; has been received lawfully and in good faith by Recipient from a third party who did not derive it from Franchisor, Franchisee or Recipient; or is shown by acceptable evidence to have been independently developed by Recipient.

**1.2 Independent Value.** The Confidential Information: (i) is not generally known by the public or parties other than Franchisor, its affiliates, its franchisees and Franchisee; (ii) derives independent economic value (actual or potential) from not being generally known to the public or persons unaffiliated with Franchisor or Franchisee; and (iii) is the subject of extensive efforts by Franchisor that are reasonable under the circumstances to maintain the secrecy of the Confidential Information.

1.3 **Valuable and Proprietary.** The Confidential Information has been developed by Franchisor and its affiliates by the investment of time, skill, effort and money and is widely recognized by the public, of substantial value, and is proprietary, confidential and constitutes trade secrets of Franchisor and its affiliates.

## 2. **COVENANTS OF RECIPIENT.**

Recipient agrees that so long as Recipient is employed or engaged by Franchisee and forever after his or her employment or engagement by Franchisee ends:

2.1. **Maintain Confidentiality.** Recipient will fully and strictly maintain the confidentiality of the Confidential Information, will exercise the highest degree of diligence in safeguarding the Confidential Information and will not disclose or reveal the Confidential Information to any person other than Franchisee or other personnel employed by Franchisee or independent contractors engaged by Franchisee while a supervisory or managerial employee or independent contractor of Franchisee and will then do so only to the degree necessary to carry out Recipient's duties as a supervisory or managerial employee or independent contractor of Franchisee.

2.2. **No Reproduction or Use.** Recipient will not directly or indirectly reproduce or copy any Confidential Information and will make no use of any Confidential Information for any purpose whatsoever except as may be required while Recipient is employed or engaged by Franchisee and will then do so only in accordance with the provisions of this Agreement and only to the degree necessary to carry out Recipient's duties as a supervisory or managerial employee or independent contractor of Franchisee.

2.3. **Restrictions.** Recipient specifically acknowledges and agrees Recipient may receive valuable specialized training and Confidential Information, including, without limitation, Confidential Information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the Pepper Lunch System, which are unique and proprietary to Franchisor, derive independent economic value from not being generally known to the public and are the subject of Franchisor's efforts and that are reasonable under the circumstances to maintain their secrecy. Recipient therefore covenants that while employed or engaged by Franchisee, Recipient shall not, either directly or indirectly, for himself or herself, or through, on behalf of, or in conjunction with any person, or legal entity: (i) divert or attempt to divert any present or prospective Pepper Lunch Restaurant customer to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Pepper Lunch Marks and the Pepper Lunch System; or (ii) own (either beneficially or of record), engage in or render services to, whether as an investor, partner, lender, director, officer, manager, employee, consultant, representative or agent, any restaurant or business that permits customers to use iron griddles to cook beef, chicken and seafood meals, or any restaurant or business that looks like, copies, imitates, operates with similar trade dress or décor, or is otherwise substantially the same as or similar to Pepper Lunch Restaurants.

2.4. **Third Party Beneficiary.** Franchisor is, and shall be and remain, a third party beneficiary of this Agreement and will have the independent right to enforce the terms of this Agreement.

2.5. **No Restriction.** Nothing in this Article 2 is intended to prohibit or restrict any activity which prohibition or restriction violates Recipient's rights to engage in protected concerted activity under the National Labor Relations Act.

### 3. **GENERAL TERMS.**

3.1. **Injunction.** Recipient recognizes the unique value and secondary meaning attached to the Confidential Information and the elements of the Pepper Lunch System and agrees that Recipient's noncompliance with the terms of this Agreement or any unauthorized or improper use of the Confidential Information by Recipient will cause irreparable damage to Franchisor and its franchisees. Recipient therefore agrees that if Recipient should engage in any unauthorized or improper use or disclosure of the Confidential Information, Franchisor and Franchisee, independently, will be entitled to both permanent and temporary injunctive relief from any court of competent jurisdiction without notice or the posting of any bond, to prevent any unauthorized or improper use or disclosure of the Confidential Information in addition to any other remedies prescribed by law. Due to the irreparable damage that would result to Franchisor and Franchisee from any violation of this Agreement, Recipient acknowledges and agrees that any claim Recipient believes he or she may have against Franchisor or Franchisee will be deemed to be a matter separate and apart from Recipient's obligations under this Agreement and will not entitle Recipient to violate or justify any violation of the provisions of this Agreement.

3.2. **Heirs and Successors; Entire Agreement.** This Agreement shall be binding upon and inure to the benefit of the Parties, their heirs, successors and assigns. This Agreement represents the entire understanding between the Parties regarding the subject matter of this Agreement and supersedes all other negotiations, agreements, representations and covenants, oral or written. This Agreement may not be modified except by a written instrument signed by Franchisor and Recipient that expressly modifies this Agreement. The Parties intend this Agreement to be the entire integration of all of their agreements on this subject of any nature regarding the subject matter of this Agreement. No other agreements, representations, promises, commitments or the like, of any nature, exist between the Parties.

3.3. **No Right to Use Pepper Lunch Marks or Pepper Lunch System.** This Agreement is not a license of any sort, and does not grant Recipient any right to use or to license the use of, the Pepper Lunch System, the Pepper Lunch Marks or the Confidential Information, which right is expressly reserved by Franchisor.

3.4. **Waiver and Validity.** Failure by Franchisor to enforce any rights under this Agreement shall not be construed as a waiver of such rights. Any waiver, including a waiver of default in any one instance, shall not constitute a continuing waiver or a waiver in any other instance. Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portions and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in full force and effect.

3.5. **Headings and Gender.** The headings in this Agreement are for purposes of convenience only and shall not be used in construing the provisions of this Agreement. As used in this Agreement, the male gender shall include the female and neuter genders, the singular shall include the plural and the plural, the singular.

3.6. **Attorneys' Fees.** If Franchisor becomes a party to any legal proceedings concerning this Agreement by reason of any act or omission of Recipient, Recipient shall be liable to Franchisor for the reasonable attorneys' fees and court costs incurred by Franchisor in the legal proceedings. If any Party to this Agreement commences any legal proceeding against another Party arising out of or in connection with this Agreement, the prevailing Party shall be entitled to recover from the other Party its reasonable attorneys' fees and costs of suit.

3.7. **Cumulative Remedies.** Any specific right or remedy set forth in this Agreement, legal, equitable, or otherwise, shall not be exclusive, but shall be cumulative with all other rights or remedies set forth herein or allowed or allowable by law.

3.8. **Notices.** Except as otherwise expressly provided herein, all written notices and reports permitted or required to be delivered by the Parties under this Agreement shall be deemed delivered at the time delivered by hand, one (1) business day after transmission by fax or email (with a confirmation copy sent by regular United States mail), or three (3) days after placement in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed as follows:

Any notice or demand to Franchisee shall be given to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

With a copy to:  
Hot Palette America Incorporated  
2625 Townsgate Road, Suite 340  
Westlake Village, California 91361  
Attention: \_\_\_\_\_

Any notice or demand to Recipient shall be given to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Any Party may change its address for the purpose of receiving notices, demands and other communications by a written notice given in the manner set forth above to the other Party.

3.9. **Counterparts and Electronic Transmission; Electronic Signatures.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of this Agreement with signatures that have been transmitted by email or by facsimile shall constitute and be deemed original copies of this Agreement for all purposes, provided that the copies are fully executed, dated and identical in form to the original hard copy version of this Agreement. In addition, this Agreement may be signed electronically by the Parties and electronic signatures appearing on this Agreement shall be deemed to be the same as handwritten signatures for the purposes of the validity, enforceability and admissibility of this Agreement.

***[Signatures on following page]***

**IN WITNESS WHEREOF**, the Parties have executed this Agreement on the Effective Date.

**FRANCHISEE:**

\_\_\_\_\_  
A \_\_\_\_\_

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**RECIPIENT:**

\_\_\_\_\_

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

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

**HOT PALETTE AMERICA INCORPORATED**

**EXHIBIT I  
LIST OF FRANCHISEES**

**LIST OF FRANCHISED LOCATIONS, FORMER FRANCHISEES,  
FRANCHISE AGREEMENTS SIGNED BUT UNIT NOT OPENED  
AS OF DECEMBER 31, 2025\***

**LIST OF FRANCHISED LOCATIONS**

| Entity / Franchisee        | Address                               | City      | State | Telephone Number |
|----------------------------|---------------------------------------|-----------|-------|------------------|
| *BID PR Investments, LLC   | 947 S Mill Avenue                     | Tempe     | AZ    | 480-246-9891     |
| Pepper Alhambra LLC        | 6 W. Main Street                      | Alhambra  | CA    | 626-588-1788     |
| Pepper Artesia LLC         | 11632 South St., #103                 | Artesia   | CA    | 562-653-0008     |
| Pepper Project, LLC        | 2750 Alton Parkway #101               | Irvine    | CA    | 949-387-6290     |
| Paul Tran                  | 509 Spectrum Drive                    | Irvine    | CA    | 714-925-2279     |
| Rann Foods, Inc.           | 1088 W. Marine Corps Drive, Suite 137 | Dededo    | Guam  | 671-969-2333     |
| NIKU LLC                   | 930 Valkenburgh Street                | Honolulu  | HI    | 808-780-8677     |
| Pepper Spring Mountain LLC | 4258 Spring Mountain Road, #107       | Las Vegas | NV    | 702-272-0818     |

**List of Transfers**

None

**Former Franchisees: Outlets that were Terminated, Not Renewed or Ceased Operations for Other Reasons**

| Entity                              | Street                             | City          | State | Phone Number | Reason for Closure      |
|-------------------------------------|------------------------------------|---------------|-------|--------------|-------------------------|
| Majestic Pepper Lunch Florida, LLC* | 4600 Park Boulevard                | Pinellas Park | FL    | 727-683-6314 | Requested by Franchisee |
| Gemba Riverton, LLC                 | 13299 S Teal Ridge Way Suite PD-J1 | Riverton      | UT    | 435-901-1678 | Requested by Franchisee |

\*The Florida location is in the process of closing after the franchisee made a request to terminate the franchise agreement.

**List of Signed Franchise Agreements, Outlets Not Open**

| Entity                   | Location or Development Area                            | Telephone Number | Franchise Agreements Signed | Expected Opening Date |
|--------------------------|---------------------------------------------------------|------------------|-----------------------------|-----------------------|
| *BID PR Investments, LLC | 2945 W Dove Valley Rd Phoenix, AZ                       | 480-246-9891     | 1                           | March 2026            |
| TD Family Ventures, LLC* | 8322 Clairemont Mesa Blvd., Suite 103-104 San Diego, CA | 619-325-7254     | 1                           | July 2026             |

| <b>Entity</b>           | <b>Location or Development Area</b>         | <b>Telephone Number</b> | <b>Franchise Agreements Signed</b> | <b>Expected Opening Date</b> |
|-------------------------|---------------------------------------------|-------------------------|------------------------------------|------------------------------|
| Patrick Mock            | 328 W El Camino Real<br>Sunnyvale, CA       | 408-829-9912            | 1                                  | September 2026               |
| GENKI Food Service Inc. | Hagåtña, Guam, US Territory                 | 671-482-4679            | 1                                  | TBD                          |
| Seventh & Monroe, LLC   | Oregon City, OR                             | 503-969-9905            | 1                                  | December 31, 2025            |
| Fu "Phil" Guo           | 9180 Warren, Parkway Suite #150, Frisco, TX | 973-901-1234            | 1                                  | April 2026                   |

\*Denotes Multi-Unit Developer

IF YOU BUY THIS FRANCHISE, YOUR CONTACT INFORMATION MAY BE DISCLOSED TO OTHER BUYERS WHEN YOU LEAVE THE FRANCHISE SYSTEM.

**HOT PALETTE AMERICA INCORPORATED**

**EXHIBIT J  
EFFECTIVE DATES AND RECEIPTS**

### **State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

| <b>STATES</b> | <b>EFFECTIVE DATE</b> |
|---------------|-----------------------|
| California    | PENDING               |
| Hawaii        | PENDING               |
| Illinois      | PENDING               |
| Indiana       | PENDING               |
| Michigan      | PENDING               |
| Minnesota     | PENDING               |
| New York      | PENDING               |
| Virginia      | PENDING               |
| Washington    | PENDING               |
| Wisconsin     | PENDING               |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

## RECEIPT

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If **Hot Palette America Incorporated ("HPAI")** offers you a franchise, **HPAI** must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that **HPAI** gives you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa requires that **HPAI** gives you this disclosure document at the earlier of the first personal meeting or 14 calendar days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Michigan requires that **HPAI** gives you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If **HPAI** does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit F.

The franchisor is **HPAI**, located at 2625 Townsgate Road, Suite 340, Westlake Village, California 91361. Its telephone number is (424) 247-2014.

The issuance date of this Franchise Disclosure Document is April 23, 2026.

The name, principal business address and telephone number of each franchise seller offering the franchise is (who can be reached at 2625 Townsgate Road, Suite 340, Westlake Village, California 91361, (424) 247-2014:

- ☐ Troy Hooper
- ☐ Mark Bailey
- ☐ \_\_\_\_\_

**HPAI** authorizes the respective state agencies identified on Exhibit G to receive service of process of it in the particular state.

I have received a Franchise Disclosure Document dated April 23, 2026 that included the following exhibits:

- |                                     |                                                                             |
|-------------------------------------|-----------------------------------------------------------------------------|
| A. Franchise Agreement              | G. State Administrators and Agents for Service of Process                   |
| B. Multi-Unit Development Agreement | H. Non-Disclosure and Confidentiality Agreement for Employees of Franchisee |
| C. Table of Contents to the Manual  | I. List of Franchisees                                                      |
| D. General Release                  | J. Effective Dates and Receipts                                             |
| E. State Specific Addenda           |                                                                             |
| F. Financial Statements             |                                                                             |

\_\_\_\_\_  
Date Received

\_\_\_\_\_  
Prospective Franchisee

\_\_\_\_\_  
Name (please print)

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

Please sign this copy of the receipt, date your signature, return the signed receipt to us.

## RECEIPT

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If **Hot Palette America Incorporated ("HPAI")** offers you a franchise, **HPAI** must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that **HPAI** gives you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Iowa requires that **HPAI** gives you this disclosure document at the earlier of the first personal meeting or 14 calendar days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Michigan requires that **HPAI** gives you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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| E. State Specific Addenda           |                                                                             |
| F. Financial Statements             |                                                                             |

\_\_\_\_\_  
Date Received

\_\_\_\_\_  
Prospective Franchisee

\_\_\_\_\_  
Name (please print)

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

Please sign this copy of the receipt, date your signature and retain the signed Receipt for your records.