

## FRANCHISE DISCLOSURE DOCUMENT



**RDR Inc.**  
a Nevada corporation  
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The franchise offered is for a restaurant offering breakfast, lunch and dinner menus, including breakfast items, soups, salads, wraps, burgers, sandwiches, pasta, smoothies and other beverages under the name "Rachel's Kitchen", "Little Rachel's Kitchen" or "Rachel's Kitchen Express". A Rachel's Kitchen restaurant operates using the franchisor's proprietary recipes, formulae, techniques, trade dress, trademarks and logos.

The total investment necessary to begin operation of a Rachel's Kitchen franchise is \$298,450 to \$815,880. This includes between \$46,500 and \$52,000 that must be paid to the franchisor and/or its affiliate.

The total estimated investment under an Area Development Agreement (with a commitment to at least 3 Rachel's Kitchen Restaurants) to develop three Rachel's Kitchen Restaurants is \$350,450 to \$868,380. This includes \$96,500 to \$102,000 that must be paid to the franchisor and/or its affiliate.

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

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 Debbie Roxarzade at 9640 West Tropicana Ave. #117, Las Vegas, Nevada 89147 and (702) 629-6100.

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 an accountant.

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

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

**Issuance Date: April 12, 2024**

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchises. You can find their names and contact information in Item 20 or Exhibits D and E.
<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 Rachel's Kitchen Restaurant 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 Rachel's Kitchen Restaurant franchisee?</b>	Item 20 or Exhibits D and E 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 A.

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 the franchisor by mediation, arbitration and/or litigation only in Nevada. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Nevada than in your own state.
2. **Spousal Personal Guaranty.** Franchisees must also sign a personal guaranty, making your spouse individually liable for your financial obligations under the agreement if you are married. The guaranty will place your and your spouse's marital and personal assets at risk if your franchise fails.

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.

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- A- List of State Administrators/Agents for Service of Process
- B- Franchise Agreement
- C- State Specific Addendum
- D- List of Franchisees
- E- List of Franchisees Who Have Left the System
- F- Financial Statements

G- Table of Contents of Operations Manual  
H- Form of General Release  
I- Area Development Agreement

State Effective Dates  
Receipt

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

**The Franchisor**

RDR Inc. (“Franchisor”, “we” or “us”) is the franchisor. We are a Nevada corporation with our principal place of business at 9640 West Tropicana Ave. #117, Las Vegas, Nevada 89147. We were formed on March 10, 2008. Our agents for service of process are listed in Exhibit A to this Disclosure Document. We conduct business under the names and marks “Rachel’s Kitchen” or “Little Rachel’s Kitchen” and related slogans. In this Disclosure Document, “you” means the person or legal entity with whom we enter into an agreement. The term “you” also refers to the direct and indirect owners of a corporation, partnership, limited liability company, or limited liability partnership that signs a Franchise Agreement as the “franchisee”.

We do not currently own or operate any restaurants. We have not offered franchises in any other line of business and we do not engage in any other business activity. We began offering franchises in 2008.

**Our Parents, Predecessors and Affiliates**

We have no parent or predecessor. We do not have any affiliates that provide products or services to franchisees or offers franchises in this or any other line of business.

**The Franchise Offered**

We are offering franchises for restaurants that operate under the name “Rachel’s Kitchen” or “Little Rachel’s Kitchen,” which are restaurants that are established and operated using the format and system we developed (the “System”), which includes eat-in dining, carry-out and catering services and which operate at retail locations displaying our interior and exterior trade dress and feature and operate under the Proprietary Marks (as defined below) (each a “Rachel’s Kitchen Restaurant”). Rachel’s Kitchen Restaurants offer breakfast, lunch and dinner menus, including breakfast items, soups, salads, wraps, burgers, sandwiches, pasta, smoothies and other beverages using our proprietary recipes, formulae and techniques (“Proprietary Products”), as well as a variety of non-proprietary food, beverage, and other complementary items that we periodically designate (collectively, “Products”). Our interior trade dress is designed to make Rachel’s Kitchen Restaurants welcoming, comfortable, and easily identifiable for customers. If you intend to offer alcoholic beverages, you must obtain our prior written consent and comply with all applicable local and state laws and regulations. Additionally, offering alcoholic beverages must be permitted by the terms of your lease and/or local laws, and you are required to obtain all necessary licenses and permits for the sale of alcoholic beverages.

Rachel’s Kitchen Restaurants are characterized by our System. Some of the features of our System include distinctive exterior and interior design, décor, color schemes, fixtures, and furnishings; recipes, standards and specifications for products, equipment, materials, and supplies; uniform standards, specifications, and procedures for operations; purchasing and sourcing procedures; procedures for inventory and management control; training and assistance; and marketing. We may periodically change and improve the System.

You must operate your Rachel’s Kitchen Restaurant in accordance with our standards and procedures, as set out in our Confidential Operations Manual (the “Manual”). We will lend you a copy of the Manual for the duration of the Franchise Agreement (or, at our option, we may make these available to you electronically). In addition, we will grant you the right to use our marks, including the mark “Rachel’s Kitchen” and any other trade names and marks that we designate in writing for use with the System (the

“Proprietary Marks”). We reserve the right to modify the Proprietary Marks or substitute new Proprietary Marks at our sole discretion.

Rachel’s Kitchen Restaurants are generally open seven days a week, Monday through Saturday from 7:00 am to 7:00 pm, and Sunday from 7:00 am to 4:00 pm. You may have the option of different hours depending on your location and traffic. We may require locations to be open for specific hours if we feel it is in the best interests of the System. We may also increase or decrease these hours for specific franchisees based on their particular circumstances. Rachel’s Kitchen Restaurants are between 1,500 and 2,100 square feet in size and have seating capacity for between 60 and 70 people. Approximately 20-30 of the customer seating is outside.

### **Franchise Agreement**

We offer to enter into franchise agreements (“Franchise Agreements”) (included as Exhibit B to this Disclosure Document) with qualified legal entities and persons that wish to establish and operate Rachel’s Kitchen Restaurants.

Under a Franchise Agreement, we will grant you the right (and you will accept the obligation) to operate a Rachel’s Kitchen at an agreed-upon specified location (the “Approved Location”). (In this Disclosure Document, the terms “Franchised Restaurant” or “Restaurant” mean the Rachel’s Kitchen Restaurant franchised to you under a Franchise Agreement.). If you are not an individual, then you must designate one of your owners, who must be an individual person with at least a 10% ownership interest in the franchisee entity, and who must be reasonably acceptable to us (the “Designated Principal”), to act as the general manager of your Franchised Restaurant.

### **Area Development Agreement**

We also offer qualified applicants the right to open at least three Rachel’s Kitchen Restaurants within a defined geographic area (the “Development Area”). If you are acquiring development rights you will sign our “Area Development Agreement” which is attached to this Disclosure Document as Exhibit I. The total number of Rachel’s Kitchen Restaurants which you will be obligated to develop under the Area Development Agreement and the timetable for developing them will be inserted in the Area Development Agreement before you sign it. For each Rachel’s Kitchen Restaurant developed under the Area Development Agreement, you must sign the franchise agreement we then use and any riders, exhibits, guarantees and other agreements we use in connection with the franchise agreement. If you are not an individual, then you must be a controlled affiliate (“Controlled Affiliate”) which is defined as a legal entity in which you have at least a 75% of the voting equity interests and meets our standards for area developers. The terms and conditions of the franchise agreement in use at the time the franchise agreement is executed may vary substantially from the terms and conditions of the franchise agreement described in this Disclosure Document.

### **Industry Specific Regulations**

You must comply with all local, state, and federal laws that apply to your Franchised Restaurant’s operations, including health, food handling, sanitation, EEOC, OSHA, discrimination, employment, and sexual harassment laws. If applicable to your Franchised Restaurant, the Americans with Disability Act of 1990 requires readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, bathrooms, drinking facilities, etc. You will need to obtain any applicable real estate permits (such as zoning), real estate licenses, and operational licenses, which may include outdoor seating permits. You should consult with your attorney concerning those and other local laws and ordinances that may affect the operation of your Franchised Restaurant.

If you want to, and we approve you to, offer alcoholic beverages, you must have your license to offer alcoholic beverages before you open the Restaurant. The difficulty and cost of obtaining a liquor 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.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture and state and local health departments administer and enforce regulations that govern food preparation and service and restaurant sanitary conditions. State and local agencies inspect restaurants to ensure that they comply with these laws and regulations.

The federal Clean Air Act and various state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particulate matters, including caps on emissions from commercial food preparation. Some state and local governments have also adopted, or are considering proposals, that would regulate indoor air quality, including the limitation of smoking tobacco products in public places such as restaurants.

The Nutrition Labeling and Education Act (NLEA) sets regulations for food labeling, including nutritional label standards, nutrient content claims, and health claims. NLEA applies to virtually all foods in the food supply, including food served and sold in restaurants. While NLEA specifies a number of exemptions for restaurants, there are many instances where a nutritional label is required. The Food and Drug Administration’s *Nutritional Labeling Guide for Restaurants and Other Retail Establishments* provides answers to commonly asked questions regarding the application of NLEA.

Your managers and other employees we designate must be ServSafe (or similar) certified. If you offer alcoholic beverages, these employees must also be certified by TIPS or another alcohol awareness program.

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.

## **Market and Competition**

The market for restaurants is well developed and intensely competitive. You will serve the general public and will compete with a variety of businesses, from locally owned to national and chain businesses. These include large chain restaurants, fast-casual restaurants, diners and other restaurants. We may establish other Rachel’s Kitchen Restaurants in your area (if permitted under the Franchise Agreement) and/or sell or license others to sell Products in your area. Also we may sell Products through the Internet, toll-free telephone numbers, catalogs, or other similar means of distribution to customers at any location, which may be located in your area.

**ITEM 2**  
**BUSINESS EXPERIENCE**

**Founder & CEO – Debbie Roxarzade**

Ms. Debbie Roxarzade has been our Founder & CEO since our inception. Additionally, Ms. Roxarzade has served as the CEO of Rae Rae Inc. in Las Vegas, NV since 2008.

**Chief Development Officer - Kent Asaki**

Mr. Kent Asaki has been our Chief Development Officer since September 2013. Additionally, Mr. Asaki has been President of Asaki Restaurant Enterprises located in Las Vegas, NV since February 2012.

**Chief Financial Officer – David Frankel**

Mr. Frankel has been our Chief Financial Officer since September 2013. Additionally, he has held the title of President with the Accountancy Corporation in Los Angeles, California since March 1981.

**ITEM 3**  
**LITIGATION**

No litigation exists that 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**

**Franchise Agreement**

When you sign the Franchise Agreement you must pay us an initial franchise fee in the amount of \$40,000 (the “Franchise Fee”). The initial franchise fee will be fully earned when paid and non-refundable in consideration of administrative and other expenses we incur in entering into the Franchise Agreement and for our lost or deferred opportunity to enter into the Franchise Agreement with others. The Franchise Fee is uniformly imposed on all franchisees.

**Area Development Agreement**

On execution of the Area Development Agreement, you must pay us a non-refundable development fee (the “Development Fee”). The Development Fee is calculated based on the total number of Restaurants you commit to develop. You must commit to open a minimum of 3 Restaurants, but not more than 10 Restaurants. If you enter into an Area Development Agreement, you will pay the full initial franchise fee of \$40,000 for the first Restaurant, but we will reduce the initial franchise fee for the second Restaurant to \$30,000, and the reduce initial franchise fee of third Restaurant and each additional Restaurant you commit to open to \$20,000. For example, if you commit to develop three Restaurants, the Development Fee is calculated as \$40,000 + \$30,000 + \$20,000 = \$90,000.

## **Initial Purchases**

Before your Franchised Restaurant opens for business, you must purchase the following items from us: salad dressings, soups, pasta sauces, granola and mixes for muffins, bread, bars, custom paper products, uniforms and other miscellaneous items. We estimate the cost of these items to be approximately \$2,500 to \$4,000. This amount is not refundable. At our discretion, we may require you to purchase these items from a designated supplier rather than from us.

## **Grand Opening Advertising**

You must spend between \$4,000 and \$8,000 on a grand opening advertising program to promote the opening of the Franchised Restaurant. If you are located within an established market area, we will require you to spend at least \$4,000 on your Grand Opening Advertising Program. If you are located outside of an established market area, you must spend at least \$8,000 on your Grand Opening Advertising Program. We reserve the right to collect this money from you to conduct the grand opening advertising program on your behalf. If we collect this money from you, it is non-refundable.

There are no other purchases from or payments to us or any affiliate of ours that you must make before your Restaurant opens for business.

## **ITEM 6** **OTHER FEES**

<b>Column 1</b> <b>Type of fee<sup>(1)</sup></b>	<b>Column 2</b> <b>Amount</b>	<b>Column 3</b> <b>Due Date</b>	<b>Column 4</b> <b>Remarks</b>
Royalty Fee <sup>(2)</sup>	6% of Gross Sales	Payable weekly on Wednesday (unless Wednesday is not a business day, then it is due on the next business day)	Amounts due will be withdrawn by EFT from your designated bank account.

<b>Column 1</b> <b>Type of fee<sup>(1)</sup></b>	<b>Column 2</b> <b>Amount</b>	<b>Column 3</b> <b>Due Date</b>	<b>Column 4</b> <b>Remarks</b>
Marketing Fee <sup>(3)</sup>	2% of Gross Sales	Payable together with the Royalty Fee	We (or our designee, which might be a corporate subsidiary or an advertising agency or consulting firm) will maintain and administer the Marketing Fund. The Marketing Fund, and all contributions to and earnings from the Marketing Fund, will be used exclusively to meet the costs of marketing and any other activities that we believe will enhance the System's image and, in our sole discretion, promote general public awareness of and favorable support for the System. All sums you pay to the Marketing Fund will be maintained in an account separate from our other monies. If all of the money in the Marketing Fund is not used in the year in which it is received, these amounts will be used in the next fiscal year.
Local Advertising <sup>(4)</sup>	\$3,000 to \$5,000	Annually	You will spend this money directly with your local advertising vendors. All advertising must be approved by us before use.
Cooperative Advertising <sup>(5)</sup>	As determined by Cooperative members	As determined by Cooperative members	We may form advertising cooperatives, or we may approve of the formation of a cooperative by our franchisees. If a cooperative is formed for your area, you must participate in the cooperative. Any contributions you make to an advertising cooperative will count toward your local advertising requirement

<b>Column 1 Type of fee<sup>(1)</sup></b>	<b>Column 2 Amount</b>	<b>Column 3 Due Date</b>	<b>Column 4 Remarks</b>
Interest	18% or highest rate allowed by applicable law, whichever is less	On demand	Interest may be charged on all overdue amounts.
Audit Fee	Cost of audit, plus understated amount with interest	When billed	Payable only if we find, after an audit, that you have understated any amount you owe to us by 2% or more
Prohibited Product or Service Fine	\$250 per day of use of unauthorized products or services	If incurred	In addition to other remedies available to us
Non-Compliance Fee	\$100 for the first non-compliance for which we give you written notice; \$250 for the second; \$500 for the third and subsequent.	If incurred	Payable upon your failure to comply with our System standards and requirements. This fee is in addition to all other remedies that we have under the Franchise Agreement. This fee will only be charged if you fail to comply with our System standards and requirements and fail to cure such failure within the stated cure period.
Initial Training of additional or replacement and successor manager	Currently \$1,500 per person	Before Training	We do not charge a fee for providing our initial training to up to three people. If you request that we train any additional or replacement managers, you must pay our fee as well as the manager's expenses while attending training, including travel, lodging, meals and wages
Loyalty Card Program <sup>(6)</sup>	\$120 program fee, plus 3¢ for each \$1 spent for a transaction	Monthly	You will pay these fees to us.

Column 1 Type of fee <sup>(1)</sup>	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Additional On-Site Training	<p>If you request additional on-site training, you must pay our then-current per diem charge for each trainer and reimburse our expenses</p> <p>Current per diem is \$400</p>	When billed	We will provide you Opening On-site Training, which will be for 5 days before and 5 days after the opening date. If you request that we provide additional training on-site. The per diem rate is per trainer. You will reimburse us for our representatives expenses include travel, lodging and meals
Transfer Fee (Franchise Agreement)	\$8,500	Submitted with transfer application	No fee charged to an individual or partnership franchisee that transfers its rights, one time only, to a corporate entity controlled by the same interest holders
Renewal Fee (Franchise Agreement)	\$5,000	At time of renewal	You will only need to pay this fee if you renew the Franchise Agreement. There is no renewal under the Area Development Agreement
Relocation Fee	Currently \$3,000 plus our expenses	When we approve the new site for your Restaurant	If you request to relocate your Restaurant. We are not required to approve relocation of your Restaurant if you lose your lease
Public Offering	\$5,000	When billed	This covers our cost to review the proposed offering of your securities
Inspection and Testing	Cost of inspection or testing	When billed	We may require you to pay us or an independent laboratory for the cost of inspection or testing if you want to use a product or supplier for the Restaurant that we have not previously approved
POS Software Fee	\$230 to \$300	Monthly	Payable to approved supplier for the Revel software subscription
Operation Management Software Fee	\$60	Monthly	Payable to approved supplier for The Jolt software subscription

Column 1 Type of fee <sup>(1)</sup>	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Liquidated Damages	See note 7		
Repair, Maintenance, and Remodeling <sup>(8)</sup>	Actual costs	As incurred	Payable to your suppliers. You must perform repairs and maintenance as needed, and you must implement certain technological and equipment upgrades when we notify you to do so. We will not require that you remodel your Restaurant more frequently than every five years
Gift Cards	See note 9		
Product Purchases	Will vary depending on your Gross Sales volume	As incurred	You must purchase your ongoing inventory of certain items from us. The amount of your purchases will depend on the volume of sales at your Restaurant
On-line Ordering	Currently \$150	Monthly	Payable to us. You must provide on-line ordering

Notes to Item 6 Table:

1. All fees described in this Item 6 are non-refundable. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us. Except as specifically stated above, the amounts given may be due to changes in market conditions, our cost of providing services and future policy changes.
2. For the purposes of determining the royalties to be paid under the Franchise Agreement, “Gross Sales” means the total selling price of all services and products and all income of every other kind and nature related to the Restaurant (including income related to catering activities, and any sales or orders of food products or food preparation services provided from or related to the Restaurant), whether for cash or credit and regardless of collection in the case of credit. Gross Sales expressly excludes taxes collected from customers and paid to the appropriate taxing authority and customer refunds.

If any state imposes a sales or other tax on the Royalty Fees, then we have the right to collect this tax from you.

If a state or local law applicable to your Restaurant prohibits or restricts in any way your ability to pay Royalty Fees or other amounts based on Gross Sales derived from the sale of alcoholic beverages at the Restaurant, if you offer alcoholic beverages, then the percentage rate for calculating Royalty Fees shall be increased, and the definition of Gross Sales shall be changed to

exclude sales of alcoholic beverages, in a manner that the Royalty Fees to be paid by you shall be equal to the amounts you would have had to pay if sales from alcoholic beverages were included in Gross Sales. For example, if you generated \$1,000 in Gross Sales, of which \$200 is from the sale of alcoholic beverages, then your weekly Royalty Fee is \$60 ( $6\% \times \$1,000$ ). If you are not permitted by law to pay Royalty Fees on the sale of alcoholic beverages, then we must recalculate your royalty percentage so that you still pay the full Royalty Fee. In our example, we must deduct \$200 from the Gross Sales and raise your royalty percentage to 7.5% so that we may collect the same \$60 Royalty Fee ( $\$1,000 - \$200 = \$800 \times 7.5\% = \$60$ ).

We may authorize certain other items to be excluded from Gross Sales. Any exclusion may be revoked or withdrawn at any time by us. The royalty fee will be withdrawn from your designated bank account by electronic fund transfer (“EFT”) weekly on Wednesday based on Gross Sales from the preceding week ending Sunday, unless we require otherwise. If you do not report your Restaurant’s Gross Sales on time, we may withdraw by EFT an estimated royalty fee and marketing fee (based on information we collect or the prior week’s report). If the amount we withdraw is less than what you actually owe, we will withdraw by EFT the balance of the royalty fee and marketing fee due to us. If the amount we withdraw is more than what you actually owe, we may either credit the excess back to your account or provide you with a credit toward future royalty and marketing fees.

3. We will establish and administer a Marketing Fund on behalf of the System to provide local, regional or national creative materials for the benefit of the System.
4. You will spend between \$3,000 and \$5,000 on local advertising annually (not including any grand opening advertising program you must conduct). After the initial two years of operation, we will determine if the amount of local advertising you must spend, based on your level of Gross Sales and whether your Restaurant is operating at full capacity, should increase or decrease.
5. Cooperatives will be comprised of all Franchised Restaurants and Restaurants owned by us or our affiliates located in designated geographic areas. Each Restaurant has one vote in the cooperative. No Cooperatives have been established as of the date of this Disclosure Document.
6. You must participate in our Customer Loyalty Card programs. Loyalty Cards will be available for use and redemption at any Unit in the System. You will pay us 3¢ for each \$1 spent for a transaction when a Rachel’s Kitchen Loyalty Card is presented. The customer’s Loyalty Card will accrue one point for each \$1 spent at a Rachel’s Kitchen Restaurant. We will reimburse you .025¢ for each point that a customer redeems at your Restaurant.
7. If we terminate the Franchise Agreement with cause, you must pay us, within 15 days after the termination’s effective date, liquidated damages equal to the average value (per month) of the Royalties that you paid or owed to us during the 12 months of operation preceding the termination’s effective date multiplied by 24 (the number of months during two full years) or the number of months remaining during your franchise term, whichever is lower. These liquidated damages cover only our damages from loss of the Royalty cash flow. They do not cover other damages to which we might be entitled due to your actions or inaction.
8. Under the Franchise Agreement, you must maintain the condition and appearance of your Restaurant and its equipment in the highest degree of cleanliness, orderliness and repair and promptly replace any worn, damaged or non-conforming fixtures, leasehold improvements, equipment or other tangible property with the same or comparable item that we at that time specify for new Restaurants. We may require you to remodel your Restaurant to meet our then-current

image for all Restaurants in the System. We will not make this request more frequently than every five years.

9. You must participate in our Gift Card program, which allows a Gift Card that is purchased at any Restaurant to be redeemed at any other Restaurant.

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

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$40,000	Lump Sum	On signing Franchise Agreement	Us
Leasehold Improvements <sup>(1)</sup>	\$75,000 to \$350,000	As Invoiced	As Arranged	Independent Contractors
Lease, Utility and Security Deposits <sup>(2)</sup>	\$9,000 to \$18,000	As Invoiced	As Arranged	Landlord, Utility Companies
Linens, Uniforms and Smallwares	\$10,000 to \$30,000	As Arranged	As Arranged	Approved Suppliers
Equipment <sup>(3)</sup>	\$55,000 to \$150,000	As Arranged	As Arranged	Approved Suppliers
Furniture, Fixtures and Security System	\$20,000 to \$35,000	As Arranged	As Arranged	Approved Suppliers
Signage <sup>(4)</sup>	\$6,000 to \$18,000	As Arranged	As Arranged	Approved Suppliers
Initial Inventory <sup>(5)</sup>	\$10,000 to \$18,000	As Arranged	As Arranged	Us and Approved Suppliers
Architectural/Engineering <sup>(6)</sup>	\$5,000 to \$25,000	As Arranged	As Arranged	Architect, Engineer
Computer System, POS System, Office Equipment and Supplies <sup>(7, 8)</sup>	\$6,000 to \$8,000	As Arranged	As Arranged	Approved Suppliers
Living and Travel Expenses While Training <sup>(9)</sup>	\$1,450 to \$3,880	As Incurred	As Incurred	Airline, Hotel, Restaurants

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Business licenses and permits <sup>(10)</sup>	\$1,000 to \$10,000	As Incurred	As Arranged	Government Agencies
Insurance – 3 Months <sup>(11)</sup>	\$3,000 to \$4,000	As Invoiced	As Arranged	Insurance Companies
Grand Opening Advertising <sup>(12)</sup>	\$4,000 to \$8,000	As Arranged	As Arranged	Us or Suppliers
Professional Fees <sup>(13)</sup>	\$3,000 to \$8,000	As Arranged	As Arranged	Attorney, Accountant
Additional Funds <sup>(14)</sup>	\$50,000 to \$90,000	As Incurred	As Arranged	Various Vendors
<b>TOTAL</b>	<b>\$298,450 to \$815,880</b>			

In general, none of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable. We do not finance any portion of your initial investment.

(1) *Leasehold Improvements.* The cost of leasehold improvements will vary depending on numerous factors, including: (i) the size and configuration of the premises; (ii) pre-construction costs (such as demolition of existing walls and removal of existing improvements and fixtures); and (iii) cost or materials and labor which may vary based on geography and location. These amounts are based on the cost of adapting our prototypical architectural and design plans to remodel and finish-out of the Restaurant and the cost of leasehold improvements. These amounts may vary substantially based on local conditions, including the availability and prices of labor and materials. These costs may also vary depending on whether certain of these costs will be incurred by the landlord. If you choose to purchase real estate and build your Restaurant from the ground up, your expenses will likely be much higher and we cannot predict what those expenses may be.

(2) *Lease Payments; Security Deposits.* The figures are for the initial phase of the business for rent and assume that the premises of the Restaurant will be in a strip shopping center or urban location and the Restaurant will be approximately 1,500 to 2,100 square feet in size. Landlords may vary the base rental rate and charge rent based on a percentage of gross sales. The actual amount you pay under the lease will vary depending on the size of the Restaurant, the types of changes that are allocated to tenants under the lease, your ability to negotiate with landlords and the prevailing rental rates in the geographic region. Depending on vacancy rates, prevailing economic conditions and competition, landlords may offer free rent, tenant improvement allowances and other incentives that we do not reflect in these charts. You may have to provide security deposits to your landlord and your utility companies, including electric, telephone and gas.

(3) *Equipment.* You must purchase equipment meeting our specifications to be used in the Restaurant, including refrigerators, freezers, fryer, convection oven, griddle, 10-burner range, charbroiler, bakery/deli case, meat slicer, ice machines, and small wares. We do not include an estimate for a vehicle you may use to provide catering services.

(4) *Signage.* These amounts represent your cost for menu boards, menu panels, interior signage and exterior signage. Your landlord or your local ordinances may have different restrictions it places on interior and exterior signage which may affect your costs.

(5) *Initial Inventory.* These amounts represent your initial inventory of food supplies, beverages, uniforms and paper goods for use in the initial phase of operating the Franchised Business. Unless we designate an approved vendor, you must purchase our initial inventory of your initial inventory of salad dressings, soups, pasta sauces, granola and mixes for muffins, bread, bars, custom paper products, uniforms and other miscellaneous items from us and we estimate will cost between \$2,500 to \$4,000.

(6) *Architect; Engineer.* These fees are estimates of your costs in obtaining any architectural and design services necessary for the construction of the Restaurant. You must adapt our prototypical plans and specifications for the construction of the Restaurant.

(7) *Computer System, POS System.* We will provide you with the configuration for the computer system and point of sale system you will need to purchase for your Restaurant. This estimate includes 3 months of Revel and The Jolt payments.

(8) *Office Equipment and Supplies.* This estimate includes a phone, fax machine, and miscellaneous office supplies.

(9) *Living and Travel Expenses While Training.* We provide initial training to you and two managers (for a total of three people) at no additional charge. These estimates include only your out-of-pocket costs associated with the training (including travel, lodging, and meals, as well as wages for your managers). These amounts do not include any fees or expenses for training any other personnel. These costs will vary depending on your selection of lodging and dining facilities and mode and distance of transportation.

(10) *Business Licenses and Permits.* These are estimates of the costs for obtaining local business licenses which typically remain in effect for one year. These figures do not include occupancy and construction permits which were included in the leasehold improvement costs. The cost of these permits and licenses will vary substantially depending on the location of the Franchised Business. Since the availability and expenses of acquiring a liquor license vary substantially from jurisdiction to jurisdiction, you should consult the appropriate governmental authority concerning the availability of this license and the associated expenses for your Restaurant before you sign a Franchise Agreement. The cost of a liquor license can range from under \$10,000 to over \$600,000, depending on the location and jurisdiction, but can be even higher in some states. We strongly recommend that you verify the cost and availability of a liquor license in your jurisdiction before signing the Franchise Agreement. We expect that your Restaurant will have outside seating, which may require an additional permit.

(11) *Insurance.* These figures are estimates of the cost of the quarterly or semi-annual premiums for the insurance you must obtain and maintain for the Franchised. We currently require you to obtain and maintain the following coverages: (1) comprehensive general liability with limits of not less than \$1,000,000 per occurrence and \$2,000,000 aggregate; (2) liquor liability insurance, also known as Dram Shop liability, with limits of not less than \$2,000,000 aggregate, if we permit you to offer alcoholic beverages; (3) automobile liability insurance, including owned, non-owned and hired vehicle coverage, with limits of not less than \$500,000 per occurrence; (4) "all risk" property insurance coverage with not less than replacement cost coverage; (5) business interruption insurance in an amount of not less than \$1,000,000 per occurrence; (6) umbrella liability insurance with policy limits of not less than \$2,000,000; (7) workers' compensation insurance in amounts provided by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation to injured

workers, subject to the conditions set forth in the Franchise Agreement; and (8) other insurance required by the state or locality in which the Restaurant is located and operated or as may be required by the lease for the Restaurant. You will also need to maintain a builder's risk policy for the duration of the initial construction of your Restaurant, as well as for any subsequent renovation.

(12) *Grand Opening Advertising.* You must conduct a grand opening advertising program. We reserve the right to approve all advertisements used in your grand opening advertising program, and your campaign will occur during the 60 day period comprising 30 days before and 30 days after the Franchised Restaurant opens. We reserve the right to require you to give the money for your grand opening advertising program to us and we will conduct the campaign on your behalf.

(13) *Professional Fees.* We strongly recommend that you engage legal and financial advisors, like a lawyer and accountant, to assist you in your review of this offering. If you choose to form an entity to purchase the franchise, your professional fees may be higher.

(14) *Additional Funds.* We have relied on our Affiliate's experience in operating a Restaurant since 2006 when compiling these estimates. These amounts are our estimate of the amount needed to cover your expenses for the start-up phase of your business including: professional fees in connection with obtaining and establishing the franchise business; three months' lease payments; three months' payroll for one manager, four counterpersons, three cooks and one dishwasher; utilities and telephone service for three months; and other costs. We estimated the start-up phase to be three months from the date the Restaurant opens for business. Your actual costs may vary greatly and will depend on factors such as the size and condition of the space and cost to convert to a Restaurant, liquor licenses; local economic conditions; the local market for products; the prevailing wage rate; competition; and the sales level reached during the start-up phase. These amounts do not include any estimates for debt service.

Except as specifically stated above, the amounts given may be subject to increases based on changes in market conditions, our cost of providing services and future policy changes. At the present time, we have no plans to increase payments over which we have control.

\* \* \* \* \*

#### **YOUR ESTIMATED INITIAL INVESTMENT – AREA DEVELOPER FOR THREE RACHEL'S KITCHEN RESTAURANTS**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee (for three Restaurants)	\$90,000	Lump Sum	On signing Area Development Agreement	Us
Vehicle – 3 Months <sup>(1)</sup>	\$2,000 to \$2,500	As Incurred	As Arranged	Third Parties
Other Expenditures for the <u>first</u> Restaurant <sup>(2)</sup>	\$258,450 to \$775,880	As Disclosed in First Table	As Disclosed in First Table	As Disclosed in First Table
<b>TOTAL</b>	<b>\$350,450 to \$868,380</b>			

(1) *Vehicle – 3 Months.* We expect that you will need a vehicle to view potential sites, oversee the build-outs, supervise multiple locations, etc. Our estimate includes expenses related to loan or lease payments, gas and maintenance for three months.

(2) *Other Expenditures for first Restaurant.* An area developer is expected to incur these same costs for each Rachel's Kitchen Restaurant it develops, subject to inflation and other increases over time. If you are an area developer, your professional fees (such as legal and financial) will probably be higher.

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

To ensure that the highest degree of quality and service is maintained, you must operate the Franchised Restaurant in strict conformity with the methods, standards, and specifications as we may periodically prescribe in the Manual or otherwise in writing.

### **Products and Other Purchases**

#### **General**

All Products sold or offered for sale at the Franchised Restaurant must meet our then-current standards and specifications and be approved by us. You must purchase, install, and use all fixtures, furnishings, equipment, décor, supplies, computers and communications hardware and software, signs and materials as we may reasonably require in the Manual or other written materials (collectively, "Restaurant Items"). You must purchase the designated computer software and POS system that we require, and you may purchase these items from a designated supplier. You must purchase all additional Products and other Restaurant Items solely from manufacturers, distributors, and suppliers who demonstrate to our continuing reasonable satisfaction the ability to meet our standards and specifications, who possess adequate quality controls and capacity to supply your needs promptly and reliably, and who have been approved by us in the Manual or otherwise in writing. You may not purchase, offer or sell any Products, or use at your Franchised Restaurant any Products or Restaurant Items that we have not previously approved as meeting our standards and specifications. We may disapprove of Products and suppliers based on our desire to consolidate System purchases through fewer suppliers. We may designate a single supplier, which may be us or one of our affiliates, for any products, equipment, supplies, or services, in which event you must purchase these items exclusively from the designated supplier.

We are currently the approved supplier for certain items you must purchase, including salad dressings, soups, pasta sauces, granola and mixes for muffins, bread, bars, custom paper products, uniforms and other miscellaneous items. We reserve the right to earn a profit on the sale of these items to you. Additionally, we may receive payments or other compensation from suppliers on account of the suppliers' dealings with us, you, or other Rachel's Kitchen Restaurants in the System. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase Products, equipment, supplies, services and other items at a price that will benefit us and our franchisees. During the fiscal year ended December 31, 2023, we had total revenues of \$1,271,579, of which \$415,518 (or 33%) was from sales or leases of these items to our franchisees.

We also reserve the right to have you purchase these items from a designated supplier, rather than from us. We may derive revenue from the Gift Card and Loyalty Card programs.

Debbie Roxarzade, Kent Asaki and David Frankel have an ownership interest in us. There are no other approved suppliers in which any of our officers owns an interest.

If you desire to purchase unapproved products, or Products (except for Proprietary Products, which are discussed below) or Restaurant Items from other than approved suppliers, you must submit to us a written request to approve the proposed product or supplier, together with evidence of conformity with our specifications as we reasonably require. We will have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered for evaluation and testing either to us or to an independent testing facility designated by us. You must pay a charge, not to exceed the reasonable cost of the evaluation and testing. We will attempt to complete our review within six months. If we do not give our written approval within this six month period, the proposed new supplier will be deemed to have been disapproved by us. We may occasionally revoke our approval of particular Products, Restaurant Items or suppliers if we determine, in our sole discretion, that the Products or suppliers no longer meet our standards. Upon receipt of written notice of revocation, you must cease to sell any disapproved product and/or cease to purchase from any disapproved supplier.

Our specifications either: (1) are contained in the Manual; or (2) will be provided to you upon request. We, however, have no obligation to make available to you or to prospective suppliers the standards and specifications that we deem confidential. When approving suppliers, we consider whether they demonstrate the ability to meet our standards and specification and whether they possess adequate quality controls and capacity to supply your needs promptly and reliably. However, our approval may be withheld for any reason.

We estimate that your purchases from approved suppliers and/or in accordance with our specifications will represent approximately 35% of your total purchases in establishing the Franchised Restaurant, and approximately 75% in the continuing operation of the Franchised Restaurant.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some Products, equipment, or services to some or all of the Rachel's Kitchen Restaurants in our System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all Products, equipment and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would not be in the best interests of the System or the franchised network of Rachel's Kitchen Restaurants. There are currently no purchasing or distribution cooperatives in our System.

You must follow our delivery and catering policies and procedures as outlined in our Manual, which may require you to provide catering and delivery services and/or utilize third-party delivery services that we have approved or partnered with. You may be required to use the third-party delivery service(s) with which we have a national contract, and you may not contract with any other delivery platform without our written approval.

The Proprietary Products that are or may be offered and sold in Rachel's Kitchen Restaurants are manufactured in accordance with our proprietary recipes, formulae and specifications. To maintain the high standards of quality, taste, and uniformity associated with Proprietary Products sold at all Rachel's Kitchen Restaurants in the System, you must purchase Proprietary Products only from us or from the suppliers and distributors that we designate in our sole discretion, and you may not offer or sell any Proprietary Products that have not been purchased from us or our designated supplier at or from the Franchised Restaurant. We will have the right to periodically introduce additional Proprietary Products, or to withdraw Proprietary Products.

Except as described in this Item 8, we do not provide any material benefits to you based on your use of designated or approved suppliers.

## **Insurance**

You also must obtain, before beginning any operations under the Franchise Agreement, and must maintain in full force and effect at all times during the term of the Franchise Agreement, at your own expense, an insurance policy or policies protecting you, us, our affiliates, and our respective officers, directors, partners, and employees. The policies must provide protection against any demand or claim relating to personal and bodily injury, death, or property damage, or any liability arising from your operation of the Franchised Restaurant. All policies must be written by a responsible carrier or carriers whom we determine to be acceptable, must name us and our affiliates as additional insured's, and must provide at least the types and minimum amounts of coverage specified in the Franchise Agreement or otherwise in the Manual. Additionally, we may designate one or more insurance companies as the insurance carrier(s) for Rachel's Kitchen Restaurants. If we do so, we may require that you obtain your insurance through the designated carrier(s).

We currently require you to obtain and maintain the following coverages: (1) comprehensive general liability with limits of not less than \$1,000,000 per occurrence and \$2,000,000 aggregate; (2) liquor liability insurance, also known as Dram Shop liability, with limits of not less than \$2,000,000 aggregate, if we permit you to offer alcoholic beverages; (3) automobile liability insurance, including owned, non-owned and hired vehicle coverage, with limits of not less than \$500,000 per occurrence; (4) "all risk" property insurance coverage with not less than replacement cost coverage; (5) business interruption insurance in an amount of not less than \$1,000,000 per occurrence; (6) umbrella liability insurance with policy limits of not less than \$2,000,000; (7) workers' compensation insurance in amounts provided by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation to injured workers, subject to the conditions set forth in the Franchise Agreement; and (8) other insurance required by the state or locality in which the Restaurant is located and operated or as may be required by the lease for the Restaurant. You will also need to maintain a builder's risk policy for the duration of the initial construction of your Restaurant, as well as for any subsequent renovation.

## **Leases**

If you will occupy the premises of your Franchised Restaurant under a lease, then you must, before signing the lease, submit the lease to us for our review and approval, which will not be unreasonably withheld. Your lease or sublease (or rider to the lease or sublease) must contain the lease terms and conditions that we may reasonably require in writing, a current list of which is included as Exhibit G to the Franchise Agreement.

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

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

<b>Obligation</b>	<b>Section(s) in Franchise Agreement</b>	<b>Article(s) in Area Development Agreement</b>	<b>Item in Disclosure Document</b>
(a) Site selection and acquisition/lease	5.1, 5.2, and Exhibit A	6	11

<b>Obligation</b>	<b>Section(s) in Franchise Agreement</b>	<b>Article(s) in Area Development Agreement</b>	<b>Item in Disclosure Document</b>
(b) Pre-opening purchases/leases	5	Not Applicable	7 and 8
(c) Site development and other pre-opening requirements	5	Not Applicable	8 and 11
(d) Initial and ongoing training	6	Not Applicable	11
(e) Opening	5.4	Not Applicable	11
(f) Fees	4 and 13	Article 5	5 and 6
(g) Compliance with standards and policies/Operating Manual	8, 10, 13.5, and 13.6	11.3 and 11.6	8, 11, and 14
(h) Trademarks and proprietary information	8.8, 8.10, 9, and 10.2	7, 8, 9 and 10	13 and 14
(i) Restrictions on products/services offered	1.3, 8.6 and 8.7	Not Applicable	5, 8 and 16
(j) Warranty and customer service requirements	23	Not Applicable	16
(k) Territorial development and sales quotas	1 and Exhibit A	3	12
(l) On-going product/service purchases	8.6 and 8.7	Not Applicable	8
(m) Maintenance, appearance and remodeling requirements	5.3, 8.6, 8.7, 8.13, 8.14, 8.15 and 8.16	Not Applicable	8
(n) Insurance	14	11.4	7 and 8
(o) Advertising	13	Not Applicable	6, 7, 8, and 11
(p) Indemnification	21.4	9.5 and 15.4	None
(q) Owner's participation/management/staffing	8.3 and 8.4	11	15
(r) Records/reports	12	11.5	6
(s) Inspections/audits	8.9	11.5	6 and 11
(t) Transfer	15	12	17
(u) Renewal	2.2	Not Applicable	17
(v) Post-termination obligations	17 and 18.3	14	17
(w) Non-competition covenants	18	3.5, 8 and 14.4	17
(x) Dispute resolution	27	16	17
(y) Liquidated damages	17.11	Not Applicable	6

**ITEM 10**  
**FINANCING**

We do not offer direct or indirect financing, nor do we guaranty your notes, leases or other obligations, but we may decide to offer indirect financing in the future.

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

**Except as listed below, RDR Inc. is not required to provide you with any assistance.**

**Pre-opening Obligations – Area Development Agreement**

Before you open a Rachel's Kitchen Restaurant under the Area Development Agreement, we will:

1. Grant you the right to develop and operate a specific number of Rachel's Kitchen Restaurants at locations we approve within your Development Area. Provided that you are in full compliance with the terms and conditions contained in the Area Development Agreement, including the obligation to develop and operate a specific number of Restaurants, and that you and all your Controlled Affiliates that operate Restaurants in the Development Area are in full compliance with all of your and their obligations under all Franchise Agreements entered into under the Area Development Agreement, we will grant you franchises to operate the specified number of Rachel's Kitchen Restaurants in the Development Area. (Area Development Agreement - Article 3.)

2. Consent to sites that meet our requirements. By delivery of written notice to you, we will approve or disapprove proposed sites. We will attempt to deliver notification to you within 30 days after receipt by us of the complete site reports, financial statements and the other materials we request containing all information we reasonably require. We will not unreasonably withhold our approval of a site that meets our standards and specifications. If you do not obtain possession of an approved site within 180 days we may withdraw our approval of the site. (Area Development Agreement - Article 6.)

3. Provided you are in full compliance with the Area Development Agreement and all franchise agreements, and you or a Controlled Affiliate obtain lawful possession of the site we approved, we will offer to you or the Controlled Affiliate a franchise to operate a Rachel's Kitchen Restaurant at the approved site by delivering to you the then-current form of franchise agreement in form for signature by you and your Principal Owners or by the Controlled Affiliate and its Principal Owners. If the Franchise Agreement is not fully signed and returned to us along with payment of any fees due us within 15 days, we may terminate our offer to grant a franchise for a Rachel's Kitchen Restaurant at the approved site and withdraw our approval of the site. (Area Development Agreement - Article 6.3.)

4. We will loan to you for your sole use during the term of the Area Development Agreement one copy of an operating manual, which may consist of one or more handbooks or manuals as may be added, replaced or supplemented by us from time to time (collectively the "Operating Manual"). (Area Development Agreement - Article 11.6.)

**Pre-Opening Obligations – Franchise Agreement**

Before you open your Franchised Restaurant, we will provide the following services:

1. We will approve or deny your proposed site for the Franchised Restaurant. (Franchise Agreement, Section 5.1)

2. Before your Franchised Restaurant opens, we will provide you with our standard initial training program for up to three persons. We will bear the cost of instruction and materials, subject to the terms stated in the Franchise Agreement. (Franchise Agreement, Sections 3.2, 6)

3. We will, at no charge to you, provide you or the approved design firm and/or architect with our prototype plans and specifications for the construction of a Rachel's Kitchen Restaurant and for the exterior and interior design and layout, fixtures, equipment, furnishings, and signs. You must hire your own architect or employ a design firm and/or architecture firm designated by us to adapt the plans to your site (with our approval as described below under the heading "Construction and Layout of Restaurant"), and you must hire a contractor to build the Franchised Restaurant in accordance with those approved plans. You must make sure that the plans comply with all local and other requirements, including zoning regulations, building codes, and the Americans with Disabilities Act. (Franchise Agreement, Sections 3.1, 5.1)

4. We have the right to inspect and approve the Franchised Restaurant for opening before the opening. You may not start operation of your Franchised Restaurant until receiving our approval to do so. (Franchise Agreement, Section 5.2)

5. We will provide on-site pre-opening and opening supervision and assistance. (Franchise Agreement, Section 3.3)

6. We will lend you, for the duration of the Franchise Agreement, a copy of the Manual. (Franchise Agreement, Section 3.4)

7. We will assist you in developing a grand opening advertising program; you must pay for the cost of this program. (Franchise Agreement, Sections 3.6, 13.4)

8. We will provide you a list of our then-current designated or approved suppliers. (Franchise Agreement, Section 3.9)

### **Continuing Obligations – Franchise Agreement**

During the operation of your Franchised Restaurant, we will provide the following services:

1. We will conduct, as we deem advisable, periodic inspections of the Franchised Restaurant and may provide evaluations of the Products sold and services rendered at the Franchised Restaurant. (Franchise Agreement, Sections 3.8, 8.7.2) We may require you to purchase and install webcams to permit us to conduct visual inspections of your Restaurant over the internet.

2. We will make available additional training programs, as we deem appropriate. (Franchise Agreement, Sections 6.4, 6.7)

3. We will give you periodic and continuing advisory assistance as to the operation and promotion of the Franchised Restaurant, as we deem advisable. (Franchise Agreement, Section 3.7)

4. We will have the right, in our sole discretion, to establish and administer the Marketing Fund as stated in the Franchise Agreement and as described below. (Franchise Agreement, Section 13.1)

## **Site Selection**

If you do not already possess a location that we find acceptable for a Rachel's Kitchen Restaurant when you sign our Franchise Agreement, we will provide you with procedures for locating, evaluating, and obtaining our approval of a site. You will be given up to 120 days in which to find a suitable site for your Rachel's Kitchen Restaurant within the area that we designate as your designated trade area. Within this 120 day period after signing the Franchise Agreement, you must submit to us a completed site approval package in a form specified by us, which includes an option contract, with a letter of intent or other evidence satisfactory to us that describes your favorable prospects for obtaining the site, photographs of the site, demographic statistics, and any other information or materials that we may reasonably require (collectively, the "Site Approval Package"). We will have 15 days after we receive the Site Approval Package from you to approve or disapprove, in our sole discretion, the location for the Franchised Restaurant. You must, on terms that we deem acceptable, secure a lease or a binding agreement for the purchase of the authorized site. (The lease or purchase agreement must be submitted to us for our approval before you acquire the authorized site.) Under any of the above circumstances, you must be opened and operating the earlier of four months after we approve the location for your Restaurant or six months after you sign the Franchise Agreement.

If you and we cannot agree on a mutually acceptable site within 120 days after you sign the Franchise Agreement, we have the right to terminate the Franchise Agreement with no refund due to you of any amounts paid.

Under the Franchise Agreement, we will be deemed to have disapproved a proposed location unless we have expressly approved it in writing. In approving a location for the Franchised Restaurant, we consider the location, neighborhood, traffic patterns, visibility, parking facilities, size, lease, and zoning.

## **Computer System**

You will need to acquire (either by purchase or lease) the point of sale ("POS") and hardware and software for your computer system (the "Computer System") for the management and operation of the Franchised Restaurant and for reporting and sharing information with us (Franchise Agreement, Section 7.1.) Our requirements may fluctuate as does the price and availability of new computer technology. We estimate that the Computer System and POS System will cost is between \$6,000 and \$8,000.

You must purchase the following POS System and software from approved vendors. These programs will provide your Restaurant with the following functions: sales tracking, sales reports, loyalty, labor reports, integrated time clock, task management, training, and credit card processing. We require you to have the Revel POS system with between 2 or 3 terminals. We estimate that it will cost between \$4,000 and \$6,000 to purchase the hardware and between \$230 and \$300 for the monthly software fee. You must also have subscription to The Jolt for operations management at \$60 a month.

We do not require you to have separate service and maintenance contracts for hardware and software maintenance, support and upgrade services in addition to what is provided with you subscription.

We reserve the right to change our specifications in the future to take advantage of technological advances or to adapt the system to meet operational needs and changes. We may require you to bring any computer hardware and software, related peripheral equipment, communications systems into conformity with our then-current standards for new Rachel's Kitchen Restaurants. We may develop or have developed a proprietary program, and we or our approved vendor may require you to sign a license or maintenance agreement to obtain and use the proprietary program. Other than providing you with information regarding

our specifications and requirements for the Computer System, we are not required to assist you in obtaining hardware, software or related services. We will endeavor to keep these changes infrequent and reasonable in cost, but the Franchise Agreement does not impose a limit as to the number or cost of changes to the Computer System.

You must provide us with access to your Computer System in the form and manner that we may request. You must have a high speed internet connection at all times for your Computer System. We reserve the right to download sales, other data and communications from your Computer System, to require you to upload them to us, or to have the data available through a web-based program. We will have unrestricted independent access to the data including sales information on your Computer System at all times. There is no contractual limitation on our right to receive this information. We will exclusively own all data provided by you, downloaded from your Computer System, and otherwise collected from your Computer System. We will have the right to use the data in any manner that we deem appropriate without compensation to you.

### **Local Advertising**

You will spend between \$3,000 and \$5,000 annually on the local advertising and promotion of the Franchised Restaurant. After the initial two years of operation, we will determine if the amount of local advertising you must spend, based on your level of Gross Sales and whether your Restaurant is operating at full capacity, if the amount to be spent on local advertising should be increased or decreased. (Franchise Agreement, Section 13.3) Certain criteria will apply to any local advertising and promotion that you conduct. All of your local advertising and promotion must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. refers to only the costs of purchasing and producing advertising materials (such as camera-ready advertising), media (space or time), promotion, and your direct out-of-pocket expenses related to costs of advertising and sales promotion in your local market or area. Local advertising and promotion also includes associated advertising agency fees and expenses, postage, shipping, telephone, and photocopying costs. “Advertising and sales promotion” does not, however, include any of the following: salaries and expenses of your employees, charitable, political, or other contributions or donations; and the value of discounts given to customers.

You, or any Cooperative Fund, may not use any advertising that we have not approved in writing. You must submit to us samples of all proposed plans and materials. You must obtain our approval of the prices you intend to charge. If we do not give our written disapproval within 15 days, we will have been deemed to have approved the plans or materials.

All copyrights in and to advertising materials you develop (or that are developed for you) will become our sole property. You must sign the documents (and, if necessary, require your independent contractors to sign the documents) that we deem necessary to implement this provision. (The requirements in this paragraph, as well as in the previous paragraph, will also apply to any Cooperative Funds.)

### **Marketing Fund**

We have established a Marketing Fund for advertising and promoting Rachel’s Kitchen Restaurants and the System. You currently must contribute 2% of your Gross Sales to the Marketing Fund in the manner we prescribe and participate in the Marketing Fund programs (“Marketing Fund Contribution”). While all franchisees generally must contribute to the Marketing Fund, our earliest franchisees may have different requirements. We will typically disseminate advertising in one or more of print, radio, television or other electronic media. Restaurants owned by us or our affiliates will contribute to the Marketing Fund on the

same basis as you. In the calendar year ending December 31, 2023, we collected \$78,772 of which 100% of the expenditures went toward media placement.

We (or our designee, which might be a corporate subsidiary or an advertising agency or consulting firm) will maintain and administer the Marketing Fund, as follows:

- (a) We (or our designee) will direct all advertising programs, with the sole right to decide the concepts, materials, and media used in these programs and the placement and allocation of the programs. The Marketing Fund is intended to maximize general public recognition, acceptance, and use of the System. Neither we nor our designee will be obligated to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or *pro rata* from expenditures by the Marketing Fund.
- (b) The Marketing Fund, and all contributions to and earnings from the Marketing Fund, will be used exclusively to meet the costs of marketing and any other activities that we believe will enhance the System's image and, in our sole discretion, promote general public awareness of and favorable support for the System. This includes the costs of preparing and conducting media advertising campaigns; direct mail advertising; marketing surveys and other public relations activities; developing and maintaining our Website; employing advertising or public relations agencies, conducting and administering visual merchandising, point of sale, and other merchandising programs; and providing marketing materials and services to the Rachel's Kitchen Restaurants operated under the System. Monies in the Marketing Fund will not be used to solicit the sale of franchises, except for any maintenance to the franchise sales area of our Website.
- (c) All sums you pay to the Marketing Fund will be maintained in an account separate from our other monies. The Marketing Fund is not and will not be our asset, and we or our designee will maintain separate bookkeeping accounts for the Marketing Fund. We will have the right to charge the Marketing Fund for the reasonable administrative costs and overhead that we incur in activities reasonably related to the direction and implementation of the Marketing Fund and advertising programs for you and the System (for example, salaries, costs of our personnel for creating and implementing, associated overhead, advertising, merchandising, marketing programs). The Marketing Fund and its earnings will not otherwise inure to our benefit.
- (d) We may occasionally make available to franchisees marketing plans, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, and similar marketing materials produced from contributions to the Marketing Fund. Additionally, we may sell these items to franchisees in the System at a reasonable price, and any proceeds from any those sales will be contributed to the Marketing Fund.
- (e) If all of the money in the Marketing Fund is not used in the year in which it is received, these amounts will be used in the next fiscal year. Although the Marketing Fund is intended to be of perpetual duration, we maintain the right to terminate the Marketing Fund. The Marketing Fund will not be terminated, however, until all monies in the Marketing Fund have been spent for advertising purposes. (Franchise Agreement, Section 13.1)

## **Cooperative Fund**

We will have the right to establish a Cooperative Fund for your region or we may approve of a Cooperative Fund that has been established by our franchisees. The purpose of a Cooperative Fund is to conduct advertising campaigns for the Rachel's Kitchen Restaurants located in that region. Any amounts paid to a Cooperative Fund will count toward your local advertising requirement. As of the date of this Disclosure Document, there are no Cooperative Funds in existence.

If a Cooperative Fund for your area was established before you began to operate your Franchised Restaurant, then when you open your Franchised Restaurant, you must immediately join that Cooperative Fund. If a Cooperative Fund for your area is established after you begin to operate your Franchised Restaurant, then you will have 30 days to join the new Cooperative Fund. An individual Rachel's Kitchen Restaurant will not need to be a member of more than one Cooperative Fund. If we (or an affiliate) contribute to a Cooperative Fund, we will have the same voting rights for our Rachel's Kitchen Restaurants as do our franchisees with respect to their Rachel's Kitchen Restaurants.

The following provisions will apply to each Cooperative Fund (if and when organized):

- (a) Cooperative Funds will be established, organized, and governed in the form and manner that we have approved in advance in writing.
- (b) Cooperative Funds will be organized according to written governing documents for the exclusive purpose of administering regional advertising programs and developing (subject to our approval) standardized promotional materials for use by the members for local advertising.
- (c) Cooperative Funds may not use advertising, or materials without our prior written approval, as described below under the heading "Local Advertising."
- (d) You must submit your required contribution to the Cooperative Fund according to the schedule designated by the Cooperative Fund members, together with any reports that the Cooperative Fund requires. You may submit this payment by EFT or by check. We also may require that your payments and reports to the Cooperative Fund be made to us for distribution to the Cooperative Fund.
- (e) We maintain the right to terminate any Cooperative Fund. A Cooperative Fund will not be terminated, however, until all monies in that Cooperative Fund have been expended for advertising; unless there are no remaining Rachel's Kitchen Restaurants in the Cooperative Fund, in which event, we will transfer the remaining monies to the Marketing Fund. (Franchise Agreement, Section 13.2)

## **Grand Opening Advertising Program**

You must prepare and conduct a grand opening advertising program (the "Grand Opening Advertising Program") to create initial brand awareness and recognition. If you are located within an established market area, we will require you to spend at least \$4,000 on your Grand Opening Advertising Program. If you are located outside of an established market area, you must spend at least \$8,000 on your Grand Opening Advertising Program. In addition, we may require you to give the Grand Opening Advertising Program money to us, and we will conduct the Grand Opening Advertising Program on your

behalf. The Grand Opening Advertising Program will occur during the 60 day period comprising 30 days before and 30 days after the Franchised Restaurant opens.

All materials used in the Grand Opening Advertising Program will be subject to our prior written approval, as described above. The Grand Opening Advertising Program is subject to the restrictions described below. We will work with you to develop your Grand Opening Advertising Program for your market. We, our affiliates or approved suppliers may periodically make available to you, for purchase, certain advertising plans materials for your use in local advertising and promotion. (Franchise Agreement, Section 13.4)

### **Customer Gift and Loyalty Card Programs**

You must participate in our Gift and Loyalty Card programs. Loyalty cards will be available for sale and redemption at any Restaurant in the System. You may only sell or otherwise issue loyalty cards that have been prepared utilizing the standard form loyalty card ("Loyalty Cards") and as specified in the Confidential Operations Manual or otherwise in writing. You will honor all Loyalty Cards that are in the form provided or approved by us regardless of whether a Loyalty Card was issued by you or another Rachel's Kitchen Restaurant.

You will sell, issue, and redeem Loyalty Cards (without any offset against any Royalty Fees) in strict accordance with procedures and policies specified by us in the Confidential Operations Manual or as otherwise provided in writing by us. You will pay us an ongoing monthly fee of \$120 for each Restaurant to manage and maintain the Customer Loyalty Program ("Program Fee"). Your inventory of Loyalty Cards must be purchased directly from the designated vendor. Our current Loyalty Card vendor is Synergy, though we may change the vendor in the future by providing you with written notice. You will pay us \$0.03 per sales dollar on a customer sale in which a Loyalty Card is presented. The customer's Loyalty Card will accrue 1 point for each \$1 spent at a Rachel's Kitchen Restaurant. We will reimburse the franchisee \$0.025 for each point a customer redeems at your Restaurant. We will perform a monthly reconciliation to calculate the points accrued and redeemed at each Restaurant, and the net difference will be charged/credited to your electronic account.

### **Advisory Council**

We may form or require the formation of a franchisee advisory council or association ("Advisory Council") or a successor council to serve as an advisory council to us with respect to advertising, marketing, and other matters relating to franchised Rachel's Kitchen Restaurants. If an Advisory Council is formed, we may require you to become a member of the Advisory Council. In this event, you shall otherwise abide by the rules and regulations of the Advisory Council and shall at all times maintain your membership in the Advisory Council in good standing. The Advisory Council will act in an advisory capacity only and will not have decision making authority. We reserve the right to change, merge or dissolve the Advisory Council in our discretion.

### **Website/Intranet/Social Media**

Websites (as defined below) are considered as "advertising" under the Franchise Agreement, and are subject (among other things) to our review and prior written approval before they may be used (as described above). As used in the Franchise Agreement, the term "Website" means an interactive electronic document contained in a network of computers linked by communications software that you operate or authorize others to operate and that refers to the Franchised Restaurant, Proprietary Marks, us, or the System. The term Website includes Internet and World Wide Web home pages. In connection with any Website, the Franchise Agreement provides that you may not establish a Website, nor may you offer,

promote, or sell any products or services, or make any use of the Proprietary Mark, through the Internet without our prior written approval. As a condition to granting any consent, we will have the right to establish any requirement that we deem appropriate, including a requirement that your only presence on the Internet will be through one or more web pages that we establish on our Website.

We will also have the right to establish a website or other electronic system providing private and secure communications (such as an intranet) between us, our franchisees, and other persons and entities that we determine appropriate. If we require, you must establish and maintain access to the intranet in the manner we designate. Additionally, we may periodically prepare agreements and policies concerning the use of the intranet that you must acknowledge and/or sign. (Franchise Agreement, Section 7.5)

Any websites or other modes of electric commerce that we establish or maintain, including but not limited to any apps that we may introduce, may, in addition to advertising and promoting the products, programs or services available at Rachel's Kitchen Restaurants, also be devoted in part to offering Rachel's Kitchen franchises for sale and be used by us to exploit the electronic commerce rights which we alone reserve.

You are not permitted to promote your Franchised Business or use any of the Proprietary Marks in any manner on any social or networking websites, such as but not limited to Facebook, LinkedIn or Twitter, without our prior written consent. We alone may establish, maintain, modify or discontinue all internet activities pertaining to the System, including through the use of a page or profile on a social media website such as Facebook, Instagram, TikTok, Twitter or Snapchat. You must comply with our System standards regarding the use of social media in your Franchised Business's operation, including prohibitions on your and the Franchised Business's employees posting or blogging comments about the Franchised Business or the System, other than on a website established or authorized by us ("social media" includes personal blogs, common social networks like Facebook and Instagram, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). We will provide access to branded social media pages/handles/assets, and you must update these regularly. We reserve the right to conduct collective/national campaigns via local social media on your behalf. In addition, only we may respond to reviews of Rachel's Kitchen Restaurants that are posted on Yelp, TripAdvisor and similar Websites. (Franchise Agreement, Section 7.6)

## **Training**

Before your Franchised Restaurant opens, you (or, if you are other than an individual, your Designated Principal) and two managers or key employees (a maximum of three people) must attend and successfully complete, to our satisfaction, the initial training program that we offer is for approximately 10 days in Las Vegas, Nevada or at another location designated by us. We will bear the cost of all training (instruction and required materials) for the initial training program and all other training, except as described below regarding additional training and assistance that we provide at your Franchised Restaurant. You will bear all other expenses incurred in attending training, such as the costs of transportation, lodging, meals, wages, and worker's compensation insurance. (Franchise Agreement, Section 6.1)

If you (or the Designated Principal) or the managers cease active employment in the Franchised Restaurant, then you must enroll a qualified replacement (who must be reasonably acceptable to us) in our initial training program promptly following cessation of employment of said individual, provided that you may train employees in accordance with our requirements. The replacement Designated Principal and any required managers shall complete the initial training program as soon as is practicable, but in no event later than any time periods we periodically specify in the Manual and otherwise in writing. Replacement managers must be trained according to our standards and you may be permitted to provide this training directly, provided you meet our then-current standards for qualifying as a training facility. We also have

the right to require that any of your owners that have at least a 10% beneficial interest attend those portions of the initial training program that we believe are appropriate for owners not involved in the daily operations of the Restaurant. We have the right to review any personnel you trained and to require that these persons attend and complete, to our satisfaction, our initial training program. If you send additional or replacement personnel to our initial training program, it will be at your cost, including our training fee plus the trainees' expenses, including travel, lodging, meals, wages and workers' compensation.

As part of the opening of your Franchised Restaurant, we will conduct pre-opening training and opening assistance at your Franchised Restaurant for a period of up to five days before your Restaurant's opening and up to five days after the opening. We will bear the costs associated with providing this training and opening assistance. Before our representative arrives at your Franchised Restaurant, you must have completed the training of your initial staff of employees. During this training, our representative will also assist you in establishing and standardizing procedures and techniques essential to the operation of a Rachel's Kitchen Restaurant and will assist in training personnel. We will not be responsible for training or offering guidance with respect to compliance with any laws, ordinance or other legal matters. We will determine, in our best judgment, the total amount of time our representative(s) will spend at your Franchised Restaurant providing this assistance.

If you request additional days of on-site training in connection with your opening, or at a later time, we may charge you our then-current per diem training fee for the additional training provided; and you will also have to reimburse us for all out-of-pocket costs and expenses associated with the additional training, including lodging, food and travel arrangements of the trainers. (Franchise Agreement, Section 6.7)

The subjects covered in the initial training program are described below. We currently anticipate that our initial training program will last for two to three weeks. We offer the training program on an as-needed basis. The total amount of time spent at training will depend on the trainees' needs. The materials for the training will be provided through our Manual, handouts and use of other presentation tools. We have the right to change the duration and content of our initial training program.

## TRAINING PROGRAM

Subject	Hours of Classroom Instruction	Hours of On-the-Job Training	Location
Menu Review and Suppliers List	4-8	0	Las Vegas, Nevada
Staffing Needs, Scheduling, Hiring	4-8	0	Las Vegas, Nevada
Accounting, Payroll, QuickBooks, Inventory, Daily Close Outs	4-8	0	Las Vegas, Nevada
Food Prep	8-24	8-24	Las Vegas, Nevada
POS System	0	4-8	Las Vegas, Nevada
Restaurant Operations	0	10-30	Las Vegas, Nevada
<b>TOTAL</b>	<b>20-48</b>	<b>22-62</b>	

The initial training program is conducted in Las Vegas, Nevada. Our training program is overseen by Debbie Roxarzade, who has more than twenty-five years of experience in the subjects being taught and more than fifteen years of experience with us.

Additionally, we may require that you or your Designated Principal and managers attend any refresher courses, seminars, and other training programs as we may periodically require, provided that required refresher and additional training will not exceed (a) three days (per trainee) each year at our headquarters, and (b) three days (per trainee) each year to attend a convention for the franchise system. We may offer voluntary training programs. If these refresher and additional training programs are conducted at our headquarters in Las Vegas, or at our affiliate-owned Rachel's Kitchen Restaurants, we will bear the costs associated with providing these training programs. However, if you request that we provide any of this training at your Franchised Restaurant, and we do so, we may charge you our then-current per diem training fee for the additional training provided; and you will also have to reimburse us for all out of pocket costs and expenses associated with the additional training, including lodging, food and travel arrangement of the trainers.

### **Construction and Layout of Restaurant**

We will provide our standard plans and specifications for a prototype Rachel's Kitchen Restaurant, including interior design and layout, to you or to a design firm or architect that we have designated or approved (as described below). These plans and layouts are not intended, with respect to your particular location, to contain, address or comply with the requirements of any federal, state or local law, code or regulation, including those concerning the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations for persons with disabilities. We may periodically change our prototypes and plans (including our specifications for the interior and exterior appearances) of Rachel's Kitchen Restaurants and develop or approve variations on our prototypes and plans to reflect locations with differing sizes, structural elements, visibility and other relevant factors.

You must hire a licensed architect (as described below) to prepare all required construction plans and specifications to suit the shape and dimensions of the site. We have the right to designate one or more suppliers of design and/or architecture services to perform these services for our System. During any period that we have designated a design or architecture firm before you begin to develop your Franchised Restaurant, you must employ the designated supplier to prepare all designs and plans for the Franchised Restaurant. If we have not designated suppliers for design and architecture services for your geographic area, you must locate and employ a qualified design consultant and architect who are licensed in your jurisdiction and who are reputable and experienced in providing design and architecture services. You must pay for all design and architecture services.

You must ensure that the plans and specifications comply with the ADA and all other applicable regulations, ordinances, building codes and permit requirements and with lease or sublease requirements and restrictions, if any. You must submit final plans and specifications to us for approval before construction of the Franchised Restaurant begins. Our review is not designed to assess compliance with federal, state or local laws and regulations and is limited to review of the plans to access compliance with our design standards for Rachel's Kitchen Restaurants, including trade dress, presentation of Proprietary Marks, and the provision to the potential customer of certain products and services that are central to the functioning of Rachel's Kitchen Restaurants. Additionally, before opening the Franchised Restaurant (and before renovating it after the initial opening), you must sign and deliver to us an ADA Certification (in the form that is attached as Exhibit B to the Franchise Agreement) certifying to us that the Franchised Restaurant and any proposed renovations comply with the ADA. (Franchise Agreement, Section 5.3)

## **Manual**

You must comply with all of the specifications, procedures, and standards set out in our Manual. The table of contents to our Manual is contained in Exhibit G. Our Manual contains approximately 222 pages.

### **Opening of Franchised Restaurant**

We estimate that the time period between the signing of the Franchise Agreement and the start of operations will be approximately four to six months. Factors that may affect this time period include your ability to obtain financing or building permits, zoning and local ordinances, weather conditions, shortages, or delayed installation of equipment, fixtures and signs. Unless we agree in writing otherwise, you must conduct the opening of your Franchised Restaurant within six months after signing the Franchise Agreement or four months after we approve the location for your Restaurant, whichever occurs first.

### **ITEM 12** **TERRITORY**

#### **Franchise Agreement**

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

Upon identification and approval by us of the site for your Franchised Restaurant, the specific address of the location will be indicated in an addendum to the Franchise Agreement. Your Franchise Agreement will also specify a Territory. The size and scope of the Territory will be contained in the Franchise Agreement and will be described in terms of street, municipality and/or county boundaries and will be a three-mile radius around your Restaurant. The Territory is not the same area as, and will be smaller than, the trade area in which you will be looking for a site.

If any non-traditional site (such as mall food courts, airports, hospitals, cafeterias, commissaries, schools, hotels, office buildings and stadiums, arenas, ballparks, festivals, fairs, military bases and other mass gathering locations or events) is located within the physical boundaries of your Territory, then the premises of this non-traditional site will not be included in your protected Territory and you will have no rights to this non-traditional site.

During the term of the Franchise Agreement, we will not establish or operate, nor license any other person to establish or operate, a Rachel's Kitchen Restaurant in the Territory, except as may be permitted under the Franchise Agreement and those exceptions are described below. There are no circumstances under which the Territory may be altered before expiration or termination of the Franchise Agreement. Your territorial protection is not dependent upon achievement of a certain sales volume, market penetration, or other factors, other than compliance with the Franchise Agreement.

Under the Franchise Agreement, we and our affiliates retain all rights not specifically granted to you. Among the rights that we retain are the following (the following list is only for purposes of illustration and is not meant to limit our rights):

(1) We may own, acquire, establish, and/or operate and license others to establish and operate businesses, including Rachel's Kitchen Restaurants operating under the Proprietary Marks and the System selling the Products at any location outside your Territory regardless of their proximity to, or potential impact on, your Territory or Franchised Restaurant.

(2) We may own, acquire, establish and/or operate, and license others to establish and operate, non-restaurant businesses under the Proprietary Marks at any location within or outside the Territory.

(3) We may own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether the businesses are similar or different from the Franchised Restaurant, at any location within or outside the Territory, notwithstanding their proximity to the Territory or the Approved Location or their actual or threatened impact on sales of the Franchised Restaurant.

(4) We may own, acquire, establish, and/or operate, and license others to establish and operate, quick service Rachel's Kitchen Restaurants under the Proprietary Marks at Non-Traditional Sites at any location within or outside the Territory and regardless of proximity to your Restaurant.

(5) We may sell and distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products (including the Products) through grocery stores, convenience stores or "club" stores (such as Costco or Sam's Club), through outlets that are primarily retail in nature, or through mail order, toll free numbers, or the Internet, including those products bearing our Proprietary Marks, provided that distribution within the Territory shall not be from a Rachel's Kitchen Restaurant established under the System that is operated from within the Territory (except from a Rachel's Kitchen Restaurant at a Non-Traditional Site).

(6) We may be acquired (regardless of the form of transaction) by a business identical or similar to Rachel's Kitchen Restaurants, even if the other business operates, franchises and/or licenses competitive businesses within your Territory.

(7) We may engage in any other business activities not expressly prohibited by the Franchise Agreement, both within and outside your Territory.

You must follow our delivery and catering policies and procedures in our Manual, which may require you to provide catering and delivery services and/or utilize third-party delivery services (e.g. Uber Eats, Grub Hub, Door Dash, etc.). You may be required to use the third-party delivery service(s) with which we have a national contract, and you may not contract with any other delivery platform without our written approval. You are not guaranteed any specific territory or area for delivery. We may require you to discontinue catering or delivery services. We may expand, contract or eliminate any delivery or catering territory that we provide you.

You are permitted to conduct catering services only within your Territory and are prohibited from conducting catering services outside of your Territory, unless we allow you to do so by providing you with written permission. Our approval is required before you are allowed to offer any catering services, and typically is not considered until you have been in operation for at least a year and have shown consistently good operating practices at your location. Additional training may be needed to receive approval for catering, which will be at your expense.

You may sell our proprietary products and related merchandise to retail customers and prospective retail customers who live anywhere but who choose to dine in your Restaurant. You may not engage in any promotional activities or sell our proprietary products or similar products or services, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system (collectively, the "Electronic Media"); through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from

customers or prospective customers located anywhere. You may not place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located outside of your Territory. You have no options, rights of first refusal, or similar rights to acquire additional franchises. You may not sell our proprietary products to any business or other customer for resale.

We and our affiliates may sell products under the Proprietary Marks within and outside your Territory through any method of distribution other than a dedicated Rachel's Kitchen Restaurant, including sales through channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing sales (together, "Alternative Distribution Channels"). You may not use Alternative Distribution Channels to make sales outside or inside your Territory except as described in the following paragraph and you will not receive any compensation for our sales through Alternative Distribution Channels except as described in the following paragraph.

If we engage in electronic commerce through any Internet, World Wide Web or other computer network site or sell through any other Alternative Distribution Channel, and we receive orders for any proprietary products or other products offered by a Rachel's Kitchen Restaurant calling for delivery or performance in your Territory, then we will offer the order to you at the price we establish. If you choose not to fulfill the order or are unable to do so, then we, one of our affiliates or a third party we designate (including another franchisee) may fulfill the order, and you will not be entitled to any compensation in connection with this.

We have not yet established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark. We describe earlier in this Item 12 what we may do anywhere and at any time.

Except for the Restaurants operated by our affiliates, neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned Restaurants which sell our proprietary 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.

### **Area Development Agreement**

Under the Area Development Agreement, we grant you the right to develop and operate the number of Rachel's Kitchen Restaurants in the Development Area that is specified in the Development Schedule, which is an exhibit to the Area Development Agreement. The Development Area is typically described in terms of municipal or county boundaries but may be defined as a specified trade area in a municipality. The actual size of the Development Area will vary depending upon the availability of contiguous markets, our long-range development plans, your financial and operational resources, population and market conditions, but under no circumstances will it contain less than 100,000 people. Our designation of a particular Development Area is not an assurance or warranty that there are a sufficient number of suitable sites for Rachel's Kitchen Restaurants in the Development Area for you to meet your Development Schedule. The responsibility to locate and prepare a sufficient number of suitable sites is solely yours and we have no obligation to approve sites which do not meet our criteria in order for you to meet the Development Schedule.

Except as described below, during the term of the Area Development Agreement we will not operate or grant a franchise for the operation of Rachel's Kitchen Restaurants to be located within the Development Area except the franchises granted to you or a Controlled Affiliate under the Area Development Agreement and as provided below. However, we have the right to terminate this exclusivity if you or your Controlled Affiliates are not in full compliance with all of the terms and conditions of the Area Development Agreement and all of the Franchise Agreements executed under it. Your territorial rights

to the Development Area do not include the right to develop Rachel's Kitchen Restaurants at any Non-Traditional Sites.

During the term of the Area Development Agreement, we (and any affiliates that we periodically might have) have the right:

(1) to establish and operate, and grant rights to other area developers to establish and operate, Restaurants or similar businesses at any locations anywhere and on any terms and conditions we deem appropriate;

(2) to sell any products or services identical or similar to, or dissimilar from, those your Restaurant sells, whether identified by the Marks or other trademarks or service marks through any distribution channels we think best (including mail order and the Internet), wherever located or operating, except not through Restaurants (other than your Restaurant), the physical premises of which are located anywhere;

(3) to sell products or services through any distribution channels we think best (including mail order and the Internet), wherever located or operating, except not through Franchised Restaurants (other than your Restaurant), the physical premises of which are located anywhere;

(4) to purchase or otherwise acquire the assets or controlling ownership of one or more businesses identical or similar to your Restaurant (and/or franchise, license, and/or similar agreements for these businesses), some or all of which might be located anywhere;

(5) to be acquired (regardless of the form of transaction) by a business identical or similar to Rachel's Kitchen Restaurants, even if the other business operates, franchises and/or licenses competitive businesses near your Restaurants; and

(6) to engage in any other business activities not expressly prohibited by the Area Development Agreement, anywhere.

To maintain your rights under the Area Development Agreement, you must have open and in operation the cumulative number of Rachel's Kitchen Restaurants set forth on the Development Schedule by the dates set forth in the Development Schedule.

In addition, upon the earlier of the expiration of the term of the Area Development Agreement or upon your execution of a Franchise Agreement for the last Rachel's Kitchen Restaurant to be developed within the Development Area, your exclusive rights under the Area Development Agreement with respect to the Development Area will terminate and we will have the right to operate and to grant to others development rights and franchises to develop and operate Rachel's Kitchen Restaurants within the Development Area. This right will be subject only to the territorial rights under the franchise agreements entered into by you or a Controlled Affiliate for Rachel's Kitchen Restaurants in the Development Area. The Development Area may not be altered unless we and you mutually agree to do so. It will not be affected by your sales volume. You are not granted any other option, right of first refusal or similar right to acquire additional Rachel's Kitchen Restaurants in your Development Area under the Area Development Agreement.

**ITEM 13**  
**TRADEMARKS**

The Franchise Agreement and Area Development Agreement will allow you to use the Proprietary Marks for your Franchised Restaurant. We have registered the following principal Marks with the U.S. Patent and Trademark Office (“USPTO”) on the Principal Register.

<b>Mark</b>	<b>Registration Number</b>	<b>Registration Date</b>
RACHEL'S KITCHEN	3,683,927	Registered: September 15, 2009 Renewed: October 1, 2018
	3,754,424	Registered: March 2, 2010 Renewed: September 6, 2019

All required affidavits have been filed for our principal Marks.

In certain states where a conflict may or will exist regarding the use of the name “Rachel’s Kitchen,” we will license you to use the name “Little Rachel’s Kitchen.” We intend to offer franchises initially only in Nevada, and these franchises will operate under the name “Rachel’s Kitchen.” We have registered the “Rachel’s Kitchen” trademark with the State of Nevada.

There are currently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or the trademark authorities of any state or court concerning the Proprietary Marks. We intend to file all affidavits and other documents required to maintain our interests in the Proprietary Marks.

There is no pending material litigation involving the Proprietary Marks that may be relevant to their use in this state or in any other state. We do not know of any infringing uses that could materially affect your use of the Proprietary Marks in this state or elsewhere.

You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. We have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We will defend you against any third-party claim, suit, or demand arising out of your use of the Proprietary Marks. However, if we determine that you have used the Proprietary Marks in accordance with the Franchise Agreement you have signed to operate the Franchised Restaurant, we will bear the cost of defense, including the cost of any judgment or settlement. If we determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement you have signed to operate the Franchised Restaurant, you must bear the cost of defense, including the cost of any judgment or settlement. If there is any litigation relating to your use of the Proprietary Marks, you must sign all documents and do all things as may be necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action. Unless litigation results from your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement we will also reimburse you for your out-of-pocket costs.

Except as provided above, we are not obligated by the Franchise Agreement to protect any rights granted to you to use the Marks or to protect you against claims of infringement or unfair competition with respect to them. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy we intend to defend the Marks vigorously.

We reserve the right to substitute different proprietary marks for use in identifying the System and the Rachel's Kitchen Restaurants operating under it if we, in our sole discretion, determine that substitution of different marks as Proprietary Marks will be beneficial to the System. You must promptly implement any substitution of new Proprietary Marks. We are not required to reimburse you for the expenses you incur relating to a change in or substitution of a Proprietary Mark.

You must not use the Proprietary Marks (including our service marks) as part of your corporate, partnership, or other legal name, or to identify you or your Franchised Restaurant in any other legal activity, or as part of any e-mail address, domain name, or other identification of you or your Franchised Restaurant in any electronic medium, unless agreed to in advance, in writing, by us. As necessary to conduct the business of your Franchised Restaurant and obtain business permits for the operation of your Franchised Restaurant, you may indicate that your Franchised Restaurant will be doing business under the trade name Rachel's Kitchen, provided that you clearly identify yourself as the owner and operator of the Franchised Restaurant and properly identify the legal name under which you (or your business entity) will be acting.

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

### **Patents**

No patents are material to the operation of your franchise.

### **Copyrights**

We claim copyright protection covering various materials used in our business and the development and operation of Rachel's Kitchen Restaurants, including the Manual, advertising materials, and similar materials. We have not registered these materials with the United States Registrar of Copyrights, but we are not required to do so.

There are no currently effective determinations of the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow franchisees to use the copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

All rights, title, and interest in advertising materials that you develop or prepare (or that are prepared by someone on your behalf) or that bear any Proprietary Marks will belong to us. You must sign any documents we reasonably deem necessary to evidence our right, title, and interest in and to any advertising materials. We will have the right to use these materials and to provide them to other franchisees and advertising funds and programs of the System, without compensation to you, regardless of how the materials were developed. Additionally, we may periodically require that you sign a license agreement for the use of proprietary materials that we provide to you in an electronic format.

## **Confidential Information**

Except for the purpose of operating the Franchised Restaurant under a Franchise Agreement or operating as an area developer under an Area Development Agreement, you may never (during the Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know-how concerning the development and operation of the Franchised Restaurant or Business that may be communicated to you or that you may learn by virtue of your operation of a Franchised Restaurant or Business. You may divulge confidential information only to those of your employees who must have access to it to operate the Franchised Restaurant or Business. Any information, knowledge, know-how, and techniques that we designate as confidential will be deemed "confidential" for purposes of the Agreement. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, we may require you, your Designated Principal, other owners, managers, and your employees with access to confidential information to sign confidentiality and non-competition agreements. Each of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Franchised Restaurant. These agreements must be in a form that we find satisfactory, and must include specific identification of our company as a third-party beneficiary with the independent right to enforce the covenants.

## **Confidential Manual**

To protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business in accordance with the Manual. We will lend you our Manual for the term of the Agreement, which you must return to us at the expiration or termination of the Agreement. The Manual may consist of multiple volumes of printed text, computer disks, other electronic stored data, videotapes, and periodic updates or bulletins that we issue to franchisees and others operating under the System. You must treat the Manual, all supplements and revisions to the Manual, including bulletins and the information contained in them, as confidential, and must maintain this information (whether in written or electronic format) as secret and confidential. You must not reproduce these materials (except for the parts of the Manual that are meant for you to copy, which we will clearly mark as copyable) or otherwise make them available to any unauthorized person. The Manual will remain our sole property. You must keep the Manual in a secure place on the Franchised Restaurant premises.

We may revise the contents of the Manual, and you must comply with each new or changed standard. We will notify you in writing of revisions to the Manual. You must ensure that the Manual is kept current at all times. If there is a dispute as to the contents of the Manual, the terms of the master copies that we maintain at our home office will control.

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

Under the Franchise Agreement, you (or if you are an entity, your Designated Principal) must be involved in the daily operations of the Franchised Restaurant. You or your Designated Principal will act as the general manager for your Franchised Restaurant, and we will have the right to rely upon the Designated Principal to have the responsibility and decision-making authority regarding your business and operations. Your Designated Principal, or any other of your owners who is involved in the daily operation of your

Restaurant, must have at least a 10% ownership interest in you. You may hire one or more managers for your Franchised Restaurant, but you must still devote your full time to the operation of the Restaurant.

Under the Franchise Agreement, if you are other than an individual, we may require that your owners personally sign a guaranty (in the form included as Exhibit E to the Franchise Agreement), guarantying the legal entity's obligations under that agreement. Additionally, you or your owners and your employees with access to confidential information or who have received training may be required to sign covenants to maintain confidentiality and not compete with businesses under the System (our current forms for this agreement are included in Exhibit F to the Franchise Agreement).

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

You may sell and provide only products and services that we have approved in writing and which conform to our standards and specifications. We have the right, without limit, to change the types of authorized products and services. You must carry and sell all Products that we approve and specify to be offered by all Rachel's Kitchen Restaurants, unless we otherwise provide our written approval. We have designed products and menus to include breakfast, lunch and dinner.

You may only sell to retail customers at the Approved Location. All sales must be: (1) face-to-face, for customer consumption on the premises of the Franchised Restaurant; (2) face-to-face, for customer carry-out consumption; and (3) off-premises catering, with our prior approval. If you engage in catering activities, you must comply with the programs, policies terms, and conditions that we may periodically establish. Additionally, you may not engage in any other type of sale, offer to sell, or distribution of Products, except with our prior written consent. For example, you may not sell products by catalog, mailing, toll free numbers, or by use of the Internet.

You must not use the Franchised Restaurant for any other business or operation or for any other purpose or activity at any time without first obtaining our prior written consent. You must keep the Franchised Restaurant open and in normal operation for the minimum hours and days as we may specify. All Rachel's Kitchen Restaurants offer breakfast, lunch and dinner menus, and may offer alcoholic beverages if we permit it. You must operate the Franchised Restaurant in strict conformity with the methods, standards, and specifications as we prescribe in the Manual or in writing.

We reserve the right to change our requirements, such as operating hours, for any franchisee based on his/her particular circumstances. For example, if a franchisee has established a Franchised Restaurant within an office building, we may not require that franchisee to offer a dinner menu. We are not required to provide you with any modification, or to provide you with a modification similar to that provided to another franchisee.

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

### **THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the franchise and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this disclosure document.**

Provision	Section in Franchise Agreement	Summary
(a) Length of the franchise term	2.1	Ten years.
(b) Renewal or extension of the term	2.2	Three renewal terms of ten years each.
(c) Requirements for franchisee to renew or extend	2.2	<p>The term “renewal” refers to extending our franchise relationship at the end of your initial term and any other renewal or extension of the initial term. Your successor franchise rights permit you to remain as a Franchise after the initial term of your Franchise Agreement expires.</p> <p>Notice, satisfaction of monetary obligations, compliance with Franchise Agreement, mutual release, sign new Franchise Agreement, pay renewal fee, and others.</p> <p>You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of your territory will remain the same, and the fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees</p>
(d) Termination by franchisee	Not Applicable	Not Applicable
(e) Termination by franchisor without cause	Not Applicable	Not Applicable
(f) Termination by franchisor with cause	16	We can terminate your Franchise Agreement if you are in breach (subject to state law).
(g) “Cause” defined – curable defaults	16.3 and 16.4	All other defaults not specified in §§ 16.1 and 16.2 of the Franchise Agreement (subject to state law).
(h) “Cause” defined – non-curable defaults	16.1 and 16.2	Bankruptcy, abandonment, conviction of felony, your or your owners’ assets are blocked under an anti-terrorism law, and others (subject to state law).

Provision	Section in Franchise Agreement	Summary
(i) Franchisee's obligations on termination/nonrenewal	17	Cease operating the Franchised Restaurant, payment of amounts due, and others; see §§ 17.1 – 17.10 of the Franchise Agreement.
(j) Assignment of contract by franchisor	15.1	There are no limits on our right to assign the Franchise Agreement.
(k) "Transfer" by franchisee - defined	15.2	Includes transfer of any interest.
(l) Franchisor approval of transfer by franchisee	15.2	We have the right to approve transfers and can apply standards to determine (for example) whether the proposed transferee meets our requirements for a new franchisee.
(m) Conditions for franchisor approval of transfer by franchisee	15.3 and 15.4	Release, signature of new Franchise Agreement, payment of transfer fee, and others; see §§ 15.3.1 – 15.3.11 and 15.4 of the Franchise Agreement.
(n) Franchisor's right of first refusal to acquire franchisee's business	15.6	We can match any offer.
(o) Franchisor's option to purchase franchisee business	17.9	Franchisor shall have the option, to be exercised within thirty (30) days after termination, to purchase from Franchisee any or all of the furnishings, equipment, signs, fixtures, supplies, or inventory of Franchisee related to the operation of the Franchised Restaurant, at the lesser of Franchisee's cost or fair market value.
(p) Death or disability of franchisee	15.7, 15.8, and 15.9	Your estate must transfer your interest in the Franchised Restaurant to a third party we have approved, within a year after death or six months after the onset of disability.
(q) Non-competition covenants during the term of the franchise	18.2 and 18.5	Includes prohibition on engaging in any other business offering predominantly the same products as offered in a Rachel's Kitchen Restaurant; and soliciting or diverting customers to other businesses; and others (subject to state law).

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
(r) Non-competition covenants after the franchise is terminated or expires	18.3 and 18.5	Includes a two year prohibition similar to "q" (above), within the Territory, or within 25 miles of any Rachel's Kitchen Restaurant under the System (subject to state law).
(s) Modification of the agreement	25	Must be in writing signed by both parties.
(t) Integration/merger clause	25	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside the disclosure document and the Franchise Agreement may not be enforceable
(u) Dispute resolution by arbitration or mediation	27.2	Except for certain claims, we and you must arbitrate all disputes at a location within 15 miles of our then current principal place of business (currently Las Vegas, Nevada) (subject to state law)
(v) Choice of forum	27.2	All arbitrations and litigations must be conducted in the city where we have our headquarters (subject to state law)
(w) Choice of law	27.1	Nevada (subject to state law)

### **THE AREA DEVELOPMENT RELATIONSHIP**

<b>Provision</b>	<b>Article in Area Development Agreement</b>	<b>Summary</b>
a. Term of the agreement	4	Until the end of the Development Schedule.
b. Renewal Franchise or extension of the term	Not Applicable	Not Applicable
c. Requirements for you to obtain a renewal franchise	Not Applicable	Not Applicable
d. Termination by you	13.1	You may terminate if you give us notice of a breach and we do not cure within 15 days or if not possible within 15 days, we do not undertake a cure and continue until completion.
e. Termination by us without cause	Not Applicable	Not Applicable

Provision	Article in Area Development Agreement	Summary
f. Termination by us with cause	13.2	We can terminate only if you fail to comply with the terms of the Area Development Agreement (subject to state law).
g. "Cause" defined- defaults which cannot be cured	13.2	(1) fail to meet the Development Schedule; (2) fail to make payments due; (3) insolvency, receivership or a judgment against you is unsatisfied for more than 30 days; (4) material misrepresentation or omission on application; (5) conviction of you or any of your owners of a felony or other crime, offense or misconduct which adversely affects yours or our reputation or the goodwill of the Marks; (6) unauthorized transfers; (7) notice of termination of a Franchise Agreement delivered or you or your Controlled Affiliate improperly terminates a Franchise Agreement; (8) you or your owners or affiliates interfere with our ability to franchise or license others to use the Marks or system; (9) you or your owners or affiliates interfere with our contractual relations with others; (10) you or your owners or affiliates make any unauthorized use, duplication or disclosure of Confidential Information, the Marks, the Copyrighted Works, the Operating Manual or challenge or seek to challenge our rights in any of these items; (11) violation of the in-term non-compete provision; (12) three or more defaults within 12 months whether or not cured or two or more of the same default within 12 months whether or not cured; (13) violation of any anti-terrorism law, or violation of the RICO Act (subject to state law).

Provision	Article in Area Development Agreement	Summary
h. “Cause” defined- defaults which can be cured	13.2	Ten days for monetary defaults and 15 days cure for all other curable defaults, but if not possible to cure within 15 days, begin efforts to cure within 10 days and continue until completion (subject to state law).
i. Your obligations on termination/non- renewal	14	Pay all amounts owed; cease all use of Marks; remove all signs; return to us or destroy all materials containing any Mark; cancel assumed or fictitious name registrations; cease use of all Copyrighted Works, cease use of Confidential Information, return Operating Manual, comply with post-term covenant not to compete. You may continue to operate any Restaurant opened and operating under the Area Development Agreement if you are not in default under that Franchise Agreement.
j. Assignment of contract by us	12.1	No restriction on our right to assign. However, no assignment will be made except to an assignee who, in our good faith and judgment, is willing and able to assume our obligations under the Area Development Agreement.
k. “Transfer” by you - definition	12.2	Includes transfer of any interest in the Area Development Agreement and in you.
l. Our approval of transfer by you	12.2	No transfers permitted.
m. Conditions for our approval of transfer	Not Applicable	Not Applicable
n. Our right of first refusal to acquire your business	Not Applicable	Not Applicable
o. Our option to purchase your business	Not Applicable	Not Applicable
p. Your death or disability	12.4	Interest must be transferred to an approved party within six months

<b>Provision</b>	<b>Article in Area Development Agreement</b>	<b>Summary</b>
q. Non-competition covenants during the term of the franchise	3.5 and 8	No involvement by you, your Principal Owners and members of their immediate family in a Competitive Business anywhere. If you are a corporation or partnership, you may not engage in any business other than the development and operation of Rachel's Kitchen Restaurants (subject to state law).
r. Non-competition covenants after the franchise is terminated or expires	14.4	No involvement by you, your Principal Owners or their immediate families in a Competitive Business for two years within three miles of any Rachel's Kitchen Restaurant in the Development Area or any other Rachel's Kitchen Restaurant (subject to state law).
s. Modification of the agreement	17.9	No modifications unless in writing and signed, but Operating Manual subject to change.
t. Integration/merger clause	17.10	Only the terms of the Area Development Agreement are binding (subject to state law). Any representations or promises made outside the disclosure document and the Franchise Agreement may not be enforceable
u. Dispute resolution by arbitration or mediation	16.1 and 16.2	Except for certain claims, we and you must arbitrate all disputes at a location within 15 miles of our then current principal place of business (currently Las Vegas, Nevada) (subject to state law)
v. Choice of forum	17.5	All arbitrations and litigations must be conducted in the city where we have our headquarters (subject to state law)
w. Choice of law	17.5	Nevada (subject to state law)

**ITEM 18**  
**PUBLIC FIGURES**

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

**ITEM 19**  
**FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We have 7 franchised operated Rachel's Kitchen Restaurants, but we have only included the gross sales of 6 Restaurants. We excluded 1 franchised operated Restaurant because it only operates 6 days a week and all the Restaurants in the below chart operate 7 days a week. This Restaurant is closed on Sundays due to it is located within a business district.

The following chart includes the historical gross sales achieved by our 6 Franchised Restaurants for the 2021, 2022 and 2023 fiscal years.

RACHEL'S KITCHEN SYSTEM-WIDE GROSS SALES 2020, 2021, and 2022 Fiscal Years				
Restaurant Name	City, State	2021 Gross Sales <sup>(1)</sup>	2022 Gross Sales <sup>(1)</sup>	2023 Gross Sales <sup>(1)</sup>
McCarran Airport <sup>(2)</sup>	Las Vegas, NV	\$1,125,818	\$1,339,760.15	\$1,685,485
The Trails	Las Vegas, NV	\$1,624,647	\$1,629,207.50	\$1,698,955
Centennial Hills	Las Vegas, NV	\$1,405,209	\$1,448,583.07	\$1,381,805
Hualapai Way	Las Vegas, NV	\$1,628,588	\$1,831,097.38	\$1,666,342
District	Henderson, NV	\$2,217,013	\$2,465,008.75	\$2,834,740
Town Square <sup>(3)</sup>	Las Vegas, NV	N/A	\$1,067,904.18	\$1,050,568

Notes:

1) "Gross Sales" are calculated as the total revenue from the sale of goods or services less sales tax.

**Some outlets have earned this amount. Your individual results may differ. There is no assurance you'll earn as much.**

We offered the same services to the Restaurants described in this Statement. These Restaurants offered the same products and services to the public as you will. These Restaurants report gross sales information to us based upon a uniform reporting system. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request. The information presented above has not been audited.

Other than the preceding financial performance representation, RDR, Inc. does not make any financial performance representations. We also do not authorize our employees or representatives to make

any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Debbie Roxarzade at 9640 West Tropicana Ave. #117, Las Vegas, Nevada 89147 and (702) 629-6100, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**  
**Systemwide Outlet Summary**  
**For years 2021 to 2023**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2021	6	7	+1
	2022	7	7	0
	2023	7	7	0
Company-Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total Outlets	2021	6	7	+1
	2022	7	7	0
	2023	7	7	0

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For years 2021 to 2023**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
Nevada	2021	0
	2022	0
	2023	0
Total	2021	0
	2022	0
	2023	0

**Table No. 3**  
**Status of Franchised Outlets**  
**For years 2021 to 2023**

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
Nevada	2021	6	1	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
<b>Total</b>	2021	6	1	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For years 2021 to 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Nevada	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
<b>Total</b>	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

**Table No. 5**  
**Projected Openings as of December 31, 2023**

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Nevada	1	1	0
Texas	1	3	0
<b>Total</b>	1	4	0

A list of the names of all franchisees and area developers and the addresses and telephone numbers of their businesses will be provided in Exhibit D to this Disclosure Document when applicable.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee or area developer who had a business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement or Area Development Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document will be listed on Exhibit E to this Disclosure Document when applicable. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the Rachel's Kitchen System.

There are no trademark-specific organizations formed by our franchisees that are associated with the Rachel's Kitchen System.

**ITEM 21**  
**FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit F are our audited financial statements as of December 31, 2023, December 31, 2022, and December 31, 2021.

Our fiscal year end is December 31.

**ITEM 22**  
**CONTRACTS**

The following agreements are attached in to this Disclosure Document:

Exhibit B – Franchise Agreement  
Exhibit H to the Franchise Agreement - Franchisee Disclosure Acknowledgment Statement  
Exhibit H – Form of General Release  
Exhibit I – Area Development Agreement

**ITEM 23**  
**RECEIPTS**

Two copies of an acknowledgment of your receipt for this Disclosure Document appear as the last pages of the Disclosure Document. Please date, sign, and return one copy to us and keep the other with this Disclosure Document for your records.

**EXHIBIT A TO THE DISCLOSURE DOCUMENT**  
**LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS**

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process. We may not yet be registered to sell franchises in any or all of these states.

If a state is not listed, RDR Inc. has not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which RDR Inc. has appointed an agent for service of process.

There may also be additional agents appointed in some of the states listed.

<b><u>CALIFORNIA</u></b> Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7500 Toll Free (866) 275-2677 Website: <a href="http://www.dfp.ca.gov">www.dfp.ca.gov</a> E-mail: <a href="mailto:Ask.DFPI@dfpi.ca.gov">Ask.DFPI@dfpi.ca.gov</a>  2101 Arena Boulevard Sacramento, CA 95834 (916) 445-7205  One Sansome Street, Suite 600 San Francisco, CA 94104 (415) 972-8559	<b><u>CONNECTICUT</u></b> State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230  Agent: Banking Commissioner
<b><u>HAWAII</u></b> (state administrator)  Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722  (agent for service of process)  Commissioner of Securities State of Hawaii 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2722	<b><u>ILLINOIS</u></b> Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465

<p><b><u>INDIANA</u></b> (state administrator)</p> <p>Indiana Secretary of State Securities Division, E-111 302 Washington Street Indianapolis, Indiana 46204 (317) 232-6681</p> <p>(agent for service of process) Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531</p>	<p><b><u>MARYLAND</u></b> (state administrator)</p> <p>Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360</p> <p>(for service of process) Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360</p>
<p><b><u>MICHIGAN</u></b> (state administrator)</p> <p>Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 525 W. Ottawa Street, 6<sup>th</sup> Floor Lansing, Michigan 48933 (517) 373-7117</p> <p>(for service of process) Corporations Division Bureau of Commercial Services Department of Labor and Economic Growth P.O. Box 30054 Lansing, Michigan 48909</p>	<p><b><u>MINNESOTA</u></b> (state administrator)</p> <p>Minnesota Dept. of Commerce Securities – Franchise Registration 85 7<sup>th</sup> Place East, Suite 280 Saint Paul, Minnesota 55101-2198 Phone: 651-539-1500</p> <p>(for service of process) Minnesota Commissioner of Commerce</p>
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<p><b><u>OREGON</u></b></p> <p>Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387</p>	<p><b><u>RHODE ISLAND</u></b></p> <p>Securities Division Department of Business Regulation, Bldg 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9582</p>
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<p><b><u>WASHINGTON</u></b> (state administrator)</p> <p>Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98507-9033 (360) 902-8760</p> <p>(for service of process) Director, Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501</p>	<p><b><u>WISCONSIN</u></b> (state administrator)</p> <p>Division of Securities Department of Financial Institutions 345 W. Washington Ave., 4<sup>th</sup> Floor Madison, Wisconsin 53703 (608) 266-1064</p> <p>(for service of process) Administrator, Division of Securities Department of Financial Institutions 345 W. Washington Ave., 4<sup>th</sup> Floor Madison, Wisconsin 53703</p>

**EXHIBIT B TO THE DISCLOSURE DOCUMENT**  
**FRANCHISE AGREEMENT**

**RDR INC.**

**FRANCHISE AGREEMENT**

---

**FRANCHISEE**

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**EFFECTIVE DATE OF AGREEMENT**

---

**RESTAURANT ADDRESS**

**THIS FRANCHISED RESTAURANT IS A (CHECK ONE):**

**Rachel's Kitchen (Traditional)**

**Rachel's Kitchen Express**

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## **EXHIBITS**

- A – Data Sheet
- B – Americans with Disabilities Certification
- C – List of Franchisee's Principals
- D – Authorization Agreement for Prearranged Payments
- E-1 – Guaranty
- E-2 – Owners
- F – Confidentiality and Non-Compete Agreements
- G – Lease Terms
- H – Franchisee Disclosure Acknowledgment Statement
- I – Transfer of a Franchise to a Corporation or Limited Liability Company
- J – Internet Websites and Listings Agreement; Telephone Listing Agreement
- K – Power of Attorney (Tax)
- L - State Specific Addendum

## **FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the "Effective Date"), by and between:

## **BACKGROUND:**

A. Franchisor owns a format and system (the "System") relating to the establishment and operation of restaurants which operate at retail locations that display Franchisor's interior and exterior trade dress and feature and operate under the Proprietary Marks (as defined below) (each a "Rachel's Kitchen Restaurant"). Rachel's Kitchen Restaurants are designed using Franchisor's interior trade dress to be welcoming and comfortable for customers, and offer breakfast, lunch and dinner menus, including breakfast items, soup, salad, wraps, burgers, sandwiches, pasta, smoothies and other beverages under the name "Rachel's Kitchen". A Rachel's Kitchen Restaurant operates using Franchisor's proprietary recipes, formulae and techniques ("Proprietary Products"), as well as other non-proprietary food, beverage, and other compatible items designated by Franchisor from time to time (collectively, "Products"). A Rachel's Kitchen Restaurant may, with Franchisor's prior written consent, offer alcoholic beverages, catering services, or other services as may be approved by Franchisor from time to time.

B. The distinguishing characteristics of the System include distinctive exterior and interior design, decor, color schemes, fixtures, and furnishings; recipes, standards and specifications for products, equipment, materials, and supplies; uniform standards, specifications, and procedures for operations; purchasing and sourcing procedures; procedures for inventory and management control; training and assistance; and marketing and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time.

C. The System is identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System including the marks "Rachel's Kitchen," "Little Rachel's Kitchen" and other marks (the "Proprietary Marks"). The Proprietary Marks are owned by us.

D. Franchisee desires to enter into the business of operating a restaurant as a Rachel's Kitchen Restaurant under the System and using the Proprietary Marks, and wishes to enter into this agreement with Franchisor for that purpose, and to receive the training and other assistance provided by Franchisor in connection therewith.

E. Franchisee understands and acknowledges the importance of the high standards of Franchisor for quality, cleanliness, appearance, and service and the necessity of operating the business franchised hereunder in conformity with the standards and specifications of Franchisor.

**NOW, THEREFORE**, the parties agree as follows:

**1. GRANT**

**1.1 Grant and Acceptance**

Franchisor grants to Franchisee the right, and Franchisee hereby undertakes the obligation, upon the terms and conditions set forth in this Agreement to: (a) establish and operate a Rachel's Kitchen Restaurant (the "Franchised Restaurant"), (b) use, only in connection therewith, the Proprietary Marks and the System, as they may be changed, improved, or further developed from time to time by Franchisor; and (c) operate the Franchised Restaurant only at the Approved Location (as defined in Section 1.2 below) in accordance with this Agreement.

**1.2 Approved Location**

Franchisee shall develop and operate the Franchised Restaurant only at the site specified in Exhibit A to this Agreement as the "Approved Location". Franchisee shall not relocate the Franchised Restaurant without Franchisor's prior written consent and/or otherwise in writing by Franchisor, as provided in Section 8.19 below.

**1.3 Limit on Sales**

Franchisee's rights hereunder shall be limited to offering and selling Products at the Franchised Restaurant, and only to retail customers of the Franchised Restaurant for (a) customer consumption on the premises of the Franchised Restaurant at the Approved Location (the "Premises"); and (b) for customer carry-out consumption of Products sold at the Franchised Restaurant; provided that all such activities shall be conducted only in accordance with the requirements of this Agreement and the procedures set forth in the Manual (as defined in Section 10 below) and all applicable laws. Franchisee shall engage in delivery and catering activities with Franchisor's prior written consent, and such delivery and catering activities shall be conducted pursuant to the programs, policies terms, and conditions as Franchisor may establish from time to time. Franchisee shall not, without the prior written approval of Franchisor, engage in any other type of sale of, or offer to sell, or distribution of Products, including, but not limited to: selling, distributing or otherwise providing, any Products to third parties at wholesale, or for resale or distribution by any third party; and selling, distributing or otherwise providing any Products through catalogs, mail-order, toll-free numbers for delivery, or electronic means (e.g., the Internet). Franchisee must utilize the third-party delivery services as specified by Franchisor from time to time and may not contract with any third-party or other delivery service providers without Franchisor's prior written authorization.

**1.4 Territory and Reserved Rights**

Except as otherwise provided in this Agreement, during the term of this Agreement, Franchisor shall not establish or operate, nor license any other person to establish or operate, a Rachel's Kitchen Restaurant at any location within the territory specified in Exhibit A (the "Territory"). Franchisor retains the rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Franchisee any rights therein:

1.4.1 To own, acquire, establish, and/or operate, and license others to establish and operate, Rachel's Kitchen Restaurants under the System at any location outside the Territory notwithstanding their proximity to the Territory or the Approved Location or their actual or threatened impact on sales of the Franchised Restaurant;

1.4.2 To own, acquire, establish and/or operate, and license others to establish and operate, non-restaurant businesses under the Proprietary Marks, at any location within or outside the Territory.

1.4.3 To own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar or different from the Franchised Restaurant, at any location within or outside the Territory notwithstanding their proximity to the Territory or the Approved Location or their actual or threatened impact on sales of the Franchised Restaurant;

1.4.4 To own, acquire, establish, and/or operate, and license others to establish and operate, Rachel's Kitchen Restaurants under the Proprietary Marks at Non-Traditional Sites (as defined below) at any location within or outside the Territory and regardless of proximity to the Franchised Restaurant. As used in this Agreement, "Non-Traditional Sites" shall mean outlets that serve primarily the customers located within the facility, such as captive audience facilities (examples include, but are not limited to, parks charging admission, stadiums, amusement parks and centers, theaters and art centers), limited purpose facilities (examples include, but are not limited to, airports, transportation centers, department stores, indoor shopping centers, business and industrial complexes, museums, educational facilities, hospitals, art centers, and recreational parks), limited access facilities (examples include, but are not limited to, military complexes, buyer club businesses, educational facilities, business and industrial complexes), and other types of institutional accounts.

1.4.5 To sell and to distribute, directly or indirectly, or to license others to sell and to distribute, directly or indirectly, any products (including the Products) through grocery stores, convenience stores or "club" stores (such as Costco or Sam's Club), through outlets that are primarily retail in nature, or through mail order, toll free numbers, or the Internet, including those products bearing Franchisor's Proprietary Marks provided that distribution within the Territory shall not be from a Rachel's Kitchen Restaurant established under the System that is operated from within the Territory (except from a Rachel's Kitchen Restaurant at a Non-Traditional Site);

1.4.6 To be acquired (regardless of the form of transaction) by a business identical or similar to Rachel's Kitchen Restaurants, even if the other business operates, franchises and/or licenses competitive businesses within the Territory; and

1.4.7 To engage in any other business activities not expressly prohibited by this Agreement, both within and outside the Territory.

Franchisee understands and acknowledges that if any Non-Traditional Site is located within the physical boundaries of the Territory, then the premises of this Non-Traditional Site will not be included in the protected Territory and Franchisee will have no rights to this Non-Traditional Site.

## **2. TERM AND RENEWAL**

### **2.1 Initial Term**

This Agreement shall be in effect upon its acceptance and execution by Franchisor and, except as otherwise provided herein, this Agreement shall expire ten (10) years from the Effective Date.

## 2.2      Renewal

Franchisee may apply to operate the Franchised Restaurant for three (3) additional consecutive terms of ten (10) years each if the following conditions are met prior to each renewal:

2.2.1    Franchisee shall give Franchisor written notice of Franchisee's election to renew at least six (6) months, but not more than twelve (12) months, prior to the end of the term of this Agreement;

2.2.2    Franchisee shall not have any past due monetary obligations or other outstanding obligations to Franchisor, its affiliates, the approved suppliers of the System, or the lessor of the Premises;

2.2.3    Franchisee shall not be in default of any provision of this Agreement, or successor hereto, or any other agreement between Franchisee and Franchisor or its affiliates, the approved suppliers of the System, or the lessor of the Premises; and Franchisee shall have substantially complied with all the terms and conditions of such agreements during the terms thereof;

2.2.4    Franchisee and Franchisor shall execute a mutual general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its affiliates, and their respective officers, directors, agents, and employees;

2.2.5    Franchisee shall execute the then-current form of franchise agreement offered by Franchisor, which shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement including requirements to pay additional and/or higher fees, except that Franchisee shall not be required to pay any initial franchise fee;

2.2.6    Franchisee shall comply with the then-current qualification and training requirements of Franchisor;

2.2.7    Franchisee shall make or provide for, in a manner satisfactory to Franchisor, such renovation and modernization of the Premises as Franchisor may reasonably require, including installation of new equipment and renovation of signs, furnishings, fixtures, and decor to reflect the then-current standards and image of the System;

2.2.8    Franchisee shall present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the Premises (or such other location acceptable to Franchisor) for the duration of the renewal term;

2.2.9    Franchisee, at the time of renewal, satisfies Franchisor's standards of financial responsibility and, if requested by Franchisor, Franchisee demonstrates to Franchisor that Franchisee has sufficient financial resources and means to continue to operate the Franchised Restaurant during the renewal term; and

2.2.10   Franchisee pays to Franchisor a renewal fee equal to Five Thousand Dollars (\$5,000).

### **3. DUTIES OF FRANCHISOR**

#### **3.1 Franchisor's Prototype Plans**

Franchisor shall make available, at no charge to Franchisee, prototype design plans and specifications for the construction of a Rachel's Kitchen Restaurant and for the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. Franchisee acknowledges that such standard design plans and specifications shall not contain the requirements of any federal, state or local law, code or regulation (including without limitation those concerning the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a specific Rachel's Kitchen Restaurant, compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense. Franchisee understands and acknowledges that Franchisor has the right to modify the prototype design plans and specifications, and develop additional prototype design plans and specifications, as Franchisor deems appropriate from time to time (however Franchisor will not modify the prototype plans and specifications for the Franchised Restaurant developed pursuant to this Agreement once those prototype architectural plans and specifications have been given to Franchisee). Franchisee shall adapt the standard plans to the Franchised Restaurant's location, as provided in Section 5.3 hereof, subject to Franchisor's approval.

#### **3.2 Initial Training**

Franchisor shall provide its initial training for Franchisee and two (2) managers or key employees ("Initial Training"), as described in Section 6 of this Agreement, for a maximum of three (3) trainees, at Franchisee's expense. Franchisor shall also provide such ongoing training as it may, from time to time, deem appropriate.

#### **3.3 Opening Assistance**

Franchisor will furnish to Franchisee, at Franchisee's premises and at Franchisor's expense, one (1) or more of Franchisor's representatives for the purpose of facilitating the opening of the Franchised Restaurant for a period of up to five (5) days before the Franchised Restaurant's opening and up to five (5) days after the opening. The duration of such opening assistance shall be determined by Franchisor, in its sole discretion. During this training, such representative will also assist Franchisee in establishing and standardizing procedures and techniques essential to the operation of a Rachel's Kitchen Restaurant and shall assist in training personnel; however, Franchisee acknowledges that Franchisor shall not be responsible for training or offering guidance with respect to compliance with any laws, ordinances or other legal matters. Prior to the arrival of Franchisor's representative(s), Franchisee shall have completed all training of Franchisee's initial staff of employees for the Franchised Restaurant, as shall be necessary for Franchisee to comply with its staffing obligations under Section 8.4 below. Should Franchisee request additional assistance from Franchisor in order to facilitate the opening of the Franchised Restaurant, and should Franchisor deem it necessary and appropriate to comply with the request, Franchisee shall pay Franchisor's per diem charges and Franchisor's out of pocket expenses (including travel, lodging and meals for its representatives) in providing such additional assistance as set forth from time to time in the Manual.

#### **3.4 Loan of Manual**

Franchisor shall provide Franchisee, on loan, a copy of the Franchisor's confidential operations Manual and other manuals, instructional materials, and written policies and correspondence (collectively, the "Manual"), as more fully described in Section 10 hereof.

### **3.5 Advertising Programs and Materials**

Franchisor shall review and shall have the right to approve or disapprove all advertising and promotional materials that Franchisee proposes to use, pursuant to Section 13 below. Franchisor shall administer the System or Cooperative Ad Funds, if such funds exist or are created, in the manner set forth in Section 13 below.

### **3.6 Grand Opening Advertising**

Franchisor shall assist Franchisee in developing and conducting the Grand Opening Advertising Program (as described in Section 13.4 below), which program shall be conducted at Franchisee's expense.

### **3.7 Guidance**

Franchisor may provide periodic advice or offer guidance to Franchisee in the marketing, management, and operation of the Franchised Restaurant as Franchisor determines at the time(s) and in the manner determined by Franchisor.

### **3.8 Inspections**

Franchisor shall conduct, as it deems advisable and at any time, inspections of Franchisee's operation of the Franchised Restaurant.

### **3.9 List of Suppliers**

Franchisor shall, in the Manual (or otherwise in writing as determined by Franchisor), provide Franchisee with a list of suppliers, which may include Franchisor and/or its affiliates, designated and/or approved by Franchisor to supply Products, equipment, signage, materials and services to franchisees in the System. Franchisee acknowledges that the designation of certain suppliers by Franchisor is to ensure uniformity of the System, and Franchisee shall not purchase any unapproved product or purchase from any unapproved supplier, without Franchisor's advance written consent, which Franchisor may withhold in its discretion.

### **3.10 Delegation**

Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Agreement may be performed by any distributor, designee, employee, agent, or third-party contractor of Franchisor, as Franchisor may direct.

### **3.11 Fulfillment of Obligations**

In fulfilling its obligations pursuant to this Agreement, and in conducting any activities or exercising any rights pursuant to this Agreement, Franchisor (and its affiliates) shall have the right: (i) to take into account, as it sees fit, the effect on, and the interests of, other franchised businesses and systems and in which Franchisor has an interest and on Franchisor's (and its affiliates') own activities; (ii) to share market and product research, and other proprietary and non-proprietary business information, with other franchised businesses and systems in which Franchisor (or its affiliates) has an interest, or with Franchisor's affiliates; (iii) to introduce proprietary and non-proprietary items or operational equipment used by the System into other franchised systems in which Franchisor has an interest; and/or (iv) to allocate resources and new developments between and among systems, and/or Franchisor's affiliates, as Franchisor sees fit. Franchisee understands and agrees that all of Franchisor's obligations under this Agreement are subject to this Section 3.11, and that nothing in this Section 3.11 shall in any way affect Franchisee's obligations under this Agreement.

### **3.12 Franchisor as Attorney-in-Fact**

Notwithstanding any forms and documents which may have been executed by Franchisee under Section 8.25, Franchisee hereby appoint the Franchisor as your true and lawful attorney-in-fact with full power and authority, for the sole purpose of obtaining any and all returns and reports filed by the Franchisee with any state and/or federal taxing authority pertaining to the Franchised Restaurant. This power of attorney shall survive the expiration or termination of this Agreement.

## **4. FEES**

### **4.1 Franchise Fee**

The Franchisee shall pay to the Franchisor a franchise fee of Forty Thousand Dollars (\$40,000), payable upon the execution of this Agreement (the "Franchise Fee"). If applicable, the Franchise Fee will be less any amount applied by the Franchisor from a development fee heretofore paid pursuant to an area development agreement between the parties. The amount of the franchise fee when so paid shall be deemed fully earned in consideration of the administrative and other expenses incurred by us in granting the franchise hereunder and for our lost or deferred opportunity to grant such franchise to any other party, and shall not be refundable.

### **4.2 Refundability of Franchise Fee**

Payment of the Franchise Fee shall be non-refundable in consideration of administrative and other expenses incurred by Franchisor in granting this franchise and for Franchisor's lost or deferred opportunity to franchise others.

### **4.3 Royalty Fees**

For each week during the term of this Agreement, Franchisee shall: (a) pay Franchisor a continuing royalty fee in an amount equal to six percent (6%) of the Gross Sales of the Franchised Restaurant ("Royalty Fees"); and (b) report to Franchisor, in the manner specified by Franchisor, its Gross Sales (a "Sales Report"). As used in this Agreement, the following terms shall apply:

4.3.1 The term "Gross Sales" means all revenue from the sale of all Products and all other income of every kind and nature related to, derived from, or originating from the Franchised Restaurant, whether at retail or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit; provided, however, that "Gross Sales" excludes any customer refunds, coupon sales, sales taxes, and/or other taxes collected from customers by Franchisee and actually transmitted to the appropriate taxing authorities.

4.3.2 If a state or local law in which the Franchised Restaurant is located prohibits or restricts in any way Franchisee's ability to pay and Franchisor's ability to collect Royalty Fees or other amounts based on Gross Sales derived from the sale of alcoholic beverages at the Franchised Restaurant, if the Franchised Restaurant is approved to offer alcoholic beverages, then Franchisor and Franchisee shall increase the percentage rate for calculating Royalty Fees, and change the definition of Gross Sales to exclude sales of alcoholic beverages, in a manner such that the Royalty Fees to be paid by Franchisee, and received by Franchisor, shall be equal to such amounts as Franchisee would have been required to pay, and Franchisor would have received, if sales from alcoholic beverages were included in Gross Sales.

4.3.3 If any state imposes a sales or other tax on the Royalty Fees, then Franchisor has the right to collect this tax from Franchisee.

#### **4.4 Marketing Fund Contributions**

Franchisee shall make weekly marketing fund contributions for marketing and promotion as Franchisor may direct pursuant to Section 13.1 based on the Gross Sales of the Franchised Restaurant.

#### **4.5 When Payments Due**

All payments required by Sections 4.3 and 4.4 above based on the Gross Sales for the preceding week, and the Sales Report required by Section 4.3 for the Gross Sales for the preceding week, shall be paid and submitted so as to be received by Franchisor by Wednesday of each week. Franchisee shall deliver to Franchisor any and all reports, statements and/or other information required under Section 12.2 below, at the time and in the format reasonably requested by Franchisor. Franchisee shall establish an arrangement for electronic funds transfer or deposit of any payments required under this Section. Franchisee shall execute Franchisor's current form of "Authorization Agreement for Prearranged Payments (Direct Debits)," a copy of which is attached to this Agreement as Exhibit D, and Franchisee shall comply the payment and reporting procedures specified by Franchisor in the Manual. Franchisee expressly acknowledges and agrees that Franchisee's obligations for the full and timely payment of Royalty Fees and Advertising Contributions (and all other amounts provided for in this Agreement) shall be absolute, unconditional, fully earned, and due upon Franchisee's generation and receipt of Gross Sales. Franchisee shall not for any reason delay or withhold the payment of all or any part of those or any other payments due hereunder, put the same in escrow or set-off same against any claims or alleged claims Franchisee may allege against Franchisor, the Marketing Fund, the Cooperative Ad Fund or others. Franchisee shall not, on grounds of any alleged non-performance by Franchisor or others, withhold payment of any fee, including without limitation Royalty Fees or advertising contributions, nor withhold or delay submission of any reports due hereunder, including but not limited to Sales Reports.

#### **4.6 Additional Payments**

Franchisee shall pay to Franchisor, within fifteen (15) days of any written request by Franchisor which is accompanied by reasonable substantiating material, any monies which Franchisor has paid, or has become obligated to pay, on behalf of Franchisee, by consent or otherwise under this Agreement.

#### **4.7 Interest on Overdue Payments**

Any payment that is not actually received by Franchisor on or before its due date shall be deemed overdue. If any payment is overdue, Franchisee shall pay Franchisor immediately upon demand, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid at the rate of eighteen percent (18%) per annum or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies Franchisor may have. Franchisee acknowledges that this Section shall not constitute Franchisor's agreement to accept such payments after same are due or a commitment by Franchisor to extend credit to or otherwise finance Franchisee's operation of the Restaurant. Franchisee acknowledges that failure to pay all such amounts when due shall constitute grounds for termination of this Agreement as provided herein, notwithstanding the provisions of this Section.

#### **4.8 No Subordination**

Franchisee shall not subordinate to any other obligation its obligation to pay Franchisor the royalties and/or any other fee or charge payable to Franchisor, whether under this Agreement or otherwise.

## **5. SITE SELECTION, CONSTRUCTION AND OPENING OF BUSINESS**

### **5.1 Identifying and Securing Sites**

Franchisee shall, within one hundred twenty (120) days from the date this Agreement is executed, be solely responsible for identifying, submitting for Franchisor's approval, and securing a site for its Franchised Restaurant. The following terms and conditions shall apply to Franchisee's Franchised Restaurant:

5.1.1 Franchisee shall submit to Franchisor, in a form specified by Franchisor, a completed site approval package, which shall include a site approval form prescribed by Franchisor, an option contract, letter of intent, or other evidence satisfactory to Franchisor which describes Franchisee's favorable prospects for obtaining such site, photographs of the site, demographic statistics, and such other information or materials as Franchisor may reasonably require (collectively, the "Site Approval Package"). Franchisor shall have fifteen (15) days after receipt of the Site Approval Package from Franchisee to approve or disapprove, in its sole discretion, the proposed site for the Franchised Restaurant. In the event Franchisor does not approve a proposed site by written notice to Franchisee within said fifteen (15) days, such site shall be deemed disapproved by Franchisor. No site shall be deemed approved unless it has been expressly approved in writing by Franchisor.

5.1.2 Following Franchisor's approval of a proposed site, Franchisee shall use its best efforts to secure such site, either through a lease/sublease that is acceptable to Franchisor, as provided in Section 5.2 below, or a binding purchase agreement, and shall do so within sixty (60) days of approval of the site by Franchisor. Franchisee shall immediately notify Franchisor of the execution of the approved lease or binding purchase agreement. The site approved and secured pursuant to this Agreement shall be specified as the Approved Location.

5.1.3 Approval by Franchisor of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by Franchisor of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Franchisee's expectations as to revenue or operational criteria.

5.1.4 If the Franchisor and Franchisee cannot agree on a mutually acceptable site within one hundred twenty (120) days after the signing of the Franchise Agreement, Franchisor shall have right, title and interest to terminate the Franchise Agreement.

### **5.2 Lease Terms**

If Franchisee will occupy the premises from which the Franchised Restaurant will be operated under a lease or sublease, Franchisee shall, prior to execution of such lease, submit the lease to Franchisor for its review and approval; provided, however, if pre-submission to Franchisor is not possible, then Franchisee may sign the lease only on the condition, agreed to in writing by the lessor, that the lease shall become null and void if Franchisor does not approve such lease. Franchisor's approval of the lease or sublease may be conditioned upon the inclusion of such provisions as Franchisor may reasonably require,

including, without limitation, the terms and conditions set forth by Franchisor in the Manual or otherwise in writing from time to time, a current list of which is included in Exhibit G to this Agreement.

### **5.3 Preparing a Location**

Before commencing any construction of the Franchised Restaurant, Franchisee, at its expense, shall comply, to Franchisor's satisfaction, with all of the following requirements:

5.3.1 Franchisee shall employ a qualified, licensed architect or engineer who has been approved or designated (as described below) by Franchisor to prepare, subject to Franchisor's approval, preliminary plans and specifications for site improvement and/or construction of the Franchised Restaurant based upon prototype plans and/or specifications furnished by Franchisor, as described in Section 3.1 above. Franchisor shall have the right to designate one or more suppliers of design services and/or architecture services to supply such services to the System. If Franchisor designates a design firm and/or architecture firm prior to the time Franchisee commences to develop the Franchised Restaurant, Franchisee shall employ such designated supplier(s) to prepare all designs and plans for the Franchised Restaurant, unless Franchisee obtains Franchisor's prior written approval to use an alternative professional. If Franchisor has not designated a design firm or architecture firm, Franchisee shall be responsible for locating and employing a qualified design consultant and architect who is/are licensed in the jurisdiction in which the Franchised Restaurant will be located, and who is reputable and experienced in providing design and architecture services. Franchisee shall be solely responsible for payments for all design and architecture services. Franchisee acknowledges and agrees that Franchisor shall not be liable for the unsatisfactory performance of any contractor retained by Franchisee.

5.3.2 Franchisee shall comply with all federal, state and local laws, codes and regulations, including the applicable provisions of the ADA regarding the construction, design and operation of the Franchised Restaurant. In the event Franchisee receives any complaint, claim, other notice alleging a failure to comply with the ADA, Franchisee shall provide Franchisor with a copy of such notice within five (5) days after receipt thereof.

5.3.3 Franchisee shall be responsible for obtaining all zoning classifications and clearances that may be required by state or local laws, ordinances, or regulations or that may be necessary or advisable owing to any restrictive covenants relating to the Approved Location. After having obtained such approvals and clearances, Franchisee shall submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Franchisor's review and approval of plans shall be limited to review of such plans to assess compliance with Franchisor's design standards for Rachel's Kitchen Restaurants, including such items as trade dress, presentation of Proprietary Marks, and the providing to the potential customer of certain products and services that are central to the functioning of Rachel's Kitchen Restaurants. Such review is not designed to assess compliance with federal, state or local laws and regulations, including the ADA, as compliance with such laws is the sole responsibility of Franchisee. Once approved by Franchisor, such final plans shall not thereafter be changed or modified without the prior written permission of Franchisor. Any such change made without Franchisor's prior written permission shall constitute a default and Franchisor may withhold its authorization to open the Franchised Restaurant until the unauthorized change is rectified (or reversed) to Franchisor's reasonable satisfaction. Prior to opening the Franchised Restaurant and prior to renovating the Franchised Restaurant after its initial opening, Franchisee shall execute an ADA Certification in the form attached to this Agreement as Exhibit B that certifies in writing to Franchisor that the Franchised Restaurant and any proposed renovations comply with the ADA.

5.3.4 Franchisee shall obtain all permits and certifications required for the lawful construction and operation of the Franchised Restaurant and shall certify in writing to Franchisor that all such permits and certifications have been obtained.

5.3.5 Franchisee shall employ a qualified licensed general contractor who is acceptable to Franchisor to construct the Franchised Restaurant and to complete all improvements. Franchisee shall obtain and maintain in force during the entire period of construction the insurance required under Section 14 below.

5.3.6 Throughout the construction process, Franchisee shall comply with Franchisor's requirements and procedures for periodic inspections of the Premises, and shall fully cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request.

#### **5.4 Opening Date**

Unless delayed by the occurrence of events constituting "force majeure" as defined in Section 5.5 below, Franchisee shall construct, furnish, and open the Franchised Restaurant in accordance with this Agreement and shall open the Franchised Restaurant the earlier of six (6) months following the execution of this Agreement or four (4) months after the Approved Location is identified. Time is of the essence. Franchisee shall provide Franchisor with written notice of its specific intended opening date and Franchisee's request for Franchisor's approval to open on such date, by no later than thirty (30) days prior to such intended opening date. Additionally, Franchisee shall comply with all other of Franchisor's pre-opening requirements, conditions and procedures (including, without limitation, those regarding pre-opening scheduling and communications) as set forth in this Agreement, the Manual, and/or elsewhere in writing by Franchisor, and shall obtain Franchisor's written approval prior to opening the Franchised Restaurant.

#### **5.5 Force Majeure**

As used in this Agreement, "**force majeure**" means (a) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material, or energy, or the voluntary forgoing of 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 national, state, provincial, municipal or other government or any department or agency thereof; (b) compliance with any law, ruling, order, regulation, requirement, or instruction of any national, state, provincial, municipal or other government or any department or agency thereof; (c) acts of God; (d) acts of war or insurrection; (e) strikes, lockouts, boycotts, fire and other casualties; (f) pandemics or epidemics; or (g) any other similar event or cause; provided, however, force majeure shall not include Franchisee's lack of adequate financing, inability to secure necessary permits or licenses, or any event or circumstance within the Franchisee's reasonable control. Any delay resulting from any of said causes shall extend performance accordingly or excuse performance in whole or in part as may be reasonable, except that said causes shall not excuse payments of amounts owed at the time of such occurrence or payment of amounts or fees thereafter, and as soon as performance is possible the non-performing party shall immediately resume performance. The ability to invoke this clause is conditioned upon delivery of written notice to the other party stating the basis for such invocation as soon as reasonably practical – in no event longer than ten (10) days – after learning of the basis. The party invoking this clause shall use reasonable efforts to limit damages to the other party.

## **6. TRAINING**

### **6.1 Initial Training and Attendees**

Before opening the Franchised Restaurant, Franchisee shall have satisfied all initial training obligations required by Franchisor, which are as follows:

6.1.1 Franchisee (or, if Franchisee is other than an individual, the Designated Principal (defined in Section 8.3 below)) and two (2) additional managers or key employees (a maximum of three (3) persons total), shall attend and successfully complete, to Franchisor's satisfaction, the initial training program offered by Franchisor at a location designated by Franchisor. The duration of the initial training will be two (2) to three (3) weeks. Franchisor shall bear the costs for providing the initial training program, and Franchisee shall bear the costs of its trainees in attending such initial training program, including, but not limited to, travel, lodging, meals and wages. If any required attendee does not satisfactorily complete such training, Franchisor may require that a replacement person attend and successfully complete, to Franchisor's satisfaction, the initial training program. If Franchisee is required to send a replacement trainee to Franchisor's initial training program, Franchisee shall bear the costs of such training, including Franchisor's then-current fee and the trainee's expenses, such as travel, lodging, meals and wages.

6.1.2 If Franchisee is other than an individual, Franchisor may require (in addition to the training of the Designated Principal and General Manager) that any or all owners of beneficial interests in Franchisee (each a "Principal"), who are individuals and own at least a ten percent (10%) beneficial interest in Franchisee, attend and successfully complete, to Franchisor's satisfaction, such portions of the initial training program as determined by Franchisor appropriate for Principals not involved in the day-to-day operations of the Franchised Restaurant.

6.1.3 Franchisee must satisfy all pre-opening training requirements under this Section 6.1 by no later than thirty (30) days prior to the schedule opening of the Franchised Restaurant.

6.1.4 Franchisor reserves the right to require that certain of Franchisee's personnel be certified by Franchisor in their respective job duties.

### **6.2 New or Replacement Designated Principal and General Managers**

In the event that Franchisee's Designated Principal or General Manager ceases active employment in the Franchised Restaurant, Franchisee shall enroll a qualified replacement who is reasonably acceptable to Franchisor in Franchisor's training program reasonably promptly following cessation of employment of said individual, provided that Franchisee may train replacement General Managers in accordance with Section 6.3 below. The replacement Designated Principal and any required General Managers shall complete the initial training program as soon as is practicable and in no event later than any time periods as Franchisor may specify from time to time in the Manual and otherwise in writing. Franchisor reserves the right to review any Franchisee trained personnel and require that such persons attend and complete, to the satisfaction of Franchisor, the initial training program offered by Franchisor at a location designated by Franchisor.

### **6.3 Training by Franchisee of Additional or Replacement General Managers**

Franchisee shall have the option of training any General Manager (following the training of the first manager by Franchisor) at the Franchised Restaurant or other Rachel's Kitchen Restaurants operated by Franchisee or its affiliates, provided that: (a) the training is conducted by the Designated Principal or other personnel who have completed Franchisor's initial training program to the satisfaction of the

Franchisor (and who remains acceptable to Franchisor to provide such training); (b) the training is conducted in accordance with any requirements or standards as Franchisor may from time to time establish in writing for such training; and (c) Franchisee is in compliance with all agreements between Franchisee and Franchisor. Franchisor reserves the right to require Franchisee to pay Franchisor's then-current per diem charges for such training.

#### **6.4 Refresher Training**

Franchisor may also require that Franchisee or its Designated Principal and General Manager(s) attend such refresher courses, seminars, and other training programs as Franchisor may reasonably require from time to time, provided that such training shall not exceed three (3) days per person each year, and attendance for up to three (3) days per person each year at conventions, if any, conducted for Franchisor's franchisees.

#### **6.5 Training Costs**

The cost of all training (instruction and required materials) shall be borne by Franchisor, except as provided in Section 6.7 below or as otherwise provided in this Section 6. All other expenses incurred in connection with training, including without limitation the costs of transportation, lodging, meals, wages, and worker's compensation insurance, shall be borne by Franchisee.

#### **6.6 Location of Training**

All training programs shall be at such times as may be designated by Franchisor. Training programs shall be provided at Franchisor's headquarters and/or such other locations as Franchisor may designate.

#### **6.7 Additional On-site Training**

If Franchisee requests that Franchisor provide additional on-site training or that any other training programs offered or required by Franchisor be conducted for Franchisee at the Franchised Restaurant, and Franchisor does so, then Franchisee agrees that it shall pay Franchisor's then-current per diem charges and out-of-pocket expenses, which shall be as set forth in the Manual or otherwise in writing.

#### **6.8 Hiring Practices**

You and the Controlling Principals understand that compliance by all franchisees and multi-unit developers operating under the System with our training, development and operational requirements is an essential and material element of the System and that we and franchisees and multi-unit developers operating under the System consequently expend substantial time, effort and expense in training management personnel for the development and operation of their respective Restaurants. Accordingly, you and the Controlling Principals agree that if you or any Controlling Principal shall, during the term of this Agreement, designate as General Manager or employ in a managerial position any individual who is at the time or was within the preceding ninety (90) days employed in a managerial or supervisory position by us or our affiliates, including, but not limited to, individuals employed to work in Restaurants operated by us or by our affiliates, or by any other franchisee, then such former employer of such individual shall be entitled to be compensated for the reasonable costs and expenses, of whatever nature or kind, incurred by such employer in connection with the training of such employee. The parties hereto agree that such expenditures may be uncertain and difficult to ascertain and therefore agree that the compensation specified herein reasonably represents such expenditures and is not a penalty. An amount equal to the compensation of such employee for the six (6) month period (or such shorter time, if applicable) immediately prior to the termination of his employment with such former employer shall be paid by you to the former employer prior to such individual assuming the position of General Manager or other managerial position unless

otherwise agreed with the former employer. In seeking any individual to serve as General Manager, or in such other managerial position, you and the Controlling Principals shall not discriminate in any manner whatsoever to whom the provisions of this Section apply, on the basis of the compensation required to be paid hereunder, if you or any Controlling Principal designate or employ such individual. The parties hereto expressly acknowledge and agree that no current or former employee of us, you, or of any other entity operating under the System shall be a third party beneficiary of this Agreement or any provision hereof. Notwithstanding the above, solely for purposes of bringing an action to collect payments due under this Section, such former employer shall be a third party beneficiary of this Section 6.6. We hereby expressly disclaim any representations and warranties regarding the performance of any employee or former employee of ours, or any franchisee or multi-unit developer under the System who is designated as your General Manager or employed by you or any of the Controlling Principals in any capacity, and we shall not be liable for any losses, of whatever nature or kind, incurred by you or any Controlling Principal in connection therewith. You are solely responsible for hiring, firing and establishing employment policies applicable to your employees, and understands and agrees that this Franchise Agreement does not impose any controls, or otherwise impinge, on your sole discretion to make all employment-related decisions. You are solely responsible for the acts and omissions of its employees and agents, including, without limitation, its General Manager.

## **7. TECHNOLOGY**

### **7.1 Computer Systems and Required Software**

The following terms and conditions shall apply with respect to the Computer System and Required Software:

7.1.1 Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among Rachel's Kitchen Restaurants, including without limitation: (a) back office and point of sale systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at Rachel's Kitchen Restaurants, between or among Rachel's Kitchen Restaurants, and between and among the Franchised Restaurant and Franchisor and/or Franchisee; (b) Cash Register Systems; (c) physical, electronic, and other security systems; (d) printers and other peripheral devices; (e) archival back-up systems; and (f) internet access mode and speed (collectively, the "Computer System").

7.1.2 Franchisor shall have the right, but not the obligation, to develop or have developed for it, or to designate: (a) computer software programs and accounting system software that Franchisee must use in connection with the Computer System ("Required Software"), which Franchisee shall install; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee shall install; (c) the tangible media upon which such Franchisee shall record data; and (d) the database file structure of Franchisee's Computer System.

7.1.3 Franchisee shall record all sales on computer-based point of sale systems approved by Franchisor or on such other types of cash registers as may be designated by Franchisor in the Manual or otherwise in writing ("Cash Register Systems"), which shall be deemed part of the Franchisee's Computer System.

7.1.4 Franchisee shall make, from time to time, such upgrades and other changes to the Computer System and Required Software as Franchisor may request in writing (collectively, "Computer Upgrades").

7.1.5 Franchisee shall comply with all specifications issued by Franchisor with respect to the Computer System and the Required Software, and with respect to Computer Upgrades. Franchisee shall also afford Franchisor unimpeded access to Franchisee's Computer System and Required Software as Franchisor may request, in the manner, form, and at the times requested by Franchisor.

## 7.2 Data

Franchisor may, from time to time, specify in the Manual or otherwise in writing the information that Franchisee shall collect and maintain on the Computer System installed at the Franchised Restaurant, and Franchisee shall provide to Franchisor such reports as Franchisor may reasonably request from the data so collected and maintained. All data pertaining to the Franchised Restaurant, and all data created or collected by Franchisee in connection with the System, or in connection with Franchisee's operation of the business (including without limitation data pertaining to or otherwise concerning the Franchised Restaurant's customers) or otherwise provided by Franchisee (including, without limitation, data uploaded to or downloaded from Franchisee's Computer System) is and will be owned exclusively by Franchisor, and Franchisor will have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee. Copies and/or originals of such data must be provided to Franchisor upon Franchisor's request. Franchisor hereby licenses use of such data back to Franchisee for the term of this Agreement, at no additional cost, solely for Franchisee's use in connection with the business franchised under this Agreement.

## 7.3 Privacy

Franchisee shall abide by all applicable laws pertaining to privacy of information collected or maintained regarding customers or other individuals ("Privacy"), and shall comply with Franchisor's standards and policies pertaining to Privacy. If there is a conflict between Franchisor's standards and policies pertaining to Privacy and applicable law, Franchisee shall: (a) comply with the requirements of applicable law; (b) immediately give Franchisor written notice of said conflict; and (c) promptly and fully cooperate with Franchisor and Franchisor's counsel as Franchisor may request to assist Franchisee in its determination regarding the most effective way, if any, to meet Franchisor's standards and policies pertaining to Privacy within the bounds of applicable law.

## 7.4 Telecommunications

Franchisee shall comply with Franchisor's requirements (as set forth in the Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between Franchisee's Computer System and Franchisor's Extranet (as defined below), if any, and/or such other computer systems as Franchisor may reasonably require.

## 7.5 Extranet

Franchisor may establish a website providing private and secure communications between Franchisor, Franchisee, franchisees, licensees and other persons and entities as determined by Franchisor, in its sole discretion (an "Extranet"). Franchisee shall comply with Franchisor's requirements (as set forth in the Manual or otherwise in writing) with respect to connecting to the Extranet, and utilizing the Extranet in connection with the operation of the Franchised Restaurant. The Extranet may include, without limitation, the Manual, training other assistance materials, and management reporting solutions (both upstream and downstream, as Franchisor may direct). Franchisee shall purchase and maintain such computer software and hardware as may be required to connect to and utilize the Extranet.

## **7.6 Websites and Social Media**

As used in this Agreement, the term “Website” means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website, Franchisee agrees to the following:

7.6.1 Franchisor shall have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Proprietary Marks, any or all of the Products, Rachel’s Kitchen Restaurants, the franchising of Rachel’s Kitchen Restaurants, and/or the System. Franchisor shall have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage; Franchisor shall also have the right to discontinue operation of the website.

7.6.2 Franchisor shall have the right, but not the obligation, to designate one or more web page(s) to describe Franchisee and/or the Franchised Restaurant, with such web page(s) to be located within Franchisor’s Website. Franchisee shall comply with Franchisor’s policies with respect to the creation, maintenance and content of any such web pages; and Franchisor shall have the right to refuse to post and/or discontinue posting any content and/or the operation of any web page.

7.6.3 Franchisee shall not establish a separate Website, without Franchisor’s prior written approval. Such approval may be granted or withheld at Franchisor’s sole discretion. If approved to establish a Website, Franchisee shall comply with Franchisor’s policies, standards and specifications with respect to the creation, maintenance and content of any such Website. Franchisee specifically acknowledges and agrees that any Website owned or maintained by or for the benefit of Franchisee shall be deemed “advertising” under this Agreement, and will be subject to (among other things) Franchisor’s approval under Section 13 below.

7.6.4 You are not permitted to promote your Franchised Restaurant or use any of the Proprietary Marks in any manner on any social or networking websites, such as Facebook, LinkedIn or Twitter, without our prior written consent. We alone may establish, maintain, modify or discontinue all internet activities pertaining to the System, including through the use of a page or profile on a social media website such as Facebook, Instagram, TikTok, Twitter or Snapchat. You must comply with our System standards regarding the use of social media in your Franchised Restaurant’s operation, including prohibitions on your and the Franchised Restaurant’s employees posting or blogging comments about the Franchised Restaurant or the System, other than on a website established or authorized by us (“social media” includes personal blogs, common social networks like Facebook and Instagram, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools). We will provide access to branded social media pages/handles/assets, and you must update these regularly. We reserve the right to conduct collective/national campaigns via local social media on your behalf. Franchisee further acknowledges and agrees that Franchisor shall have the sole right and responsibility to respond to any reviews of Rachel’s Kitchen Restaurants posted on Yelp, TripAdvisor or any other similar Website, and Franchisee shall not respond to any such reviews.

7.6.5 Any websites or other modes of electric commerce that the Franchisor establishes or maintains, including but not limited to any apps that the Franchisor may introduce, may, in addition to advertising and promoting the products, programs or services available at Rachel’s Kitchen Restaurants, also be devoted in part to offering Rachel’s Kitchen franchises for sale and be used by the Franchisor to exploit the electronic commerce rights which the Franchisor alone reserve.

### **7.7     Online Use of Marks**

Franchisee shall not use the Proprietary Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any e-mail address, domain name, and/or other identification of Franchisee in any electronic medium. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without Franchisor's prior written consent as to Franchisee's plan for transmitting such advertisements.

### **7.8     No Outsourcing without Prior Written Approval**

Franchisee shall not hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, or any other of Franchisee's obligations without Franchisor's prior written approval therefor. Franchisor's consideration of any proposed outsourcing vendor(s) may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with Franchisor and Franchisee in a form that is reasonably provided by Franchisor.

### **7.9     Changes to Technology**

Franchisee and Franchisor acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and Franchisee agrees that it shall abide by those reasonable new standards established by Franchisor as if this Section 7 were periodically revised by Franchisor for that purpose.

### **7.10    Video Cameras**

Franchisee shall purchase, install, and maintain the video cameras or "web cams" that Franchisor specifies to allow Franchisor to visually monitor Franchisee's Restaurant.

## **8.     OTHER DUTIES OF FRANCHISEE**

### **8.1     Details of Operation**

Franchisee understands and acknowledges that every detail of the System and this Agreement is important to Franchisee, Franchisor, and other franchisees in order to develop and maintain high operating, quality and service standards, to increase the demand for the Products sold by all operators, to protect Rachel's Kitchen Restaurants operating under the System, and to protect the reputation and goodwill of Franchisor.

### **8.2     Compliance with the Agreement, including the Manual**

Franchisee shall operate the Franchised Restaurant in strict conformity with this Agreement and such standards and specifications as Franchisor may from time to time prescribe in the Manual or otherwise in writing. Any deviation from such standards, specifications, and procedures is strictly prohibited without the prior written consent of Franchisor, which may be granted or withheld at Franchisor's sole discretion.

### **8.3 Management of Business & Designated Principal**

If Franchisee is other than an individual, prior to beginning training, Franchisee shall comply with the following:

8.3.1 Franchisee shall designate, subject to Franchisor's reasonable approval, one Principal who is both an individual person and owns at least a ten percent (10%) beneficial interest in Franchisee, and who shall be responsible for general oversight and management of the operations of the Franchised Restaurant on behalf of Franchisee (the "Designated Principal"). In the event the person designated as the Designated Principal dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to supervise the operations of the Franchised Restaurant, Franchisee shall promptly designate a new Designated Principal, subject to Franchisor's reasonable approval.

8.3.2 Franchisee shall inform Franchisor in writing whether Franchisee or, if Franchisee is other than an individual, the Designated Principal, will assume full-time responsibility for the daily supervision and operation of the Franchised Restaurant (the "General Manager").

8.3.3 Franchisee acknowledges and agrees that Franchisor shall have the right to rely upon either or both the Designated Principal or General Manager to have been given by Franchisee the responsibility and decision-making authority regarding the Franchised Restaurant's operation and Franchisee's business.

### **8.4 Staffing**

Franchisee agrees to maintain a competent, conscientious, staff (who are trained by Franchisee to Franchisor's standards and requirements) in numbers sufficient to promptly service customers and to take such steps as are necessary to ensure that its employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; comply with such uniforms and/or dress code as Franchisor may prescribe; and meet such minimum standards as Franchisor may establish from time to time in the Manual. In no way limiting the foregoing, Franchisee shall have on duty at all times the number of managers and employees as required by Franchisor. Franchisee shall be solely responsible for all employment decisions and functions of the Franchised Restaurant, including those related to hiring, firing, wage and hour requirements, recordkeeping, supervision, and discipline of employees.

### **8.5 Use of Premises**

Franchisee shall use the Premises solely for the operation of the Franchised Restaurant; shall keep the Franchised Restaurant open and in normal operation for such minimum hours and days as Franchisor may specify; shall refrain from using or permitting the use of the Premises for any other purpose or activity at any time without first obtaining the written consent of Franchisor. As described in Section 1.3 herein, Franchisee shall not engage in catering services except with Franchisor's prior written approval and only in accordance with the terms and conditions specified in writing by Franchisor, including without limitation guidelines and requirements relating to insurance coverage and vehicle use in such activities.

### **8.6 Conformity to Standards**

To insure that the highest degree of quality and service is maintained, Franchisee shall operate the Franchised Restaurant in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manual or otherwise in writing. Without limitation, Franchisee agrees as follows:

8.6.1 Franchisee shall purchase and install prior to the opening of the Franchised Restaurant, and thereafter maintain, all fixtures, furnishings, equipment, decor, and signs, and maintain in sufficient supply supplies and materials, as Franchisor may prescribe in the Manual or otherwise in writing. Franchisee shall refrain from deviating therefrom by the use of any unapproved item without the prior written consent of Franchisor.

8.6.2 Franchisee shall offer and sell only Products that Franchisor specifies from time to time. Any deviation from this requirement must be approved in writing by Franchisor; and Franchisee shall offer and sell all Products as Franchisor may specify from time to time as required offerings at the Franchised Restaurant. Franchisee shall offer and sell the Products utilizing the ingredients and employing the preparation standards and techniques as specified by Franchisor. Franchisee is prohibited from offering or selling any products or services at or from the Franchised Restaurant that have not previously been authorized by Franchisor, and shall discontinue selling and offering for sale any Products which Franchisor shall have the right to disapprove, in writing, at any time. If Franchisee wishes to offer or sell any products or services that have not previously been authorized by Franchisor, Franchisee must first make a written request to Franchisor, requesting authorization to offer or sell such products or services in accordance with Section 8.7 below. Franchisor reserves the right to deny such approval at its sole discretion.

8.6.3 Franchisee shall permit Franchisor or its agents, at any reasonable time, to remove samples of Products, without payment therefor, in amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether said samples meet Franchisor's then-current standards and specifications. In addition to any other remedies it may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of the item has not previously been approved by Franchisor or if the sample fails to conform to Franchisor's specifications.

8.6.4 Franchisee may, with Franchisor's prior written consent, offer beer, wine, or other forms of liquor ("Alcoholic Beverages") at the Franchised Restaurant. Franchisee acknowledges and agrees that if Franchisor authorizes Franchisee to offer Alcoholic Beverages at the Franchised Restaurant, Franchisee shall: (i) be solely responsible for complying with all laws, regulations, and any other legal requirements relating to alcohol and alcohol service or preparation; (ii) shall comply with Franchisor's standards, specifications and terms of Franchisor regarding the offer, sale, and presentation of Alcoholic Beverages, and shall obtain and maintain such additional insurance coverage as Franchisor may require pursuant to Section 14 of this Agreement.

8.6.5 Franchisee shall participate in all customer surveys and satisfaction audits, which may require that Franchisee provide discount or complimentary Products, provided that such discounted or complimentary sales shall not be included in the Gross Sales of the Franchised Restaurant. Additionally, Franchisee shall participate in any complaint resolution and other programs as Franchisor may reasonably establish for the System, which programs may include, without limitation, providing discounts or refunds to customers.

8.6.6 In the event Franchisee sells any food, beverage, products, novelty items, clothing, souvenirs or performs any services that Franchisor has not prescribed, approved or authorized, Franchisee shall, immediately upon notice from Franchisor: (i) cease and desist offering or providing the unauthorized or unapproved food, beverage, product, premium, novelty item, clothing, souvenir or from performing such services and (ii) pay to Franchisor, on demand, a prohibited product or service fine equal to Two Hundred Fifty Dollars (\$250) per day for each day such unauthorized or unapproved food, beverage, product, premium, novelty item, clothing, souvenir or service is offered or provided by Franchisee after written notice from Franchisor plus any applicable non-compliance fee as stated in Section 8.6.7 of this Agreement.

The prohibited product or service fine shall be in addition to all other remedies available to Franchisor under this Agreement or at law.

8.6.7 In the event Franchisee is, at any time during the term of this Agreement, found to not be in compliance with the terms hereof and/or the System Standards or this Agreement and has failed to cure such failure within the stated cure period herein, Franchisee agrees to pay to Franchisor one hundred dollars (\$100) the first time Franchisee is found to not be in-compliance with the System; two hundred fifty dollars (\$250) for the second time Franchisee is found to not be in-compliance with the System; and five hundred dollars (\$500) for the third and any subsequent times Franchisee is found to not be in-compliance with the System. If Franchisee's non-compliance is monetary in nature, Franchisor reserves the right to notify Franchisee's credit union or other banking institution that issued a loan or line of credit for the Franchised Restaurant of Franchisee's failure to comply with this Agreement. Franchisee agrees that such fee and banking notification is in addition to any other rights or remedies Franchisor may have under this Agreement or at law. Franchisor reserves the right, in its sole discretion, to grant Franchisee the opportunity to cure the non-compliance prior to imposing the Non-Compliance Fee. Franchisor has the right to require any form of verification to determine non-compliance, with or without cause, including but not limited to documentation, photos, video tours, etc. and that Franchisee shall be required to furnish such verification within seventy-two (72) hours of Franchisor's request. Franchisor has the right to make personal visits without notice to the Franchised Restaurant.

8.6.7 Franchisee shall sell or otherwise issue gift cards or certificates (together "Gift Cards") that have been prepared utilizing the standard form of Gift Card provided or designated by Franchisor, and only in the manner specified by Franchisor in the Manual or otherwise in writing. Franchisee shall fully honor all Gift Cards that are in the form provided or approved by Franchisor regardless of whether a Gift Card was issued by Franchisee or another Rachel's Kitchen Restaurant. Franchisee shall sell, issue, and redeem (without any offset against any Royalty Fees) Gift Cards in accordance with procedures and policies specified by Franchisor in the Manual or otherwise in writing, including those relating to procedures by which Franchisee shall request reimbursement for Gift Cards issued by other Rachel's Kitchen Restaurants and for making timely payment to Franchisor, other operators of Rachel's Kitchen Restaurants, or a third-party service provider for Gift Cards issued from the Franchised Restaurant that are honored by Franchisor or other Rachel's Kitchen Restaurant operators. Franchisor reserves the right to alter the terms and conditions of any gift card programs, including reserving the right to apply changes retroactively to benefits already accrued under such programs

## **8.7 Purchases and Approved Suppliers**

Franchisee shall purchase all equipment, fixtures, furnishings, signs, décor, supplies, services, and products (including the Products) required for the establishment and operation of the Franchised Restaurant from suppliers designated or approved in writing by Franchisor (as used in this Section 8.7 the term "supplier" shall include manufacturers, distributors and other forms of suppliers). In determining whether it will approve any particular supplier, Franchisor shall consider various factors, including but not limited to whether the supplier can demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's then-current standards and specifications for such items; who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; whose approval would enable the System, in Franchisor's sole opinion, to take advantage of marketplace efficiencies; and who have been approved in writing by Franchisor prior to any purchases by Franchisee from any such supplier, and have not thereafter been disapproved. Franchisor reserves the right to designate, at any time and for any reason, a single supplier for any equipment, supplies, services, or products (including any Products) and to require

Franchisee to purchase exclusively from such designated supplier, which exclusive designated supplier may be Franchisor or an affiliate of Franchisor.

8.7.1 Notwithstanding anything to the contrary in this Agreement, Franchisee shall purchase all of its requirements for Proprietary Products from Franchisor's designee(s), as set forth in Section 8.8 below (through such distributor or distributors as Franchisor may designate). Franchisor shall have the right to introduce additional, substitute new, or discontinue Proprietary Products from time to time.

8.7.2 If Franchisee desires to purchase any Products (except for Proprietary Products) or other items, equipment, supplies, services from suppliers other than those previously designated or approved by Franchisor, Franchisee must first submit to Franchisor a written request for authorization to purchase such items. Franchisee shall not purchase from any supplier until, and unless, such supplier has been approved in writing by Franchisor. Franchisor may deny such approval for any reason, including its determination to limit the number of approved suppliers. Franchisee must submit to Franchisor such information and samples as Franchisor may reasonably require, and Franchisor shall have the right to require periodically that its representatives be permitted to inspect such items and/or supplier's facilities, and that samples from the proposed supplier, or of the proposed items, be delivered for evaluation and testing either to Franchisor or to an independent testing facility designated by Franchisor. Permission for such inspections shall be a condition of the initial and continued approval of such supplier. A charge not to exceed the reasonable cost of the evaluation and testing shall be paid by Franchisee. Franchisor may also require that the supplier comply with such other requirements as Franchisor may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs, or other payment to Franchisor by the supplier on account of their dealings with Franchisee or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that Franchisor may render to such suppliers.

8.7.3 Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria. Upon receipt of written notice of such revocation, Franchisee shall cease to sell or use any disapproved item, Products and/or cease to purchase from any disapproved supplier.

8.7.4 Nothing in the foregoing shall be construed to require Franchisor to approve any particular supplier, nor to require Franchisor to make available to prospective suppliers, standards and specifications for formulas, which Franchisor shall have the right to deem confidential.

8.7.5 Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at Franchisor's sole option, Franchisor may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally known suppliers who are willing to supply all or some Rachel's Kitchen Restaurants with some or all of the products and/or services that Franchisor requires for use and/or sale in the development and/or operation of Rachel's Kitchen Restaurants. In this event, Franchisor may limit the number of approved suppliers with whom Franchisee may deal, designate sources that Franchisee must use for some or all Products and other products and services, and/or refuse any of Franchisee's requests if Franchisor believes that this action is in the best interests of the System or the franchised network of Rachel's Kitchen Restaurants. Franchisor shall have unlimited discretion to approve or disapprove of the suppliers who may be permitted to sell Products to Franchisee.

8.7.6 Franchisor and its affiliates shall be entitled to receive payments or other compensation from suppliers on account of such suppliers' dealings with Franchisee and other franchisees;

and Franchisor may use all amounts so received for any purpose Franchisor and its affiliates deem appropriate.

### **8.8 Proprietary Products**

Franchisee acknowledges and agrees that the Proprietary Products offered and sold at Rachel's Kitchen Restaurants are manufactured in accordance with secret blends, standards, and specifications of Franchisor and/or its affiliates, and are Proprietary Products of Franchisor and/or its affiliates. In order to maintain the high standards of quality, taste, and uniformity associated with Proprietary Products sold at all Rachel's Kitchen Restaurants in the System, Franchisee agrees to purchase Proprietary Products only from Franchisor or its designee(s) (including approved suppliers), and not to offer or sell any other items not approved by Franchisor at or from the Franchised Restaurant. In connection with the handling, storage, transport and delivery of any Proprietary Products purchased from Franchisor, its affiliates or designee(s), Franchisee acknowledges that any action or inaction by any third party (e.g., an independent carrier) in connection with the handling, storage, transport and delivery of the Proprietary Products shall not be attributable to nor constitute negligence of Franchisor.

### **8.9 Inspections**

Franchisee shall permit Franchisor and its authorized agents unrestricted access to enter upon the Premises at any time during normal business hours for the purpose of conducting inspections of the Premises and the operations of Franchisee. Franchisee shall cooperate with representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents, and without limiting other rights of Franchisor under this Agreement, shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. Should Franchisee, for any reason, fail to correct such deficiencies within a reasonable time as determined by Franchisor, Franchisor shall have the right, but not the obligation, to correct any deficiencies which may be susceptible to correction by Franchisor and to charge Franchisee the actual expenses of Franchisor in so acting, which shall be payable by Franchisee upon demand. The foregoing shall be in addition to such other remedies Franchisor may have.

### **8.10 Trademarked Items**

Franchisee shall ensure that all advertising and promotional materials, signs, decorations, paper goods (including wrapping and containers for products, napkins, menus and all forms and stationery used in the Franchised Restaurant), Products, and other items specified by Franchisor bear the Proprietary Marks in the form, color, location, and manner prescribed by Franchisor. Franchisee shall place and illuminate all signs in accordance with Franchisor's specifications.

### **8.11 Participation in Promotions**

Franchisee shall participate in all promotional programs developed by Franchisor for the System, in the manner directed by Franchisor in the Manual or otherwise in writing, to the extent such promotional programs do not directly affect Franchisee's pricing freedom. In no way limiting the foregoing, Franchisee agrees that if required by Franchisor:

8.11.1 Franchisee shall participate in all programs and services for frequent customers, senior citizens, children, and other categories, which may include providing discount or complimentary Products.

8.11.2 Franchisee shall sell or otherwise issue gift cards or certificates (together "Gift Cards") that have been prepared utilizing the standard form of Gift Card provided or designated by

Franchisor, and only in the manner specified by Franchisor in the Manual or otherwise in writing. Franchisee shall fully honor all Gift Cards that are in the form provided or approved by Franchisor regardless of whether a Gift Card was issued by Franchisee or another Rachel's Kitchen Restaurant. Franchisee shall sell, issue, and redeem (without any offset against any Royalty Fees) Gift Cards in accordance with procedures and policies specified by Franchisor in the Manual or otherwise in writing, including those relating to procedures by which Franchisee shall request reimbursement for Gift Cards issued by other Rachel's Kitchen Restaurants and for making timely payment to Franchisor, other operators of Rachel's Kitchen Restaurants, or a third-party service provider for Gift Cards issued from the Franchised Restaurant that are honored by Franchisor or other Rachel's Kitchen Restaurant operators.

8.11.3 Franchisee also agrees to participate in such promotional or discount campaigns that are run by third-party delivery services and required by Franchisor upon such terms and conditions as the third-party delivery service may establish, including minimum and maximum price policies, minimum advertised price policies and unilateral price policies.

### **8.12 Health Standards**

Franchisee shall meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Restaurant under the Manual and applicable health ordinances. Franchisee shall also comply with the requirements set forth in the Manual for submitting to Franchisor a copy of a violation or citation relating to Franchisee's failure to maintain any health or safety standards in the operation of the Franchised Restaurant.

### **8.13 Maintenance of Premises**

Franchisee shall maintain the Franchised Restaurant and the Premises in a clean, orderly condition and in excellent repair; and, in connection therewith, Franchisee shall, at its expense, make such repairs and replacements thereto (but no others without prior written consent of Franchisor) as may be required for that purpose, including such periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor as Franchisor may reasonably direct.

### **8.14 Ongoing Upgrades and Refurbishments**

As set forth in Section 8.6.1, throughout the term of this Agreement, Franchisee shall maintain all fixtures, furnishings, equipment, decor, and signs as Franchisor may prescribe from time to time in the Manual or otherwise in writing. Franchisee shall make such changes, upgrades, refurbishment, and replacements as Franchisor may periodically require, in the time frames specified by Franchisor.

### **8.15 Five Year Refurbishment and Renovations**

At the request of Franchisor, but not more often than once every five (5) years, unless sooner required by Franchisee's lease, Franchisee shall refurbish the Premises, at its expense, to conform to the restaurant design, trade dress, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new Rachel's Kitchen Restaurants. Such refurbishment may include structural changes, installation of new equipment and signs, remodeling, redecoration, and modifications to existing improvements, and shall be completed pursuant to such standards, specifications and deadlines as Franchisor may specify.

### **8.16 Compliance with Lease**

Franchisee shall comply with all terms of its lease or sublease, its financing agreements (if any), and all other agreements affecting the operation of the Franchised Restaurant; shall undertake best efforts

to maintain a good and positive working relationship with its landlord and/or lessor; and shall not engage in any activity which may jeopardize Franchisee's right to remain in possession of, or to renew the lease or sublease for, the Premises.

### **8.17 Obligations to Third Parties**

Franchisee must at all times pay its distributors, contractors, suppliers, vendors, trade creditors, employees and other creditors promptly as the debts and obligations to such persons become due, and failure to do so shall constitute a breach of this Agreement.

### **8.18 Notice of Legal Actions**

Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any suit to foreclose any lien or mortgage, or any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, including health agencies, which (i) relates to the operation of the Franchised Restaurant, (ii) may adversely affect the operation or financial condition of the Franchised Restaurant, or (iii) may adversely affect Franchisee's financial condition.

### **8.19 No Relocation**

Franchisee shall not relocate the Franchised Restaurant from the Approved Location without the prior written approval of Franchisor, which may be granted or withheld at Franchisor's sole discretion. If Franchisee desires to relocate the Franchised Restaurant, the following terms and conditions shall apply:

8.19.1 Franchisee shall submit such materials and information as Franchisor may request for the evaluation of the requested plan of relocation. Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval for relocation: (i) Franchisee not be in default under any provision of this Agreement, or any other agreement between Franchisee and Franchisor; (ii) the proposed substitute location meets Franchisor's then-current standards for Rachel's Kitchen Restaurants; (iii) the lease (if applicable) for the proposed substitute location must comply with Franchisor's then-current lease requirements for Rachel's Kitchen Restaurants (which may include the requirement that the lease contain certain terms and conditions, which may be different than, or in addition to, those terms Franchisor required as of the Effective Date with respect to the Approved Location), and Franchisee must obtain Franchisor's approval of the proposed lease; (iv) Franchisee must possess the financial resources to meet the costs associated with relocating; (v) Franchisee enter into Franchisor's then-current form of Franchise Agreement (which shall replace this Agreement); and (vi) Franchisee shall pay Franchisor's then-current relocation fee.

8.19.2 If, through no fault of Franchisee, the Premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) days thereafter, then Franchisee shall have forty-five (45) days after such event in which to apply for Franchisor's approval to relocate and/or reconstruct the Premises, which approval shall not be unreasonably withheld and, in such event, the relocation fee described in Section 8.19.1 above shall not apply.

### **8.20 Franchisee Advisory Councils**

If Franchisor should, during the term of this Agreement, form or require the formation of a franchisee advisory council or association (hereinafter "Advisory Council") or such successor council to serve as an advisory council to Franchisor with respect to advertising, marketing, and other matters relating to franchised Rachel's Kitchen Restaurants, Franchisee shall become a member of the Advisory Council. In such event, Franchisee shall pay to the Advisory Council all dues and assessments authorized by the

Advisory Council and shall otherwise abide by the rules and regulations of the Advisory Council and shall at all times maintain its membership in the Advisory Council in good standing.

### **8.21 Changes to the System**

Franchisee acknowledges and agrees that from time to time hereafter Franchisor may change or modify the System presently identified by the Proprietary Marks, as Franchisor deems necessary or appropriate, including without limitation to reflect the changing market and to meet new and changing consumer demands, and that variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and operations of Rachel's Kitchen Restaurants. Changes to the System may include, without limitation, the adoption and use of new, modified, or substituted products, services, customer loyalty and/or gift card programs, equipment and furnishings and new techniques and methodologies, and (as described in Section 9 below) additional or substitute trademarks, service marks and copyrighted materials. Franchisee shall, upon reasonable notice, accept, implement, use and display in the operation of the Franchised Restaurant any such changes in the System, as if they were part of this Agreement at the time of execution hereof, at Franchisee's sole expense. Additionally, Franchisor reserves the right, in its sole discretion, to vary the standards throughout the System, as well as the services and assistance that Franchisor may provide to some franchisees based upon the peculiarities of a particular site or circumstance, existing business practices, or other factors that Franchisor deems to be important to the operation of any Rachel's Kitchen Restaurant or the System. Franchisee shall have no recourse against Franchisor on account of any variation to any franchisee and shall not be entitled to require Franchisor to provide Franchisee with a like or similar variation hereunder.

### **8.22 Modifications Proposed by Franchisee**

Franchisee shall not implement any change to the System (including the use of any product or supplies not already approved by Franchisor) without Franchisor's prior written consent, which may be granted or withheld at Franchisor's sole discretion. Franchisee acknowledges and agrees that, with respect to any change, amendment, or improvement in the System or use of additional product or supplies for which Franchisee requests Franchisor's approval: (i) Franchisor shall have the right to incorporate the proposed change into the System and shall thereupon obtain all right, title, and interest therein without compensation to Franchisee, (ii) Franchisor shall not be obligated to approve or accept any request to implement change, and (iii) Franchisor may from time to time revoke its approval of particular change or amendment to the System, and upon receipt of written notice of such revocation, Franchisee shall modify its activities in the manner described by Franchisor.

### **8.23 Compliance with Anti-Terrorism Laws**

Franchisee and its owners agree to comply, and to assist Franchisor to the fullest extent possible in its efforts to comply with Anti-Terrorism Laws (defined below), and any other applicable laws, regulations, and legal requirements. In connection with that compliance, Franchisee and its owners certify, represent, and warrant that none of Franchisee's property or interests is subject to being blocked under, and that Franchisee and its owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" mean 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 other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by Franchisee or its owners, or any blocking of Franchisee or its owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.

### **8.24 Power of Attorney for Telephone Listing, etc.**

Upon the execution of this Agreement or at any time thereafter, the Franchisee shall, at Franchisor's option, execute such forms and documents the Franchisor deems necessary, including the agreements attached hereto as Exhibit J, for Franchisee to appoint the Franchisor as a true and lawful attorney-in-fact with full power and authority for the sole purpose of assigning to Franchisor only upon the termination or expiration of this Agreement, as required under Section 17.5: (i) all rights to the telephone numbers of the Restaurant and any related and other business listings; and (ii) Internet listings, domain names, Internet Accounts, advertising on the Internet or World Wide Web, websites, listings with search engines, e-mail addresses or any other similar listing or usages related to the Franchised Restaurant. Franchisee agrees that it will have no authority to and shall not establish any website or listing on the Internet or World Wide Web without the Franchisor's express written consent, which consent may be denied without reason.

### **8.25 Power of Attorney for Taxes**

Upon execution of this Agreement or at any time thereafter, Franchisee shall, at Franchisor's option, execute such forms and documents as the Franchisor deems necessary, including, but not limited to, Exhibit K hereto, to appoint Franchisor as Franchisee's true and lawful attorney-in-fact with full power and authority for the sole purpose of obtaining any and all returns and reports filed by Franchisee with any state or federal taxing authority relating to the Franchised Restaurant.

### **8.26 Customer Loyalty Program**

Franchisee shall sell or otherwise issue loyalty cards that have been prepared utilizing the standard form loyalty card ("Loyalty Cards") provided by the Franchisor, and only in the manner specified by Franchisor in the Confidential Operations Manual or otherwise in writing. Franchisee shall fully honor all Loyalty Cards that are in the form provided or approved by Franchisor regardless of whether a Loyalty Card was issued by Franchisee or another Rachel's Kitchen Restaurant.

Franchisee shall sell, issue, and redeem (without any offset against any Royalty Fees) Loyalty Cards in accordance with procedures and policies specified by Franchisor in the Confidential Operations Manual or otherwise in writing.

Franchisee will pay to Franchisor an ongoing monthly fee of One Hundred Twenty Dollars (\$120) for each Restaurant ("Program Fee") to install and maintain the Customer Loyalty Program. The Franchisee will pay to the Franchisor three cents (3¢) for each dollar (\$1) spent for a transaction when a Rachel's Kitchen Loyalty Card is presented. The customer's Loyalty Card will accrue one (one) point for each dollar (\$1) spent at a Rachel's Kitchen Restaurant. The Franchisor will reimburse the Franchisee two and one-half cents (.025¢) for each point that a customer redeems at Franchisee's Restaurant. A weekly reconciliation will be performed between the points accrued and redeemed at each Restaurant and the net difference will be charged or credited to the Franchisee's electronic account. Franchisor reserves the right to alter the terms and conditions of any customer loyalty programs, including reserving the right to apply changes retroactively to benefits already accrued under such programs.

### **8.27 On-Line Orders**

You are required to participate in our on-line ordering program, whereby your customers are able to submit food orders through the Internet. You agree to pay any then-current fees to us for participation in the on-line ordering program, and to comply with all rules and procedures applicable to such program(s).

## **9. PROPRIETARY MARKS**

### **9.1 Ownership**

Franchisor represents with respect to the Proprietary Marks that:

9.1.1 Franchisor is the licensee of the owner of the Proprietary Marks, with all right, title, and interest in and to the Proprietary Marks.

9.1.2 Franchisor will take all steps reasonably necessary to preserve and protect the ownership and validity in and to the Proprietary Marks.

9.1.3 All references to Franchisor in this Section 9 shall be deemed to include Franchisor's affiliate, the owner and licensor of the Proprietary Marks.

### **9.2 License to Franchisee**

Franchisee's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of rights of Franchisor.

### **9.3 Terms of Franchisee's Usage**

With respect to Franchisee's use of the Proprietary Marks, Franchisee agrees to:

9.3.1 Use only the Proprietary Marks designated by Franchisor, and to use them only in the manner authorized and permitted by Franchisor;

9.3.2 Franchisee shall use the Proprietary Marks only for the operation of the business franchised hereunder and only at the location authorized hereunder, or in Franchisor-approved advertising for the business conducted at or from that location;

9.3.3 Operate and advertise the Franchised Restaurant only under the name "Rachel's Kitchen" or "Little Rachel's Kitchen," and use the Proprietary Marks without prefix or suffix, unless otherwise authorized or required by Franchisor.

9.3.4 Franchisee shall not use the Proprietary Marks as part of its corporate or other legal name, or as part of any e-mail address, domain name, social media handle, or other identification of Franchisee in any electronic medium. Franchisee may, as necessary to conduct the business of the Franchised Restaurant and to obtain governmental licenses and permits for the Franchised Restaurant, indicate that Franchisee shall be operating the Franchised Restaurant under the trade name "Rachel's Kitchen" or "Little Rachel's Kitchen," provided that Franchisee shall also clearly identify itself as the owner and operator of the Franchised Restaurant;

9.3.5 Identify itself as the owner of the Franchised Restaurant (in the manner required by Franchisor) in conjunction with any use of the Proprietary Marks, including on invoices, order forms, receipts, and business stationery, as well as at such conspicuous locations on the Premises as Franchisor may designate in writing;

9.3.6 Not to use the Proprietary Marks to incur any obligation or indebtedness on behalf of Franchisor;

9.3.7 Execute any documents deemed necessary by Franchisor to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability; and

9.3.8 Promptly notify Franchisor of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to Franchisor's license of, the right of Franchisor to use and to license others to use, or Franchisee's right to use the Proprietary Marks. Franchisee acknowledges that Franchisor has the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. Franchisor has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. Franchisor shall defend Franchisee against any third-party claim, suit, or demand arising out of Franchisee's use of the Proprietary Marks. If Franchisor, in its sole discretion, determines that Franchisee has used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Franchisor. If Franchisor, in its sole discretion, determines that Franchisee has not used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Franchisee. In the event of any litigation relating to Franchisee's use of the Proprietary Marks, Franchisee shall execute any and all documents and do such acts as may, in the opinion of Franchisor, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse Franchisee for its out-of-pocket costs in doing such acts.

#### **9.4 Franchisee Acknowledgments**

Franchisee expressly understands and acknowledges that:

9.4.1 Franchisor is the licensee of the owner of the Proprietary Marks, with all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them, and that Franchisor has the sole right to use, and license others to use, the Proprietary Marks;

9.4.2 During the term of this Agreement and after its expiration or termination, Franchisee shall not directly or indirectly contest the validity of Franchisor's right to use and to license others to use, the Proprietary Marks;

9.4.3 Franchisee's use of the Proprietary Marks does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks;

9.4.4 Any and all goodwill arising from Franchisee's use of the Proprietary Marks shall inure solely and exclusively to the benefit of Franchisor, and, upon expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Proprietary Marks;

9.4.5 The right and license of the Proprietary Marks granted hereunder to Franchisee is nonexclusive, and Franchisor thus has and retains the rights, among others: (a) to use the Proprietary Marks itself in connection with selling the Products; (b) to grant other licenses for the Proprietary Marks; and (c) to develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses thereto without providing any rights therein to Franchisee; and

9.4.6 Franchisor shall have the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder at the sole discretion of Franchisor, which Franchisee shall incorporate at its expense.

## **10. CONFIDENTIAL OPERATIONS MANUAL**

### **10.1 The Manual and Furnishings to Franchisee**

In order to protect the reputation and goodwill of Franchisor and to maintain high standards of operation under the System, Franchisee shall operate the Franchised Restaurant in accordance with the standards, methods, policies, and procedures specified in the Manual, which Franchisee shall receive on loan from Franchisor, via electronic access or otherwise, for the term of this Agreement upon completion by Franchisee of initial training. The Manual may be set forth in several volumes, computer disks, other electronic stored data, and videotapes, including such amendments thereto, as Franchisor may publish from time to time. Additionally, Franchisee acknowledges and agrees that Franchisor may provide a portion or all (including updates and amendments) of the Manual and other instructional information and materials in, or via, electronic media, including without limitation, through the use of computer disks, or the Internet.

### **10.2 The Manual is Proprietary and Confidential**

Franchisee shall treat the Manual, any other materials created for or approved for use in the operation of the Franchised Restaurant, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain such information (both in electronic and other formats) as proprietary and confidential. Franchisee shall not download, copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, or otherwise make the same available to any unauthorized person, except as authorized in advance by the Franchisor.

### **10.3 The Manual Remains Franchisor's Property**

The Manual shall remain the sole property of Franchisor and shall be accessible only from a secure place on the Premises, and shall be returned to Franchisor, as set forth in Section 17.8 below, upon the termination or expiration of this Agreement.

### **10.4 Revisions to the Manual**

Franchisor may from time to time revise the contents of the Manual, and Franchisee expressly agrees to comply with each new or changed standard. Franchisee shall ensure that the Manual is kept current at all times. In the event of any dispute as to the contents of the Manual, the terms of the master copies maintained at the home office of Franchisor shall be controlling.

## **11. CONFIDENTIAL INFORMATION**

### **11.1 Agreement with respect to Confidentiality**

Franchisee acknowledges and agrees that it shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person or entity any confidential information, knowledge, or know-how concerning Franchisor, the System, the Products and/or the marketing, management or operations of the Franchised Restaurant that may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement. Franchisee shall divulge such confidential information only to such of its employees as

must have access to it in order to operate the Franchised Restaurant. Any and all information, knowledge, know-how, and techniques which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others.

### **11.2 Individual Covenants of Confidentiality**

At Franchisor's request, Franchisee shall require its manager(s) and any personnel having access to any confidential information of Franchisor to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by Franchisee at the Franchised Restaurant. Such covenants shall be in a form satisfactory to Franchisor (the current forms of which are included in Exhibit F to this Agreement), which shall include specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

### **11.3 Remedies for Breach**

Franchisee acknowledges that any failure to comply with the requirements of this Section 11 will cause Franchisor irreparable injury, and Franchisee agrees to pay all court costs and reasonable attorney's fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.

### **11.4 Grant Back**

Franchisee agrees to disclose to Franchisor all ideas, concepts, methods, techniques and products conceived or developed by Franchisee, its affiliates, owners or employees during the term of this Agreement relating to the development and/or operation of the Franchised Restaurant. Franchisee hereby grants to Franchisor and agrees to procure from its affiliates, owners or employees a perpetual, exclusive, and worldwide right to use any such ideas, concepts, methods, techniques in all restaurant businesses operated by Franchisor or its affiliates, franchisees and designees. Franchisor shall have no obligation to make any payments to Franchisee with respect to any such ideas, concepts, methods, techniques or products. Franchisee agrees that Franchisee will not use or allow any other person or entity to use any such concept, method, technique or product without obtaining Franchisor's prior written approval.

## **12. ACCOUNTING AND RECORDS**

### **12.1 Books and Records**

With respect to the operation and financial condition of the Franchised Restaurant, Franchisor may require that Franchisee adopt, until otherwise specified by Franchisor, a fiscal year that coincides with Franchisor's then-current fiscal year, as specified by Franchisor in the Manual or otherwise in writing. Franchisee shall maintain full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manual or otherwise in writing, for a period of not less than seven (7) years during the term of this Agreement, and for not less than seven (7) years following the termination, expiration, or non-renewal of this Agreement, including but not limited to: (i) daily transaction reports; (ii) cash receipts journal and general ledger; (iii) cash disbursements and weekly payroll journal and schedule; (iv) monthly bank statements, deposit slips and cancelled checks; (v) all tax returns; (vi) suppliers' invoices (paid and unpaid); (vii) dated daily and weekly transaction journal; (viii) semi-annual fiscal period balance sheets and

fiscal period profit and loss statements; and (ix) such other records as Franchisor may from time to time request.

## **12.2 Franchisee's Reports to Franchisor**

In addition to the Sales Reports required pursuant to Section 4.3 above, Franchisee shall:

12.2.1 Prepare by the twentieth (20<sup>th</sup>) day of each calendar month a balance sheet and profit and loss statement and an activity report for the last preceding calendar month, which shall be in the form prescribed by Franchisor. Franchisee shall maintain and submit such statements and reports to Franchisor at the times as Franchisor may designate or otherwise request.

12.2.2 Submit to Franchisor on April 15th of the year following the end of each calendar year, unless Franchisor designates in writing a different due date, during the term of this Agreement, a profit and loss statement for such year and a balance sheet as of the last day of such year, prepared on an accrual basis in accordance with U.S. generally accepted accounting principles ("GAAP"), including but not limited to all adjustments necessary for fair presentation of the financial statements. Franchisee shall certify such financial statements to be true and correct. Additionally, Franchisor reserves the right to require Franchisee to prepare (or cause to be prepared) and provide to Franchisor annual financial statements (that includes a fiscal year-end balance sheet, an income statement of the Franchised Restaurant for such fiscal year reflecting all year-end adjustments, and a statement of changes in cash flow of Franchisee), and to require that such statements be prepared on a review basis by an independent certified public accountant. Franchisee shall provide such additional information, if any, as Franchisor may reasonably require in order for Franchisor to meet its obligations under GAAP.

12.2.3 Franchisee shall maintain its books and records, and provide all statements and reports to Franchisor, using the standard statements, templates, categories, and chart of accounts that Franchisor provides to Franchisee.

12.2.4 Submit to Franchisor such other periodic reports, forms and records as specified, and in the manner and at the time as specified in the Manual or as Franchisor shall otherwise require in writing from time to time (including without limitation the requirement that Franchisee provide or make available to Franchisor certain sales and financial information in electronic format and/or by electronic means).

## **12.3 Inspection and Audit**

Franchisor and its agents shall have the right at all reasonable times to examine and copy, at the expense of Franchisor, the books, records, accounts, and/or business tax returns of Franchisee. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee. If an inspection should reveal that any contributions or payments have been understated in any statement or report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of eighteen percent (18%) per annum or the maximum rate permitted by law, whichever is less. If an inspection discloses an understatement in any statement or report of two percent (2%) or more, Franchisee shall, in addition to repayment of monies owed with interest, reimburse Franchisor for any and all costs and expenses connected with the inspection (including travel, lodging and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

## **13. MARKETING AND PROMOTION**

### **13.1 Marketing Fund**

Franchisor has established a fund for system-wide advertising and promotion of the System (the "Marketing Fund"). During the existence of the Marketing Fund, Franchisee shall contribute to the Marketing Fund a weekly amount equal to two percent (2%) of the Gross Sales of the Restaurant payable weekly together with and in the same manner as the Royalty Fees payable hereunder. The Marketing Fund shall be maintained and administered by Franchisor as follows:

13.1.1 Franchisor shall direct all marketing programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisor is not obligated, in administering the Marketing Fund, to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Marketing Fund.

13.1.2 The Marketing Fund, all contributions thereto, and any earnings thereon shall be used exclusively to meet any and all costs of maintaining, administering, directing, conducting, and preparing marketing, advertising, public relations, and/or promotional programs and materials, and any other activities including socially responsible activities, which Franchisor believes will enhance the image of the System, including, among other things, the costs of preparing and conducting media marketing campaigns; direct mail advertising; marketing surveys and other public relations activities; employing advertising and/or public relations agencies to assist therein; sponsorship of organizations and events; purchasing promotional items; conducting and administering in-store promotions; and providing promotional and other marketing materials and services to the Rachel's Kitchen Restaurants operating under the System.

13.1.3 All sums paid by Franchisee to the Marketing Fund shall be accounted for separately and shall not be used to defray any of the expenses of Franchisor, except for such reasonable costs, salaries and overhead, if any, as Franchisor may incur in activities reasonably related to the direction and implementation of the Marketing Fund and marketing programs for operators and the System, including costs of personnel for creating and implementing marketing, advertising, and promotional programs. The Marketing Fund and any earnings from it shall not otherwise inure to the benefit of Franchisor. Franchisor shall maintain separate bookkeeping accounts for the Marketing Fund.

13.1.4 Franchisor, upon request, shall provide Franchisee with an annual accounting of Marketing Fund receipts and disbursements.

13.1.5 Franchisor reserves the right, in its sole discretion, to discontinue the Marketing Fund upon written notice to Franchisee.

13.1.6 Franchisor may, but is not required to, make available to Franchisee from time to time, marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, and similar marketing and promotional materials produced from contributions to the Marketing Fund. Franchisee acknowledges and agrees that it shall be reasonable for Franchisor to not provide any such materials to Franchisee during any period in which Franchisee is not in full compliance with its obligations to contribute to the Marketing Fund. Additionally, if monies of the Marketing Fund are used to produce point of sale materials, or other samples or other promotional materials and items, Franchisor may, on the behalf of the

Marketing Fund, sell such items to franchisees in the System at a reasonable price, and any proceeds from the sale of such items or materials shall be contributed to the Marketing Fund.

### **13.2 Cooperative Ad Fund**

Franchisor shall have the right to designate any geographical area for purposes of establishing a regional or local market advertising fund (“Cooperative Ad Fund”), or Franchisor may approve of a Cooperative Ad Fund formed by franchisees in a specific region.. If a Cooperative Ad Fund is established for the geographic area in which the Franchised Restaurant is located, Franchisee shall become a member of such Cooperative Ad Fund within thirty (30) days after the date on which the Cooperative Ad Fund commences operation, or at the time the Franchisee commences operation hereunder. In no event shall Franchisee be required to be a member of more than one (1) Cooperative Ad Fund. The following provisions shall apply to each such Cooperative Ad Fund:

13.2.1 Each Cooperative Ad Fund shall be organized and governed in a form and manner, and shall commence operations on a date, approved in advance by Franchisor in writing. Unless otherwise specified by Franchisor, the activities carried on by each Cooperative Ad Fund shall be decided by a majority vote of its members. Any Rachel’s Kitchen Restaurant that Franchisor operates in the region shall have the same voting rights as those owned by its franchisees. Each Rachel’s Kitchen Restaurant owner shall be entitled to cast one (1) vote for each Rachel’s Kitchen Restaurant its owns that belongs to the Cooperative Ad Fund. Any disputes arising among or between Franchisee, other franchisees in the Cooperative Ad Fund, and/or the Cooperative Ad Fund shall be resolved in accordance with the rules and procedures set forth in the Cooperative Ad Fund’s governing documents.

13.2.2 Each Cooperative Ad Fund shall be organized for the exclusive purpose of administering regional or local advertising programs and developing, subject to Franchisor’s approval, standardized promotional materials for use by the members in local advertising and promotion.

13.2.3 Franchisee shall contribute to the Cooperative Ad Fund in such amounts as the members of the Cooperative Ad Fund may determine.

13.2.4 Franchisee shall submit its required contributions to the Cooperative Ad Fund at the time required by the Cooperative Ad Fund, together with such statements or reports as may be required by the Cooperative Ad Fund with Franchisor’s prior written approval. If so requested by Franchisor in writing, Franchisee shall submit its payments and reports to the Cooperative Ad Fund directly to Franchisor for distribution to the Cooperative Ad Fund.

13.2.5 Franchisor maintains the right to terminate any Cooperative Ad Fund. A Cooperative Ad Fund shall not be terminated, however, until either: (a) all monies in that Cooperative Ad Fund have been expended for advertising and/or promotional purposes; or (b) Franchisor has transferred the unexpended monies to the Marketing Fund in the event there are no longer any Rachel’s Kitchen Restaurants operating within the geographic area covered by such Cooperative Ad Fund.

### **13.3 Local Advertising**

Franchisee shall comply with the following with respect to “local advertising and promotion” for the Franchised Restaurant:

13.3.1 Franchisee shall spend, in addition to any grand opening advertising required pursuant to Section 13.4, an amount between Three Thousand Dollars (\$3,000) and Five Thousand Dollars (\$5,000) annually on the local advertising and promotion of the Franchised Restaurant. After the second

year of operation, the Franchisor shall determine if such local advertising expenditure should be increased or decreased. Thereafter, the Franchisor may, in its sole discretion, periodically require that such amount be adjusted. Franchisee shall account for such expenditures on a routine basis and shall prepare, in accordance with the schedule and procedures specified by Franchisor from time to time, detailed reports describing the amount of money expended on local advertising and promotion during such previous period. Franchisee shall maintain all such statements, reports and records, and shall submit same to Franchisor as Franchisor may specify in the Manual or otherwise request of Franchisee. Additionally, at the request of Franchisor, Franchisee shall submit bills, statements, invoices, or other documentation satisfactory to Franchisor to evidence Franchisee's advertising or marketing activities.

13.3.2 As used in this Agreement, the term "local advertising and promotion" shall refer to advertising and promotion related directly to the Franchised Restaurant, and shall, unless otherwise specified, consist only of the direct costs of purchasing advertising materials (including, but not limited to, camera-ready advertising and point of sale materials), media (space or time), promotion, direct out-of-pocket expenses related to costs of advertising and sales promotion (including, but not limited to, advertising agency fees and expenses, cash and "in-kind" promotional payments to landlords, postage, shipping, telephone, and photocopying), and such other activities and expenses as Franchisor, in its sole discretion, may specify. Franchisor may provide to Franchisee, in the Manual or otherwise in writing, information specifying the types of advertising and promotional activities and costs which shall not qualify as "local advertising and promotion," including, without limitation, the value of advertising coupons, and the costs of products provided for free or at a reduced charge for charities or other donations.

13.3.3 Upon written notice to Franchisee, Franchisor may require Franchisee to participate in mandatory promotions as Franchisor may develop and implement from time to time.

#### **13.4 Grand Opening Advertising**

Franchisee shall expend a minimum amount for grand opening advertising and promotional programs in conjunction with the Franchised Restaurant's initial grand opening (the "Grand Opening Advertising Program"). If Franchisee is located within an established market, as determined by Franchisor, Franchisee must spend a minimum of Four Thousand Dollars (\$4,000) on a Grand Opening Advertising Program. Otherwise, Franchisee must spend a minimum of Eight Thousand Dollars (\$8,000) on a Grand Opening Advertising Program. The Grand Opening Advertising Program shall be executed and completed within the sixty (60) day period comprising thirty (30) days before and thirty (30) days after the Franchised Restaurant opens. Franchisee shall submit to Franchisor, for Franchisor's prior written approval, a marketing plan and samples of all advertising and promotional material not prepared or previously approved by Franchisor. For the purpose of this Agreement, the Grand Opening Advertising Program shall be considered local advertising and promotion, as provided under Section 13.3 above. Franchisor reserves the right to require Franchisee to deposit with Franchisor the funds required under this Section 13.4 to distribute as may be necessary to conduct the Grand Opening Advertising Program.

#### **13.5 Standards for Advertising**

All advertising, marketing and promotion to be used by Franchisee, the Marketing Fund or any Cooperative Ad Fund shall be in such media and of such type and format as Franchisor may approve, shall be conducted in a dignified manner, and shall conform to such standards and requirements as Franchisor may specify. Franchisee shall not use any marketing or promotional plans or materials that are not provided by Franchisor unless and until Franchisee has submitted the materials to Franchisor, pursuant to the procedures and terms set forth in Section 13.6 herein.

### **13.6 Franchisor's Approval of Proposed Plans and Materials**

If Franchisee desires to use marketing and promotional plans and materials that have not been provided or previously approved by Franchisor, Franchisee shall submit samples of all such marketing and promotional plans and materials to Franchisor for prior approval (including prices to be charged). If written notice of disapproval is not received by Franchisee from Franchisor within fifteen (15) days of the date of receipt by Franchisor of such samples or materials, Franchisor shall be deemed to have approved them. The requirement to obtain Franchisor's prior approval of advertising plans and materials shall apply to all forms of "local advertising and promotion", including the local advertising conducted by Franchisee individually, the Grand Opening Advertising Program, and any Cooperative Ad Funds.

### **13.7 Ownership of Advertising Plans and Materials**

Franchisee acknowledges and agrees that any and all copyrights in and to advertising and promotional materials developed by or on behalf of Franchisee which bear the Proprietary Marks shall be the sole property of Franchisor, and Franchisee agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor to give effect to this provision. Any advertising, marketing, promotional, public relations, or sales concepts, plans, programs, activities, or materials proposed or developed by Franchisee for the Franchised Restaurant or the System and approved by Franchisor may be used by Franchisor and other operators under the System of Franchisor without any compensation to Franchisee.

## **14. INSURANCE**

### **14.1 Insurance**

Franchisee shall procure at its expense and maintain in full force and effect during the term of this Agreement, an insurance policy or policies protecting Franchisee and Franchisor, and their officers, directors, partners and employees against any loss, liability, personal injury, death, or property damage or expense whatsoever arising or occurring upon or in connection with Franchisee's operations and the Franchised Restaurant, as Franchisor may reasonably require for their own and Franchisee's protection. Franchisor and such of its respective affiliates shall be named additional insured in such policy or policies.

### **14.2 Coverages**

Such policy or policies shall be written by an insurance company satisfactory to Franchisor in accordance with standards and specifications set forth in the Manual or otherwise in writing; provided, however, that Franchisor shall have the right to designate from time to time, one or more insurance companies as the insurance carrier(s) for Rachel's Kitchen Restaurants, and if required by Franchisor, Franchisee shall obtain its insurance coverage from the designated insurance company (or companies). The policy or policies shall include, at a minimum (except as different coverages, umbrella coverages, and policy limits may reasonably be specified for all Franchisees from time to time by Franchisor in the Manual or otherwise in writing) the following:

14.2.1 Builder's risk insurance that satisfies the standards and specifications set forth by Franchisor in the Manual or otherwise in writing to cover any period(s) of renovation or construction at the Franchised Restaurant.

14.2.2 Comprehensive general liability with limits of not less than One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) aggregate.

14.2.3 Liquor liability insurance, also known as Dram Shop liability, with limits of not less than Two Million Dollars (\$2,000,000) aggregate, if Franchisee is approved to offer Alcoholic Beverages at its Franchised Restaurant.

14.2.4 Automobile liability insurance, including owned, non-owned and hired vehicle coverage, with limits of not less than Five Hundred Thousand Dollars (\$500,000) per occurrence.

14.2.5 "All Risk" property insurance coverage with not less than replacement cost coverage.

14.2.6 Business interruption insurance in an amount of not less than One Million Dollars (\$1,000,000) per occurrence.

14.2.7 Umbrella liability insurance with policy limits of not less than Two Million Dollars (\$2,000,000).

14.2.8 Workers' compensation insurance in amounts provided by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation to injured workers.

14.2.9 Such other insurance required by the state or locality in which the Restaurant is located and operated or as may be required by the lease for the Restaurant.

### **14.3 Certificates of Insurance**

The insurance afforded by the policy or policies respecting liability shall not be limited in any way by reason of any insurance which may be maintained by Franchisor. Prior to commencing any renovations or construction at the Franchised Restaurant, Franchisee shall provide Franchisor with a Certificate of Insurance for the builder's risk insurance required under Section 14.2.1. At least thirty (30) days prior to the opening of the Franchised Restaurant, but in no event later than the date on which Franchisee acquires an interest in the real property on which it will develop and operate the Franchised Restaurant, and thereafter on an annual basis, Franchisee shall provide Franchisor with a Certificate of Insurance showing compliance with the foregoing requirements (except with respect to the builder's risk insurance, which shall have already been in effect pursuant to Section 14.2.1 above). Such certificate shall state that said policy or policies will not be canceled or altered without at least thirty (30) days prior written notice to Franchisor and shall reflect proof of payment of premiums. Maintenance of such insurance and the performance by Franchisee of the obligations under this Paragraph shall not relieve Franchisee of liability under the indemnity provision set forth in this Agreement. Franchisee acknowledges that minimum limits as required above may be modified by Franchisor in its sole discretion from time to time, by written notice to Franchisee.

### **14.4 Franchisor's Right to Procure Insurance for Franchisee**

Should Franchisee, for any reason, not procure and maintain such insurance coverage as required by this Agreement, Franchisor shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance coverage and to charge same to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

## **15. TRANSFER OF INTEREST**

### **15.1 Franchisor's Rights to Transfer**

Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, and any designated assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, Franchisee expressly affirms and agrees that Franchisor may sell its assets, its Proprietary Marks, or its System; may sell its 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.

### **15.2 No Transfers Without Franchisor's Approval**

Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee or the Principals of Franchisee if Franchisee is not an individual, and that Franchisor has granted this franchise in reliance on Franchisee's or Franchisee's Principals' business skill, financial capacity, and personal character. Accordingly:

15.2.1 Franchisee shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber: (a) the rights and/or obligations of Franchisee under this Agreement; or (b) any material asset of Franchisee or the Franchised Restaurant.

15.2.2 If Franchisee is a corporation or limited liability company, Franchisee shall not, without the prior written consent of Franchisor, issue any voting securities or securities convertible into voting securities, and the recipient of any such securities shall become a Principal under this Agreement, if so designated by Franchisor.

15.2.3 If Franchisee is a partnership or limited partnership, the partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner shall automatically be deemed a Principal of Franchisee.

15.2.4 A Principal shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber any interest of the Principal in Franchisee, as such is identified in Exhibit C.

### **15.3 Conditions on Transfer**

Franchisor shall not unreasonably withhold any consent required by Section 15.2 above; provided, that if the proposed transfer alone or together with other previous, simultaneous, or proposed transfers would have the effect of changing control of Franchisee, results in the assignment of the rights and obligations of Franchisee under this Agreement, or transfers the ownership interest in all or substantially all of the assets of the Franchised Restaurant or the business franchised hereunder, Franchisor shall have the right to require any or all of the following as conditions of its approval:

15.3.1 All of Franchisee's monetary obligations and all other outstanding obligations to Franchisor, its affiliates, and the approved suppliers of the System have been satisfied in full;

15.3.2 Franchisee shall not be in default under any provision of this Agreement, any other agreement between Franchisee and Franchisor or its affiliate, the approved suppliers of the System, or the lessor (or sublessor) for the Premises;

15.3.3 Each transferor (and, if the transferor is other than an individual, the transferor and such owners of beneficial interest in the transferor as Franchisor may request) shall have executed a general release in a form satisfactory to Franchisor of any and all claims against Franchisor and its affiliates and their respective officers, directors, agents, and employees;

15.3.4 The transferee of a Principal shall be designated as a Principal and each transferee who is designated a Principal shall enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in Franchisee. Additionally, the transferee and/or such owners of the transferee as Franchisor may request shall guarantee the performance of the transferee's obligations in writing in a form satisfactory to Franchisor;

15.3.5 The transferee shall demonstrate to Franchisor's satisfaction that the terms of the proposed transfer do not place an unreasonable financial or operational burden on the transferee, and that the transferee (or, if the transferee is other than an individual, such owners of beneficial interest in the transferee as Franchisor may request) meets Franchisor's then-current application qualifications (which may include educational, managerial, socially responsible, and business standards, good moral character, business reputation, and credit rating); has the aptitude and ability to operate the Franchised Restaurant and absence of conflicting interests; and has adequate financial resources and capital to operate the Franchised Restaurant;

15.3.6 At Franchisor's option, Franchisee shall execute the form of franchise agreement then being offered to new System franchisees, and such other ancillary agreements required by Franchisor for the business franchised hereunder. The new franchise agreement and ancillary agreements shall supersede this Agreement and its ancillary documents in all respects, unless otherwise expressly stated, and the terms of which may differ from the terms of this Agreement including, without limitation, higher and/or additional fees;

15.3.7 If so requested by Franchisor, Franchisee, at its expense, shall upgrade the Franchised Restaurant, and other equipment to conform to the then-current standards and specifications of new Rachel's Kitchen Restaurants then being established in the System, and shall complete the upgrading and other requirements within the time specified by Franchisor.

15.3.8 The transferor shall remain liable for all of the obligations to Franchisor in connection with the Franchised Restaurant that arose prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

15.3.9 The transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) and the transferee's manager (if applicable) shall, at the transferee's expense, successfully attend and successfully complete any training programs then in effect for operators and managers upon such terms and conditions as Franchisor may reasonably require;

15.3.10 Franchisee shall pay a transfer fee of Eight Thousand Five Hundred Dollars (\$8,500) to compensate Franchisor for its expenses incurred in connection with the transfer.

15.3.11 The transferor(s), at the request of Franchisor, shall agree in writing to comply with the covenants set forth in Section 18 below.

#### **15.4 Additional Terms**

For any transfer not covered by Section 15.3, each transferee shall, in addition to the requirement of obtaining Franchisor's consent as provided in Section 15.2, be subject to the requirements of Sections 15.3.3 and 15.3.4 above (with respect to execution of releases and personal guarantees).

#### **15.5 Security Interests**

Neither Franchisee nor any Principal shall grant a security interest in, or otherwise encumber, any of the assets or securities of Franchisee, including the Franchised Restaurant unless Franchisee satisfies the requirements of Franchisor, which include, without limitation, execution of an agreement by the secured party in which it acknowledges the creditor's obligations under this Section 15, and agrees that in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option (but not the obligation) to be substituted as obligor to the secured party and to cure any default of Franchisee, and, in the event Franchisor exercises such option, any acceleration of indebtedness due to Franchisee's default shall be void.

#### **15.6 Right of First Refusal**

If Franchisee or any Principal desires to accept any *bona fide* offer from a third party to purchase Franchisee, any material asset of Franchisee, or any direct or indirect interest in Franchisee, Franchisee or such Principal shall promptly notify Franchisor, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of the written transfer request and the required information and documentation related to the offer (including any information that Franchisor may reasonably request to supplement or clarify information provided to Franchisor with the written transfer request), to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party; provided, however, a spouse, domestic partner, parent or child of the seller shall not be considered a third party for purposes of this Section 15.6. If Franchisor elects to purchase the seller's interest, closing on such purchase shall occur within forty-five (45) days from the date of notice to the seller of the election to purchase by Franchisor, or, if longer, on the same timetable as contained in the *bona fide* offer.

15.6.1 Any material change thereafter in the terms of the offer from the third party or by Franchisee, or a change in the identity of the third party shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Failure of Franchisor to exercise the option afforded by this Section 15.6 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 15, with respect to a proposed transfer.

15.6.2 If the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, Franchisor shall designate an independent appraiser to make a binding determination. The cost of any such appraisal shall be shared equally by Franchisor and Franchisee. If Franchisor elects to exercise its right under this Section 15.6, Franchisor shall have the right to set off all amounts due from Franchisee, and one-half (½) of the cost of the appraisal, if any, against any payment to the seller.

### **15.7 Death of a Principal**

Upon the death of a Principal, the deceased's executor, administrator, or other personal representative shall transfer the deceased's interest to a third party approved by Franchisor within twelve (12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the deceased's estate, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer the deceased's interest to a third party approved by Franchisor within twelve (12) months after the deceased's death.

### **15.8 Permanent Disability of Controlling Principal**

Upon the permanent disability of any Principal with a controlling interest in Franchisee, Franchisor shall have the right to require such interest to be transferred to a third party in accordance with the conditions described in this Section 15 within six (6) months after notice to Franchisee. "Permanent Disability" shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months and from which condition recovery within six (6) consecutive months from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 15.8 as of the date of refusal. Franchisor shall pay the cost of the required examination.

### **15.9 Operation in the Event of Absence or Disability**

In order to prevent any interruption of the Franchised Restaurant operations which would cause harm to the Franchised Restaurant, thereby depreciating the value thereof, Franchisee authorizes Franchisor, who may, at its option, in the event that Franchisee is absent for any reason or is incapacitated by reason of illness and is unable, in the sole and reasonable judgment of Franchisor, to operate the Franchised Restaurant, operate the Franchised Restaurant for so long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies Franchisor may have under this Agreement. All monies from the operation of the Franchised Restaurant during such period of operation by Franchisor shall be kept in a separate account, the expenses of the Franchised Restaurant, including reasonable compensation and expenses for Franchisor's representative, shall be charged to said account. If, as herein provided, Franchisor temporarily operates the Franchised Restaurant franchised herein for Franchisee, Franchisee agrees to indemnify and hold harmless Franchisor and any representative of Franchisor who may act hereunder, from any and all acts which Franchisor may perform, as regards the interests of Franchisee or third parties.

### **15.10 Step-In Rights**

If Franchisor determines in its sole judgment that the operation of Franchisee's Restaurant is in jeopardy, or if a default occurs, then in order to prevent an interruption of the Restaurant which would cause harm to the System and thereby lessen its value, Franchisee authorizes Franchisor to operate his/her Restaurant for as long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies which Franchisor may have under this Agreement. In the sole judgment of Franchisor, Franchisor may deem Franchisee incapable of operating the Restaurant if, without limitation, Franchisee is absent or incapacitated by reason of illness or death; Franchisee has failed to pay when due or has failed to remove any and all liens or encumbrances of every kind placed upon or against Franchisee's Restaurant; or Franchisor determines that operational problems require that Franchisor operate Franchisee's Restaurant for a period of time that Franchisor determines, in its sole discretion, to be necessary to maintain the operation of the Restaurant as a going concern.

Franchisor shall keep in a separate account all monies generated by the operation of Franchisee's Restaurant, less the expenses of the Restaurant, including reasonable compensation and expenses for Franchisor's representatives. In the event of the exercise of the Step-In Rights by Franchisor, Franchisee agrees to hold harmless Franchisor and its representatives for all actions occurring during the course of such temporary operation. Franchisee agrees to pay all of Franchisor's reasonable attorneys' fees and costs incurred as a consequence of Franchisor's exercise of its Step-In Rights. Nothing contained herein shall prevent Franchisor from exercising any other right which it may have under this Agreement, including, without limitation, termination.

### **15.11 Notice to Franchisor of Death or Permanent Disability**

Upon the death or permanent disability any Principal of Franchisee, such person or his representative shall promptly notify Franchisor of such death or claim of permanent disability. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as any *inter vivos* transfer.

### **15.12 Limited Exceptions**

Notwithstanding anything to the contrary in this Section 15:

15.12.1 Franchisee shall not be required to pay the transfer fee due under Section 15.3.10 above, if the transferee: (a) is a spouse, domestic partner, parent, or direct lineal descendant or sibling of Franchisee or of a Principal of Franchisee (or more than one of such persons), provided that the transferee has been involved in, and is knowledgeable regarding, the operations of the Franchised Restaurant; (b) is a Principal of Franchisee; or (c); is a transferee under Sections 15.7 or 15.8 above.

15.12.2 If Franchisee is an individual and seeks to transfer this Agreement to a corporation, partnership, or limited liability company formed for the convenience of ownership, the conditions of Sections 15.3.6 (signing a new franchise agreement), 15.3.7 (upgrading the Franchised Restaurant), and 15.3.10 (transfer fee) shall not apply, and Franchisee may undertake such transfer, provided that Franchisee owns one hundred percent (100%) of the equity interest in the transferee entity, and the Franchisee personally guarantees, in a written guaranty satisfactory to Franchisor, the performance of the obligations of the Franchisee under the Franchise Agreement.

### **15.13 Securities Offerings**

All materials required for any offering of securities or partnership interests in Franchisee by federal or state law shall be submitted to Franchisor by the offeror for review prior to filing with any government agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for review prior to their use. No offering shall imply, by use of the Proprietary Marks or otherwise, that Franchisor is participating in an underwriting, issuance, or offering of securities of either Franchisee or Franchisor; and review by Franchisor of any offering shall be limited solely to the subject of the relationship between Franchisee and Franchisor. At its option, Franchisor may require the offering materials to contain written statements or disclaimers prescribed by Franchisor including, but not limited to, any limitations stated above in this paragraph. Franchisee and the other participants in the offering must fully indemnify Franchisor in connection with the offering. For each proposed offering, Franchisee shall reimburse Franchisor for its actual costs and expenses associated with reviewing the proposed offering materials, including legal and accounting fees. Franchisee shall give Franchisor written notice at least sixty (60) days prior to the date of commencement of any offering or other transaction covered by this Section 15.13. Any

such offering shall be subject to prior written consent of Franchisor and right of first refusal as provided in Section 15.6.

#### **15.14 No Waiver**

The consent of Franchisor to any transfer pursuant to this Section 15 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be a waiver of the right of Franchisor to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

#### **15.15 Bankruptcy**

If Franchisee or any person holding any interest (direct or indirect) in Franchisee becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the United States or elsewhere, it is the parties' understanding and agreement that any transfer of the ownership of Franchisee, Franchisee's obligations and/or rights hereunder and/or any material assets of Franchisee, shall be subject to all of the terms of this Section 15.

#### **15.16 No Transfers in Violation of Law**

Notwithstanding anything to the contrary in this Agreement, no transfer shall be made if the transferee, any of its affiliates, or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

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

#### **16.1 Automatic Termination**

Franchisee shall be in default under this Agreement, and all rights granted to Franchisee herein shall automatically terminate without notice to Franchisee, if Franchisee, or any of Franchisee's partners, if Franchisee is a partnership, or any of its officers, directors, shareholders, or members, if Franchisee is a corporation or limited liability company, shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee (subject to state law); if Franchisee is adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); if Franchisee is dissolved; if execution is levied against Franchisee's business or property; if suit to foreclose any lien or mortgage against the Premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days; or if the real or personal property of the Franchised Restaurant shall be sold after levy thereupon by any sheriff, marshal, or constable.

#### **16.2 Termination Upon Notice**

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 the provision of notice to Franchisee (in the manner provided under Section 24 hereof), upon the occurrence of any of the following events of default:

16.2.1 If Franchisee fails to complete all pre-opening obligations and to open the Franchised Restaurant within the time limits as provided in Section 5.4 above;

16.2.2 If Franchisee or any of its Principals 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 System, the Proprietary Marks, the Products, the goodwill associated therewith, or the interest of Franchisor therein;

16.2.3 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Restaurant;

16.2.4 If Franchisee's action or inaction, at any time, results in the loss of the right to possession of the Premises, forfeiture of the right to do or transact business in the jurisdiction where the Franchised Restaurant is located, or any other action or inaction that jeopardizes the operation or reputation of the Franchised Restaurant;

16.2.5 If Franchisee or any Principal purports to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 15 hereof;

16.2.6 If Franchisee knowingly maintains false books or records, or knowingly submits any false statements or reports to Franchisor;

16.2.7 If, contrary to the terms of Sections 9 or 10 hereof, Franchisee discloses or divulges the contents of the Manual or other confidential information provided to Franchisee by Franchisor;

16.2.8 If Franchisee fails to comply with the covenants in Section 18.2 below or fails to timely obtain execution of the covenants required under Section 18.5 below;

16.2.9 If Franchisee misuses or makes any unauthorized use of the Proprietary Marks or any other identifying characteristics of the System, or if Franchisee otherwise operates the Franchised Restaurant in a manner that materially impairs the reputation or goodwill associated with the System, Proprietary Marks, Products, or the rights of Franchisor therein;

16.2.10 If Franchisee, after curing a default pursuant to Sections 16.3 or 16.4 hereof, commits the same default again, whether or not cured after notice.

16.2.11 If Franchisee commits three (3) or more defaults under this Agreement in any twelve (12) month period, whether or not each such default has been cured after notice (this provision in no way limits Section 16.2.10 above);

16.2.12 If Franchisee at any time ceases to operate or otherwise abandons the Franchised Restaurant for a period of three (3) consecutive days unless such closure is approved in writing by Franchisor, or excused by *force majeure*;

16.2.13 If Franchisee breaches any material provision of this Agreement which breach is not susceptible to cure; or

16.2.14 If Franchisee fails to comply with all applicable laws and ordinances, including Anti-Terrorism Laws and the RICO Act, or if Franchisee or any of its' owners' assets, property, or interests

are blocked under any law, ordinance, or regulation relating to terrorist activities or racketeering activities, or Franchisee or any of its owners otherwise violate any such law, ordinance, or regulation.

### **16.3 Notice and Opportunity to Cure - 7 Days**

Upon the occurrence of any of the following events of default, Franchisor may, at its option, terminate this Agreement by giving written notice of termination (in the manner set forth under Section 24 hereof) stating the nature of the default to Franchisee at least seven (7) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to the satisfaction of Franchisor, and by promptly providing proof thereof to Franchisor within the seven (7) day period. 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 Franchisee, effective immediately upon the expiration of the seven (7) day period or such longer period as applicable law may require.

16.3.1 If Franchisee fails, refuses, or neglects promptly to pay any monies owing to Franchisor or its affiliates when due;

16.3.2 If Franchisee refuses to permit Franchisor to inspect the Premises, or the books, records, or accounts of Franchisee upon demand; or

16.3.3 If Franchisee fails to operate the Franchise during such days and hours specified in the Manual, subject to local laws (this provision in no way limits Section 16.2.12).

### **16.4 Notice and Opportunity to Cure - 30 Days**

Except as otherwise provided in Sections 16.1, 16.2 and 16.3 of this Agreement, upon any other default by Franchisee, Franchisor may terminate this Agreement by giving written notice of termination (in the manner set forth under Section 24 hereof) stating the nature of the default to Franchisee at least thirty (30) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to the satisfaction of Franchisor, and by promptly providing proof thereof to Franchisor within the thirty (30) day period. 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 Franchisee, effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

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

Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall terminate, and:

### **17.1 Stop Operating**

Franchisee shall immediately cease to operate the Franchised Restaurant, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former operator of Franchisor in connection with the promotion or operation of any other business.

### **17.2 Stop Using the System**

Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures, and techniques associated with the System; the Proprietary Mark

“Rachel’s Kitchen” or “Little Rachel’s Kitchen” and all other Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee shall cease to use all signs, marketing materials, displays, stationery, forms, products, and any other articles which display the Proprietary Marks.

### **17.3 Cancel Assumed Names**

Franchisee shall take such action as may be necessary to cancel any assumed name registration or equivalent registration obtained by Franchisee which contains the mark “Rachel’s Kitchen,” “Little Rachel’s Kitchen” or any other Proprietary Marks, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

### **17.4 The Premises**

Franchisee shall, upon request by Franchisor, assign to Franchisor any interest which Franchisee has in any lease or sublease for the Premises. In the event Franchisor does not elect to exercise its option to acquire the lease or sublease for the Premises, Franchisee shall make such modifications or alterations to the Premises immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of the Premises from that of Rachel’s Kitchen Restaurants under the System, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose. In the event Franchisee fails or refuses to comply with the requirements of this Section 17.4, Franchisor shall have the right to enter upon the Premises, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand. Additionally, if Franchisor does not elect to exercise the option to acquire the lease/sublease, Franchisee shall comply with Section 18.3 below regarding a Competitive Business (as defined in Section 18.2.3 below).

### **17.5 Phone Numbers and Directory Listings**

In addition, Franchisee shall cease use of all telephone numbers and any domain names, websites, e-mail addresses, and any other identifiers, whether or not authorized by Franchisor, used by Franchisee while operating the Franchised Restaurant, and shall promptly execute such documents or take such steps necessary to remove reference to the Franchised Restaurant from all trade or business telephone directories, including “yellow” and “white” pages, or at Franchisor’s request transfer same to Franchisor. Franchisee hereby authorizes Franchisor to instruct issuers of any telephone and internet domain name services, and other providers to transfer any such telephone numbers, domain names, websites, addresses, and any other identifiers to Franchisor upon termination of this Agreement, without need for any further approval from Franchisee. Without limiting the foregoing, if requested by Franchisor, Franchisee shall provide, during the term or upon termination of this Agreement, written confirmation of Franchisor’s rights under this Section 17.5. Franchisee agrees that it shall sign such documents and do such things (without cost to Franchisee) that may be reasonably requested by Franchisor in order to implement this Section 17.5.

### **17.6 No Use of Proprietary Marks or Trade Dress in other Businesses**

Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which, in the sole discretion of Franchisor, is likely to cause confusion, mistake, or deception, or which, in the sole discretion of Franchisor, is likely to dilute the rights of Franchisor in and to the Proprietary Marks. Franchisee further agrees not to utilize any designation of origin, description, or representation (including but not limited to reference to Franchisor, the System, or the Proprietary Marks) which, in the sole discretion of Franchisor, suggests or

represents a present or former association or connection with Franchisor, the System, or the Proprietary Marks.

### **17.7 Pay All Amounts Due**

Franchisee shall promptly pay all sums owing to Franchisor and its affiliates, irrespective of any disputes or claims the Franchisee may have. In the event of termination for any default of Franchisee, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default and termination, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by Franchisee and on the Premises at the time of default.

### **17.8 Return of Manual and Confidential Information**

Franchisee shall, at its own expense, immediately deliver to Franchisor the Manual and all other records, computer disks, correspondence, and instructions containing confidential information relating to the operation of the Franchised Restaurant (and any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be the property of Franchisor.

### **17.9 Franchisor's Option to Purchase Certain Assets**

Franchisor shall have the right, to be exercised within thirty (30) days after termination, to purchase from Franchisee any or all of the furnishings, equipment, signs, fixtures, supplies, or inventory of Franchisee related to the operation of the Franchised Restaurant, at the lesser of Franchisee's cost or fair market value. The cost for such items shall be determined based upon a five (5) year straight-line depreciation of original costs. For equipment that is five (5) or more years old, the parties agree that fair market value shall be deemed to be ten percent (10%) of the equipment's original cost. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from Franchisee.

### **17.10 Comply with Covenants**

Franchisee and its Principals shall comply with all covenants contained in this Agreement, including those in Section 18.3.

### **17.11 Liquidated Damages**

Upon termination of this Agreement according to its terms and conditions, Franchisee agrees to pay to Franchisor within fifteen (15) days after the effective date of this Agreement's termination, in addition to the amounts owed hereunder, liquidated damages equal to the average monthly Royalty Fees Franchisee paid or owed to Franchisor during the twelve (12) months of operation preceding the effective date of termination multiplied by (a) twenty-four (24) (being the number of months in two (2) full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is lower.

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages Franchisor would incur from this Agreement's termination and the loss of cash flow from Royalty Fees due to, among other things, the complications of determining what costs, if any, Franchisor might have saved and how much the Royalty Fees would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

The liquidated damages provision only covers Franchisor's damages from the loss of cash flow from the Royalty Fees. It does not cover any other damages, including damages to Franchisor's reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Royalty Fee section. Franchisee and each of its owners agree that the liquidated damages provision does not give Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty Fee section.

## **18. COVENANTS**

### **18.1 Full Time and Best Efforts**

Franchisee covenants that, during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee (or, if Franchisee is not an individual, the Designated Principal) or Franchisee's fully trained General Manager shall devote full time and best efforts to the management and operation of the Franchised Restaurant.

### **18.2 During the Agreement Term**

Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable, specialized training and confidential information, including information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity:

18.2.1 Divert or attempt to divert any present or prospective business or customer of any Rachel's Kitchen Restaurant 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 Proprietary Marks and the System;

18.2.2 Employ or seek to employ any person who is at that time employed by Franchisor or by any other franchisee of Franchisor, or otherwise encourage such person to leave his or her employment; or

18.2.3 Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any more than a one percent (1%) interest in (as owner or otherwise) any Competitive Business (as defined below). A "Competitive Business" shall be considered to be retail food businesses with menu offerings substantially similar to those at a Rachel's Kitchen Restaurant. Furthermore, Franchisee acknowledges and agrees that Franchisee shall be considered in default under this Agreement and that this Agreement will be subject to termination as provided in Section 16.2.8 herein, in the event that a person in the immediate family (including spouse, domestic partner, parent or child) of Franchisee (or, if Franchisee is other than an individual, each Principal that is subject to these covenants) engages in a Competitive Business that would violate this Section 18.2.3 if such person was subject to the covenants of this Section 18.2.3.

### **18.3 After the Agreement and After a Transfer**

Franchisee covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period of two (2) years commencing upon the date of: (a) a transfer permitted under Section 15 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement

(regardless of the cause for termination); (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 18.3; or (e) any or all of the foregoing:

18.3.1 Franchisee shall not either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business that is, or is intended to be, located at the Approved Location, within the Territory, within a radius of twenty-five (25) miles of any other Rachel's Kitchen Restaurant located anywhere; provided, however, that this provision shall not apply to the operation by Franchisee of any Restaurant under the System under a franchise agreement with Franchisor; or

18.3.2 Franchisee shall not sublease, assign, or sell Franchisee's interest in any lease, sublease, or ownership of the Premises or assets of the Franchised Restaurant to a third party for the operation of a Competitive Business, or otherwise arrange or assist in arranging for the operation by a third party of a Competitive Business.

#### **18.4 Exception for Ownership in Public Entities**

Sections 18.2.3 and 18.3 shall not apply to ownership by Franchisee of a less than five percent (5%) beneficial interest in the outstanding equity securities of any corporation which has securities registered under the Securities Exchange Act of 1934.

#### **18.5 Personal Covenants**

At the request of Franchisor, Franchisee shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Section 18 (including covenants applicable upon the termination of a person's relationship with Franchisee) and the provisions of Sections 10 and 15 of this Agreement (as modified to apply to an individual) from any or all of the following persons: (a) the Designated Principal, (b) all managers and other personnel employed by Franchisee who have received or will receive training and/or other confidential information; (c) all officers, directors, and Principals who have or will receive training or access to confidential information, or who are or may be involved in the management and operation of the Franchised Restaurant. Every covenant required by this Section 18.5 shall be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them.

#### **18.6 Covenants as Independent Clauses**

The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 18 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 18.

#### **18.7 Franchisor's Right to Reduce Scope of the 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 this Section 18, 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 notwithstanding the provisions of Section 25 hereof.

## **18.8 Covenants Survive Claims**

Franchisee expressly agrees that the existence of any claims it 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 18; provided, however, any claims Franchisee may have against Franchisor may be brought in a separate proceeding. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 18.

# **19. CORPORATE, LIMITED LIABILITY COMPANY, OR PARTNERSHIP FRANCHISEE**

## **19.1 List of Principals**

If Franchisee is a corporation, limited liability company or partnership, each Principal of Franchisee, and the interest of each Principal in Franchisee, shall be identified in Exhibit C hereto. Franchisee shall maintain a list of all Principals and immediately furnish Franchisor with an update to the information contained in Exhibit C upon any change, which shall be made only in compliance with Section 15 above.

## **19.2 Guarantees**

Such Principals as Franchisor may request shall execute a guaranty, indemnification, and acknowledgment of Franchisee's obligations under this Agreement in the form attached hereto as Exhibit E. As set forth in Section 8.3, the Designated Principal shall at all times have at least a ten percent (10%) interest in Franchisee.

## **19.3 Corporations and Limited Liability Companies**

If Franchisee is a corporation or limited liability company, Franchisee shall comply with the following requirements:

19.3.1 Franchisee shall be newly organized and its governing documents shall at all times provide that its activities are confined exclusively to operating the Franchised Restaurant.

19.3.2 Franchisee shall, upon request of Franchisor, promptly furnished to Franchisor copies of Franchisee's articles of incorporation, bylaws, articles of organization, operating agreement and/or other governing documents, and any amendments thereto, including the resolution of the Board of Directors or members authorizing entry into this Agreement.

19.3.3 Franchisee shall maintain stop-transfer instructions against the transfer on its records of any equity securities; and each stock certificate or issued securities of Franchisee shall conspicuously endorse upon its face a statement, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement; provided, however, that the requirements of this Section 18.2.3 shall not apply to a publicly held corporation.

## **19.4 Partnerships and Limited Liability Partnerships**

If Franchisee or any successor to or assignee of Franchisee is a partnership or limited liability partnership, Franchisee shall comply with the following requirements:

19.4.1 Franchisee shall be newly organized and its partnership agreement shall at all times provide that its activities are confined exclusively to operating the Franchised Restaurant.

19.4.2 Franchise shall furnish Franchisor with a copy of its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto.

19.4.3 The partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.

## **20. TAXES, PERMITS, AND INDEBTEDNESS**

### **20.1 Taxes**

Franchisee shall promptly pay when due all taxes levied or assessed, including but not limited to unemployment, sales, and property taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Restaurant. Franchisee shall pay to Franchisor an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless the tax is credited against income tax otherwise payable by Franchisor.

### **20.2 Dispute About Taxes**

In the event of any *bona fide* dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law, but in no event shall Franchisee permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against the Premises of the Franchised Restaurant, or any improvements thereon.

### **20.3 Compliance with Tax Laws**

Franchisee shall comply with all federal, state, and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Restaurant, including licenses to do business, fictitious name registrations, sales tax permits, liquor licenses, and fire clearances.

## **21. INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

### **21.1 Independent Contractor**

Franchisee understands and agrees that it is and will be Franchisor's independent contractor under this Agreement. Nothing in this Agreement may be construed to create a partnership, joint venture, agency, employment or fiduciary relationship of any kind. None of Franchisee's employees will be considered to be Franchisor's employees. Neither Franchisee nor any of Franchisee's employees whose compensation Franchisee pays may in any way, directly or indirectly, expressly or by implication, be construed to be Franchisor's employee for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. 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 certain of Franchisees employees for qualification to perform certain functions for the

Franchised Restaurant does not directly or indirectly vest in Franchisor the power to hire, fire or control any such employee.

Franchisee acknowledges and agrees, and will never contend otherwise, that Franchisee alone will exercise day-to-day control over all operations, activities and elements of the Franchised Restaurant and that under no circumstance shall Franchisor do so or be deemed to do so. Franchisee further acknowledges and agrees, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the System which Franchisee is required to comply with under this Agreement, whether set forth in the Manual 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 control, but only constitute standards Franchisee must adhere to when exercising its control of the day-to-day operations of the Franchised Restaurant.

Franchisee may not, without Franchisor's prior written approval, have any power to obligate Franchisor for any expenses, liabilities or other obligations, other than as specifically provided in this Agreement. Except as expressly provided in this Agreement, Franchisor may not control or have access to Franchisee's funds or the expenditure of Franchisee's funds or in any other way exercise dominion or control over the Franchised Restaurant. Except as otherwise expressly authorized by this Agreement, neither party will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between the parties is other than that of franchisor and franchisee. Franchisor does not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by Franchisee which are not expressly authorized under this Agreement. Franchisor will not be obligated for any damages to any person or property which directly or indirectly arise from or relate to its operation of the Franchised Restaurant.

## **21.2 Public Notice**

During the term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor operating the Franchised Restaurant pursuant to a franchise agreement from Franchisor. Franchisee agrees to take such action as may be necessary to do so, including exhibiting a notice of that fact in a conspicuous place at the Premises, the content of which Franchisor reserves the right to specify.

## **21.3 Franchisee Is Not Authorized**

Franchisee understands and agrees that nothing in this Agreement authorizes it or any of the Controlling Principals to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in our name, and that the Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, or for any act or omission of Franchisee or any of the Controlling Principals or any claim or judgment arising therefrom.

## **21.4 Indemnification**

Franchisee shall indemnify, defend, and hold harmless Franchisor, Franchisor's owners and affiliates, and their respective officers, directors, and employees (the "Indemnitees") from and against any and all causes of action, claims, losses, costs, expenses, liabilities, litigation, damages or other expenses (including, but not limited to, settlement costs and attorneys' fees) arising directly or indirectly from, as a result of, or in connection with the operation of the Franchised Restaurant and/or Franchisee's conduct under this Agreement (notwithstanding any claims that the Indemnitees are or were negligent). Franchisee agrees that with respect to any threatened or actual litigation, proceeding or dispute which could directly or indirectly affect any of the Indemnitees, the Indemnitees shall have the right, but not the obligation, in their discretion, to: (i) choose counsel, (ii) direct, manage and/or control the handling of the matter; and (iii)

settle on behalf of the Indemnitees, and/or Franchisee, any claim against the Indemnitees. All vouchers, canceled checks, receipts, receipted bills or other evidence of payments for any such losses, liabilities, costs, damages, charges or expenses of whatsoever nature incurred by any Indemnitee shall be taken as *prima facie* evidence of Franchisee's obligation hereunder.

## **21.5 Solely and Exclusively Franchisee's Employees**

Franchisee hereby irrevocably affirm, attest and covenant its understanding that its employees are employed exclusively by Franchisee and in no fashion are any such employee employed, jointly employed or co-employed by Franchisor. Franchisee further affirms and attests that each of its employees are under the exclusive dominion and control of it and never under the direct or indirect control of Franchisor in any fashion whatsoever. Franchisee alone hires each of its employees; sets their schedules; establishes their compensation rates; and, pays all salaries, benefits and employment-related liabilities (workers' compensation insurance premiums/payroll taxes/Social Security contributions/unemployment insurance premiums). Franchisee alone has the ability to discipline or terminate its employees to the exclusion of Franchisor, which has no such authority or ability. Franchisee further attest and affirm that any minimum staffing requirements established by Franchisor are solely for the purpose of ensuring that the Franchised Business is at all times staffed at those levels necessary to operate the Franchised Business in conformity with the System and the products, services, standards of quality and efficiency, and other Rachel's Kitchen brand attributes known to and desired by the consuming public and associated with the Proprietary Marks. Franchisee affirms, warrants and understands that it may staff the Franchised Business with as many employees as it desires at any time so long as Franchisor's minimal staffing levels are achieved. Franchisee also affirms and attests that any recommendations it may receive from Franchisor regarding salaries, hourly wages or other compensation for employees are recommendations only, designed to assist it to efficiently operate the Franchised Business, and that Franchisee is entirely free to disregard such recommendations regarding such employee compensation. Moreover, Franchisee affirms and attests that any training provided by Franchisor for Franchisee's employees is geared to impart to those employees, with its ultimate authority, the various procedures, protocols, systems and operations of a Rachel's Kitchen restaurant and in no fashion reflects any employment relationship between the Franchisor and Franchisee's employees. Finally, should it ever be asserted that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees in any private or government investigation, action, proceeding, arbitration or other setting, Franchisee irrevocably agree to assist Franchisor in defending said allegation, including (if necessary) appearing at any venue requested by Franchisor to testify on our behalf (and, as may be necessary, submitting itself to depositions, other appearances and/or preparing affidavits dismissive of any allegation that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees). To the extent Franchisor is the only named party in any such investigation, action, proceeding, arbitration or other setting to the exclusion of Franchisee, should any such appearance by Franchisee be required or requested by Franchisor, Franchisor will recompense Franchisee the reasonable costs associated with its appearing at any such venue.

## **22. APPROVALS AND WAIVERS**

### **22.1 Approval Requests**

Whenever this Agreement requires the prior authorization, approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor, and such approval or consent must be obtained in writing.

## **22.2 Non-waiver**

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's rights nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it under this Agreement shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

## **23. WARRANTIES OF FRANCHISEE**

### **23.1 Reliance by Franchisor**

Franchisor entered into this Agreement in reliance upon the statements and information submitted to Franchisor by Franchisee in connection with this Agreement. Franchisee represents and warrants that all such statements and information submitted by Franchisee in connection with this Agreement are true, correct and complete in all material respects. Franchisee agrees to promptly advise Franchisor of any material changes in the information or statements submitted.

### **23.2 Compliance with Laws**

23.2.1 Franchisee represents and warrants to Franchisor that neither Franchisee (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

23.2.2 The Franchisee will operate the Franchised Business in strict compliance with all applicable laws. Franchisee and its owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws and the RICO Act (defined below). In connection with that compliance, you and your Principals certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your Principals otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" mean 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 other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your Principals, or any blocking of your or your Principals' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement. Racketeer Influenced and Corrupt Organizations Act also known as the "RICO Act" under Section 901(a) of the Organized Crime Control Act is any racketeering activity as defined in 18 U.S.C. § 1961, as amended, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to such racketeering activities. Any violation of the RICO laws by you or your Principals, or any blocking of your or your Principals' assets under the RICO laws, shall constitute good cause for immediate termination of this Agreement.

## **24. NOTICES**

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

## **25. ENTIRE AGREEMENT**

This Agreement, the attachments hereto, and the documents referred to herein constitute the entire Agreement between Franchisor and Franchisee concerning the subject matter hereof, and supersede any prior agreements, no other representations having induced Franchisee to execute this Agreement; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by Franchisor in the Disclosure Document that was furnished to Franchisee by Franchisor. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

## **26. SEVERABILITY AND CONSTRUCTION**

### **26.1 Seorable Parts**

Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

### **26.2 Terms Surviving this Agreement**

Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination or assignment of this Agreement (regardless of cause for termination), or assignment shall survive such expiration, termination.

### **26.3 No Rights on Third Parties**

Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, officers, directors, shareholders, agents, and employees of Franchisor, and such successors and assigns of Franchisor as may be contemplated by Section 15 hereof, any rights or remedies under or by reason of this Agreement.

### **26.4 Full Scope of Terms**

Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately

articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order.

## **26.5 Franchisor's Application of its Rights**

Franchisor shall have the right to operate, develop and change the System in any manner that is not specifically precluded by this Agreement. Whenever Franchisor has reserved in this Agreement a right to take or withhold an action, or are deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or omit an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make its decision or exercise its rights, on the basis of the information readily available to Franchisor, and its judgment of what is in its best interests and/or in the best interests of the Franchisor's franchise network, at the time its decision is made, without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by Franchisor; (ii) the decision or action of Franchisor will promote its financial or other individual interest; (iii) Franchisor's decision or the action it take applies differently to Franchisee and one or more other franchisees or Franchisor's company-owned operations; or (iv) Franchisor's decision or the exercise of its right or discretion is adverse to Franchisee's interests. In the absence of an applicable statute, Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of Franchisor right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

## **26.6 Captions Only for Convenience**

All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

# **27. APPLICABLE LAW AND DISPUTE RESOLUTION**

## **27.1 Governing Law**

This Agreement takes effect upon its acceptance and execution by Franchisor, and shall be interpreted and construed under the laws of the State of Nevada. In the event of any conflict of law, the laws of Nevada shall prevail, without regard to, and without giving effect to, the application of Nevada conflict of law rules. Nothing in this Section 27.1 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of the State of Nevada or of any other state to which it would not otherwise be subject.

## **27.2 Arbitration**

Franchisor and Franchisee agree that, except for controversies, disputes, or claims related to or based on improper use of the Proprietary Marks or Confidential Information, all controversies, disputes, or claims between Franchisor and Franchisor's affiliates, and Franchisor's and their respective shareholders, members, officers, directors, agents, and/or employees, and Franchisee (and/or Franchisee's owners, guarantors, affiliates, and/or employees) arising out of or related to:

- 27.2.1 this Agreement or any other agreement between Franchisee and Franchisor;
- 27.2.2 Franchisor's relationship with Franchisee;
- 27.2.3 the validity of this Agreement or any other agreement between Franchisee and Franchisor; or
- 27.2.4 any System Standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association in the United States ("AAA"). The arbitration proceedings will be conducted by one arbitrator and, except as this Subsection otherwise provides, according to the AAA's then current rules. All proceedings will be conducted at a suitable location chosen by the arbitrator which is within a fifteen (15) mile radius of Franchisor's then current principal place of business. All matters relating to arbitration will be governed by the United States Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs (as allowable under this Agreement or applicable law), provided that the arbitrator may not declare any Proprietary Mark generic or otherwise invalid or, except as expressly provided in Section 27.5 below, award any punitive, exemplary or multiple damages against either party (Franchisor and Franchisee hereby waiving to the fullest extent permitted by law, except as expressly provided in Section 27.5 below, any right to or claim for any punitive, exemplary or multiple damages against the other).

Franchisor and Franchisee agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. Franchisor and Franchisee further agrees that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the United States Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either Franchisee or Franchisor.

Franchisor and Franchisee agree that arbitration will be conducted on an individual, not a class-wide, basis. An arbitration proceeding between Franchisor and Franchisor's affiliates, and Franchisor's and their respective shareholders, officers, directors, agents, and/or employees, and Franchisee (and/or Franchisee's owners, guarantors, affiliates, and/or employees) may not be consolidated with any other arbitration proceeding between Franchisor and any other person without the express written consent of the Franchisor.

Despite Franchisor's and Franchisee's agreement to arbitrate, Franchisor and Franchisee each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that Franchisor and Franchisee must contemporaneously submit Franchisor's dispute for arbitration on the merits as provided in this Subsection.

The provisions of this Subsection are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

### **27.3 No Rights Exclusive of Other Rights**

No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy provided herein or permitted by law or equity, but each shall be cumulative of every other right or remedy.

### **27.4 Waiver of Jury Trial**

Franchisor and Franchisee irrevocably waive any right to trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of them against the other. Any and all claims and actions arising out of or relating to this Agreement, the relationship of Franchisee and Franchisor, or Franchisee's operation of the Franchised Restaurant, brought by either party hereto against the other shall be commenced within two (2) years from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred.

### **27.5 Waiver of Punitive Damages**

Franchisor and Franchisee hereby waive to the fullest extent permitted by law any right to or claim of any punitive or exemplary damages against the other.

### **27.6 Injunctive Relief**

Nothing herein contained shall bar the right of Franchisor to obtain injunctive relief against threatened conduct that will cause it loss or damages, including violations of the terms of Sections 9, 10, 11, 15, and 18 under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

### **27.7 Costs and Legal Fees**

If Franchisor is required to enforce this Agreement in a judicial or arbitration proceeding, Franchisee shall reimburse Franchisor for its costs and expenses, including, without limitation, reasonable accountants', attorneys', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by Franchisee to comply with this Agreement, Franchisee shall reimburse Franchisor for any of the above-listed costs and expenses incurred by Franchisor.

## **28. ACKNOWLEDGMENTS**

### **28.1 Receipt of Disclosure Document**

Franchisee acknowledges that it received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures" at least fourteen (14) calendar days prior to the date on which this Agreement was executed or any payment by Franchisee for the franchise rights granted under this Agreement.

### **28.2 Franchisee's Responsibility for Operation of Business**

Although Franchisor retains the right to establish and periodically modify System standards, which Franchisee has agreed to maintain in the operation of the Franchised Restaurant, Franchisee retains the right

and sole responsibility for the day-to-day management and operation of the Franchised Restaurant and the implementation and maintenance of System standards at the Franchised Restaurant.

### **28.3 No Conflicting Obligations**

Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

### **28.3 Different Franchise Offerings to Others**

Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

### **28.4 Franchisee Disclosure Acknowledgment**

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.

**IN WITNESS WHEREOF**, the parties hereto have duly executed this Agreement in duplicate on the date first above written.

**RDR INC.**  
Franchisor

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

\_\_\_\_\_  
Franchisee

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

Franchisor's Address for Notices:

RDR Inc.  
9640 West Tropicana Ave. #117  
Las Vegas, Nevada 89147

Franchisee's Address for Notices:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Attn: Department of Franchising

With copy to:

Franchise.Law  
3540 Toringdon Way, Suite 200  
Charlotte, NC 28277

Attn: \_\_\_\_\_

With copy to:

\_\_\_\_\_

Attn: \_\_\_\_\_

**RDR INC.**  
**FRANCHISE AGREEMENT**

**EXHIBIT A**  
**DATA SHEET**

1. The Approved Location for the Franchised Restaurant shall be \_\_\_\_\_  
\_\_\_\_\_  
(See Section 1.2).
2. The Territory shall be (subject to the terms of the Agreement, including but not limited to Section 1.4 of the Agreement) as follows, and which Territory is reflected on the below map. However, if there is an inconsistency between the language in this Exhibit A and the below map, the language in this Exhibit A shall control.

APPROVED:

FRANCHISEE:

---

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

FRANCHISOR:

RDR INC.

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

**RDR INC.**  
**FRANCHISE AGREEMENT**  
**EXHIBIT B**  
**ADA CERTIFICATION**

RDR Inc. ("Franchisor") and \_\_\_\_\_ ("Franchisee") are parties to a franchise agreement dated \_\_\_\_\_ for the operation of a Rachel's Kitchen Restaurant at \_\_\_\_\_ (the "Franchised Restaurant"). In accordance with

Section 5.5 of the Franchise Agreement, Franchisee certifies to Franchisor that, to the best of Franchisee's knowledge, the Franchised Restaurant and its adjacent areas comply with all applicable federal, state and local accessibility laws, statutes, codes, rules, regulations and standards, including but not limited to the Americans with Disabilities Act. Franchisee acknowledges that it is an independent contractor and the requirement of this certification by Franchisee does not constitute ownership, control, leasing or operation of the Franchised Restaurant. Franchisee acknowledges that Franchisee has relied on the information contained in this certification. Furthermore, Franchisee acknowledge its obligation under this Franchise Agreement to indemnify Franchisor and the officers, directors, and employees of Franchisor in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with Franchisee's compliance with the Americans with Disabilities Act, as well as the costs, including attorneys' fees, related to the same.

FRANCHISEE

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

Name: \_\_\_\_\_

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

**RDR INC.**  
**FRANCHISE AGREEMENT**  
**EXHIBIT C**  
**LIST OF PRINCIPALS AND DESIGNATED PRINCIPAL**

The following identifies all of Franchisee's Principals (as defined in Section 6.1 of the Franchise Agreement):

Name of Principal	Address	Interest (%) with description
		<b>Total: 100%</b>

**FRANCHISEE'S DESIGNATED PRINCIPAL**

The following identifies Franchisee's Designated Principal (as defined in Section 8.3 of the Franchise Agreement):

Name and Title	Address, telephone number, and e-mail address	Interest (%) (with description) if any

**RDR INC.**  
**FRANCHISE AGREEMENT**  
**EXHIBIT D**  
**AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS**

(Name of Person or Legal Entity)  
(ID Number)

The undersigned depositor ("Depositor") hereby authorizes RDR Inc. ("Franchisor") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below ("Depository") ("Bank") to debit or credit such account(s) pursuant to Franchisor's instructions.

\_\_\_\_\_  
Depository

\_\_\_\_\_  
Branch

\_\_\_\_\_  
City

\_\_\_\_\_  
State \_\_\_\_\_ Zip Code \_\_\_\_\_

\_\_\_\_\_  
Bank Transit/ABA Number

\_\_\_\_\_  
Account Number

This authorization is to remain in full and force and effect until sixty (60) days after Franchisor has received written notification from Franchisee of its termination.

\_\_\_\_\_  
Depositor

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

Name: \_\_\_\_\_

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

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

**RDR INC.**  
**FRANCHISE AGREEMENT**  
**EXHIBIT E-1**  
**GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT**

As an inducement to RDR Inc. ("Franchisor") to enter the RDR Inc. Franchise Agreement between Franchisor and \_\_\_\_\_ ("Franchisee"), dated \_\_\_\_\_, 20\_\_\_\_ (the "Agreement"), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and Franchisor's successors and assigns that all of Franchisee's monetary obligations under the Agreement will be punctually paid and performed and that all monetary obligations will be punctually paid and performed.

Upon demand by Franchisor, the undersigned each hereby jointly and severally agree to immediately make each payment required of Franchisee under the Agreement and waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; or (d) give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee, and the undersigned each hereby jointly and severally waive notice of same and agree to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned each hereby jointly and severally agree to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all of the covenants contained in Sections 11, 15, 17, and 18 of the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the "Rachel's Kitchen" marks or system licensed to Franchisee under the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

Guarantor represents and warrants to Franchisor that neither Guarantor (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

Any and all notices required or permitted under this guarantee provision shall be in writing and shall be personally delivered, in the manner provided under Section 24 of this Agreement.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement and shall be interpreted and construed in accordance with Section 27 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of Nevada. In the event of any conflict of law, the laws of the State of Nevada shall prevail (without regard to, and without giving effect to, the application of Nevada conflict of law rules).

IN WITNESS WHEREOF, the undersigned has signed this guarantee provision as of the date of this Agreement.

GUARANTOR(S)

Witness

Name: \_\_\_\_\_

Witness

Name: \_\_\_\_\_

Witness

Name: \_\_\_\_\_

Witness

Name: \_\_\_\_\_

**RDR INC.**  
**FRANCHISE AGREEMENT**  
**EXHIBIT E-2**  
**OWNERS**

1. **Owners**: List the full name and mailing address of each person or entity who directly or indirectly owns an equity or voting interest in the Franchisee, and describe the nature of the interest.

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

Number of Ownership Interests Owned: \_\_\_\_\_  
% of Total Ownership Interests: \_\_\_\_\_  
Number of Ownership Interests Owner is \_\_\_\_\_  
Entitled to Vote: \_\_\_\_\_  
Other Interest (Describe): \_\_\_\_\_  
\_\_\_\_\_

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

Number of Ownership Interests Owned: \_\_\_\_\_  
% of Total Ownership Interests: \_\_\_\_\_  
Number of Ownership Interests Owner is \_\_\_\_\_  
Entitled to Vote: \_\_\_\_\_  
Other Interest (Describe): \_\_\_\_\_  
\_\_\_\_\_

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

Number of Ownership Interests Owned: \_\_\_\_\_  
% of Total Ownership Interests: \_\_\_\_\_  
Number of Ownership Interests Owner is \_\_\_\_\_  
Entitled to Vote: \_\_\_\_\_  
Other Interest (Describe): \_\_\_\_\_  
\_\_\_\_\_

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

Number of Ownership Interests Owned: \_\_\_\_\_  
% of Total Ownership Interests: \_\_\_\_\_  
Number of Ownership Interests Owner is \_\_\_\_\_  
Entitled to Vote: \_\_\_\_\_  
Other Interest (Describe): \_\_\_\_\_  
\_\_\_\_\_

2. **Designated Principal Owners:** The following individuals named in Paragraph 1 are designated as Principal Owners, although they do not hold five percent (5%) or more of the equity ownership interests in Franchisee:

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

3. **Management:** As required pursuant to Paragraph G of Section 10 of this Agreement, the following Principal Owners shall have supervisory responsibilities in connection with the operation of the Restaurant:

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

4. **Ownership Structure and Initial Capitalization:** Franchisee and its Owners represent and warrant that the ownership structure and initial capitalization of Franchisee is as follows:

#### **OWNERSHIP STRUCTURE**

<b><u>Owner</u></b>	<b><u>Number of Ownership Interests</u></b>	<b><u>Percentage Ownership</u></b>

As of the date hereof there are \_\_\_\_\_ (\_\_\_\_\_) Ownership Interests authorized and there are \_\_\_\_\_ (\_\_\_\_\_) Ownership Interests which are issued and outstanding. There are no other authorized classes of shares.

#### **INITIAL CAPITALIZATION**

**FRANCHISOR:**  
**RDR INC.,**  
a Nevada corporation

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

#### **FRANCHISEE:**

a \_\_\_\_\_ Corporation, LLC, Partnership:  
By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**INDIVIDUALS:**

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[Print Name]

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[Print Name]

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**RDR INC.**  
**FRANCHISE AGREEMENT**  
**EXHIBIT F - 1**  
**CONFIDENTIALITY AND NON-COMPETE AGREEMENT**  
**FOR FRANCHISEE'S PRINCIPALS AND EXECUTIVES**

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("Agreement") is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ ("us" "we" "our" or the "Franchisee"), and \_\_\_\_\_, who is a Principal, member, partner, or officer of Franchisee ("you" or the "Member").

**Introduction**

RDR Inc. (the "Franchisor") and its affiliates developed and own a format and system (the "System") for establishing, operating, and licensing restaurants offering breakfast, lunch and dinner menus, including breakfast items, soup, salad, wraps, burgers, sandwiches, pasta, smoothies and other beverages. These businesses use Franchisor's trade dress, System, and operate under the name "Rachel's Kitchen" or "Little Rachel's Kitchen" and marks (each is referred to as a "Rachel's Kitchen Restaurant").

Franchisor and Franchisee have executed a Franchise Agreement ("Franchise Agreement") granting Franchisee the right to operate a Rachel's Kitchen Restaurant (the "Franchised Restaurant") under the terms and conditions of the Franchise Agreement.

In connection with your ownership and position with Franchisee, you will be trained by us and/or you will learn of Franchisor's confidential information and know-how concerning the methods of operation of a Rachel's Kitchen Restaurant and the System.

Now, therefore, it is agreed that as a consideration your relationship with Franchisee and the rights granted to Franchisee under the Franchise Agreement, you acknowledge and agree that you will comply with all of the following obligations:

**1. Rachel's Kitchen Confidential Information.** You agree that you will not, at any time (whether during or after the term of the Franchise Agreement or the time of your relationship with Franchisee), communicate or divulge Rachel's Kitchen Confidential Information to any Person, and that you will not use Rachel's Kitchen Confidential Information for your own benefit or for the benefit of any other Person.

**2. Definitions.** As used in this Agreement, the following terms are agreed to have the following meanings:

a. The term "Rachel's Kitchen Confidential Information" means any information, knowledge, or know-how concerning the methods of operation of the Franchised Restaurant and the System that you may learn of or that otherwise becomes known to you during the term of the Franchise Agreement or the time of your relationship with Franchisee (whether or not Franchisor or we have specifically designated that information as "confidential"). Rachel's Kitchen Confidential Information may include, among other things, operational, sales, promotional, marketing, and administrative methods, procedures, and techniques. However, Rachel's Kitchen Confidential Information does not include information that you can show came to your attention before it was disclosed to you by us or Franchisor; and Rachel's Kitchen Confidential Information

also does not include information that, at or after the time when we or Franchisor disclosed it to you, is a part of the public domain through no act on your part or through publication or communication by other Persons who are lawfully entitled to publish or communicate that information.

b. The term "Person" means any person, persons, partnership, entity, association, or corporation (other than the Franchisor or Franchisee).

c. The term "Post-Term Period" means a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 15 of the Franchise Agreement; (b) expiration or termination of the Franchise Agreement (regardless of the cause for termination); (c) termination of your relationship with Franchisee for any reason; and/or (d) a final order of a court of competent jurisdiction enforcing of this Agreement.

### **3. Covenants Not to Compete.**

a. You understand and acknowledge that due to your relationship with us, you will receive valuable specialized training and access to Rachel's Kitchen Confidential Information.

b. You covenant and agree that during the term of the Franchise Agreement, unless Franchisor gives you prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person:

i. Divert or attempt to divert any current or potential business account or customer of the Franchised Restaurant (or of any Rachel's Kitchen Restaurant) to any Person, whether by direct or indirect suggestion, referral, inducement, or otherwise;

ii. Do or perform, directly or indirectly, any act that might injure or be harmful to the goodwill associated with Franchisor and the System;

iii. Employ or seek to employ any individual who is then employed by us, Franchisor, or employed by any of Franchisor's franchisees, licensees, developers, or to otherwise directly or indirectly induce any such individual to leave his or her employment; and/or

iv. Directly or indirectly for yourself or on behalf of, or in conjunction with any Person, own, maintain, operate, engage in, or have any interest in any business that is the same as or similar to the Franchised Restaurant.

c. You covenant and agree that during the term Post-Term Period, unless Franchisor gives you its prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person:

i. Own, maintain, operate, engage in, or have any interest in any business that is the same as or similar to the Franchised Restaurant, if that business is located (or if it is intended to be located) within the Territory or within a radius of twenty-five (25) miles of any other Rachel's Kitchen Restaurant located anywhere; and/or.

ii. Employ or seek to employ any individual who is then employed by us, Franchisor, or employed by any of Franchisor's franchisees, licensees, developers, or to otherwise directly or indirectly induce any such individual to leave his or her employment.

**4. Legal and Equitable Remedies.** You understand, acknowledge, and agree that if you do not comply with the requirements of this Agreement, you will cause irreparable injury to Franchisor, and that:

a. We will have the right to enforce this Agreement and any of its provisions by going to a court and obtaining an injunction, specific performance, or other equitable relief, without prejudice to any other rights and remedies that we may have for breach of this Agreement;

b. You will not raise wrongful termination or other defenses to the enforcement of this Agreement (although you will have the right to raise those issues in a separate legal action); and

c. You must reimburse Franchisor for any court costs, reasonable attorney's fees, and other related expenses that Franchisor incurs as a result of your violation of this Agreement and having to go to court to seek enforcement.

**5. Severability.** Each of the provisions of this Agreement may be considered severable from the others. If a court should find that we or Franchisor may not enforce a clause in this Agreement as written, but the court would allow us or Franchisor to enforce that clause in a way that is less burdensome to you, then you agree that you will comply with the court's less-restrictive interpretation of that clause.

**6. Delay.** No delay or failure by us or Franchisor to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that right or any other right set out in this Agreement. No waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

**7. Third-Party Beneficiary.** You acknowledge and agree that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

**IN WITNESS WHEREOF**, Member has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

MEMBER:

\_\_\_\_\_  
Witness

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

**RDR INC.**  
**FRANCHISE AGREEMENT**  
**EXHIBIT F - 2**  
**CONFIDENTIALITY AND NON-COMPETE**  
**FOR FRANCHISEE'S EMPLOYEES**

**THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT** ("Agreement") is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ ("us" "we" "our" or the "Franchisee"), and \_\_\_\_\_, an employee of Franchisee ("you" or the "Employee").

**Introduction**

RDR Inc. (the "Franchisor") and its affiliates developed and own a format and system (the "System") for establishing, operating, and licensing restaurants offering breakfast, lunch and dinner menus, including breakfast items, soup, salad, wraps, burgers, sandwiches, pasta, smoothies and other beverages. These businesses use Franchisor's trade dress, System, and operate under the name "Rachel's Kitchen" or "Little Rachel's Kitchen" and marks (each is referred to as a "Rachel's Kitchen Restaurant").

Franchisor and Franchisee have executed a Franchise Agreement ("Franchise Agreement") granting Franchisee the right to operate a Rachel's Kitchen Restaurant (the "Franchised Restaurant") under the terms and conditions of the Franchise Agreement.

In connection with starting or continuing your employment with Franchisee, you will be trained by us and you will learn of Franchisor's confidential information and know-how concerning the methods of operation of a Rachel's Kitchen Restaurant and the System.

Now, therefore, it is agreed that as a consideration of starting or continuing your employment, as a condition to your employment and the compensation that we have paid to you (and/or will pay you after today), you acknowledge and agree that you will comply with all of the following obligations:

**1. Rachel's Kitchen Confidential Information.** You agree that you will not, at any time (whether during or after your time of employment with us), communicate or divulge Rachel's Kitchen Confidential Information to any Person, and that you will not use Rachel's Kitchen Confidential Information for your own benefit or for the benefit of any other Person.

**2. Definitions.** As used in this Agreement, the following terms are agreed to have the following meanings:

a. The term "Rachel's Kitchen Confidential Information" means any information, knowledge, or know-how concerning the methods of operation of the Franchised Restaurant and the System that you may learn of or that otherwise becomes known to you during the time of your employment with us (whether or not the Franchisor or we have specifically designated that information as "confidential"). Rachel's Kitchen Confidential Information may include, among other things, operational, sales, promotional, marketing, and administrative methods, procedures, and techniques. However, Rachel's Kitchen Confidential Information does not include information that you can show came to your attention before it was disclosed to you by us or Franchisor; and Rachel's Kitchen Confidential Information also does not include information that, at or after the time when we disclosed it to you, is a part of the public domain through no act on your part or

through publication or communication by other Persons who are lawfully entitled to publish or communicate that information.

b. The term “Person” means any person, persons, partnership, entity, association, or corporation (other than the Company or Franchisor).

c. The term “Post-Term Period” means a continuous uninterrupted period of (check as applicable)  one (1) year if you are a manager or perform managerial responsibilities, or  six (6) months a non-managerial employee from the date of: (a) termination of your employment with us for any reason; and/or (b) a final order of a court of competent jurisdiction enforcing of this Agreement.

### **3. Covenants Not to Compete.**

a. You understand and acknowledge that due to your employment with us, you will receive valuable specialized training and access to Rachel’s Kitchen Confidential Information.

b. You covenant and agree that during the term of your employment, unless Franchisor gives you its prior written approval, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person:

i. Divert or attempt to divert any current or potential business account or customer of the Franchised Restaurant (or of any Rachel’s Kitchen Restaurant) to any Person, whether by direct or indirect suggestion, referral, inducement, or otherwise;

ii. Do or perform, directly or indirectly, any act that might injure or be harmful to the goodwill associated with Franchisor and the System;

iii. Employ or seek to employ any individual who is then employed by us, or employed by Franchisor or any of Franchisor’s franchisees, licensees, developers, or to otherwise directly or indirectly induce any such individual to leave his or her employment; and/or

iv. Directly or indirectly for yourself or on behalf of, or in conjunction with any Person, own, maintain, operate, engage in, or have any interest in any business that is the same as or similar to the Franchised Restaurant.

c. You covenant and agree that during the term Post-Term Period, unless Franchisor gives you its prior written approval and subject to applicable state law, you shall not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person:

i. Own, maintain, operate, engage in, or have any interest in any business that is the same as or similar to the Franchised Restaurant, if that business is located (or if it is intended to be located) within a radius of twenty-five (25) miles of any other Rachel’s Kitchen Restaurant located anywhere at that time; and/or;

ii. Employ or seek to employ any individual who is then employed by us, Franchisor, or by any of Franchisor’s franchisees, licensees, developers, or to otherwise directly or indirectly induce any such individual to leave his or her employment.

4. **Legal and Equitable Remedies.** You understand, acknowledge, and agree that if you do not comply with the requirements of this Agreement, you will cause irreparable injury to Franchisor, and that:

a. We will have the right to enforce this Agreement and any of its provisions by going to a court and obtaining an injunction, specific performance, or other equitable relief, without prejudice to any other rights and remedies that we may have for breach of this Agreement;

b. You will not raise wrongful termination or other defenses to the enforcement of this Agreement (although you will have the right to raise those issues in a separate legal action); and

c. You must reimburse Franchisor for any court costs, reasonable attorney's fees, and any other related expenses that Franchisor incurs as a result of your violation of this Agreement and having to go to court to seek enforcement.

5. **Severability.** Each of the provisions of this Agreement may be considered severable from the others. If a court should find that we or Franchisor may not enforce a clause in this Agreement as written, but the court would allow us or Franchisor to enforce that clause in a way that is less burdensome to you, then you agree that you will comply with the court's less-restrictive interpretation of that clause.

6. **Delay.** No delay or failure by us or Franchisor to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that right or any other right set out in this Agreement. No waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

7. **Third-Party Beneficiary.** You acknowledge and agree that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with us.

**IN WITNESS WHEREOF**, Employee has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

EMPLOYEE:

\_\_\_\_\_  
Signature:\_\_\_\_\_

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Printed Name:\_\_\_\_\_

**RDR INC.**  
**FRANCHISE AGREEMENT**  
**EXHIBIT G**  
**LEASE TERMS**

In accordance with Section 5.2 of this Franchise Agreement, Franchisee's lease or sublease for the premises of the Franchised Restaurant shall contain terms acceptable to Franchisor, which may include (but are not limited to) the following:

1. The initial term of the lease, or initial term together with renewal terms, will be for not fewer than ten (10) years.
2. A provision stating that the lessor consents to Franchisee's use and display of the Proprietary Marks and signage as Franchisor may prescribe from time to time for the Franchised Restaurant, subject only to the provisions of applicable law.
3. A provision that Franchisee shall have the right to alter, renovate, add, remodel, modify, and/or change the premises and/or other improvements upon the premises as Franchisee may deem desirable, provided that if any such alterations, renovations, additions, modifications, remodeling and/or changes to the premises and/or improvements upon the premises affect the exterior, structural elements or foundation of the premises, Franchisee shall first obtain the consent of the lessor, which consent shall not be unreasonably withheld, conditioned or delayed.
4. A provision that the premises be used solely for the operation of a franchised Rachel's Kitchen Restaurant, which is currently: a restaurant offering for sale various types of food, beverages and related products for both on and off premises consumption, such products may include without limitation the following: breakfast, lunch and dinner menus, including breakfast items, soup, salad, wraps, burgers, sandwiches, pasta, smoothies and other beverages (which may include the sale of alcoholic beverages, provided that alcoholic beverages will be for on-premises consumption only) and promotional items such as shirts, hats and other items displaying the "RACHEL'S KITCHEN" or "LITTLE RACHEL'S KITCHEN" logo, all as may be permitted under the relevant franchise agreement signed for the Franchised Restaurant.
5. A provision that requires the lessor to concurrently provide Franchisor with a copy of any written notice of deficiency under the lease sent to Franchisee, and that the lessor will provide Franchisor with written notice specifying deficiencies that Franchisee did not cure.
6. A provision that grants to Franchisor, in its sole discretion, the right (but not obligation) to cure any deficiency under the lease within thirty (30) days after the expiration of the period in which Franchisee had to cure any such default should Franchisee fail to do so.
7. A provision acknowledging that, in the event the Franchise Agreement for the Franchised Restaurant expires or is terminated: (a) Franchisee is obligated under the Franchise Agreement to take certain steps to de-identify the location as a Rachel's Kitchen Restaurant operated by Franchisee; and (b) the lessor will cooperate fully with Franchisor in enforcing such provisions of the Franchise Agreement against the Franchisee, including allowing Franchisor, its employees and agents to enter and remove signs, decor and materials bearing or displaying any Proprietary Marks, designs or logos of Franchisor, provided that the lessor shall not be required to bear any expense thereof.

8. A provision that expressly states that any default under the lease shall constitute a default under the Franchise Agreement, and that the termination of the Franchise Agreement shall constitute a default under the lease.

9. A provision reserving to Franchisor the right, at Franchisor's election, to receive an assignment of the leasehold interest upon termination or expiration of the franchise grant.

10. A provision that expressly requires that, if requested by Franchisor, the lessor of the premises will provide Franchisor all sales and other information the lessor may have related to the operation of the Franchised Restaurant.

11. Franchisee is restricted from accepting any requirement under the lease that seeks to impose any restrictions (territorial or otherwise) on the development or operation of other Rachel's Kitchen Restaurants by Franchisee, Franchisor, or any other person or entity.

12. A provision that the lessor agrees that Franchisee may not assign the lease or sublease all or any part of its occupancy rights thereunder without Franchisor's prior written consent.

13. A provision that the lessor's consent to an assignment of the lease or subletting of the Premises will not be required in connection with an assignment or subletting Franchisor, or any parent, subsidiary or affiliated corporation of Franchisor or Franchisee, or another operator that has been approved by Franchisor to be the franchisee for the Franchised Restaurant.

14. A provision that prohibits the lessor from selling or leasing, or allowing the sublease of, space in the building or on the property to any person or entity for a retail food business. Additionally, the lessor shall not sell and shall prohibit any other tenant or subtenant in the building, or on the property, from engaging in activities predominantly related to a restaurant. In the event lessor does not comply with these restrictions, Franchisor will have the right to seek an injunction prohibiting the occupancy by the new competing business or against the existing tenant as the case may be.

**RDR INC.**  
**FRANCHISE AGREEMENT**  
**EXHIBIT H**  
**FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT**

As you know, RDR Inc. (the "Franchisor") and you are preparing to enter into a franchise agreement (the "Franchise Agreement") for the establishment and operation of a Rachel's Kitchen Restaurant (the "Franchised Business"). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor ("Broker") that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Franchised Business from an existing Franchisee?

Yes  No

2. I had my first face-to-face meeting with a Franchisor representative on \_\_\_\_\_, 20\_\_\_\_.

3. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes  No

5. Have you received and personally reviewed the Franchisor's Disclosure Document that was provided to you?

Yes  No

6. Did you sign a receipt for the Disclosure Document indicating the date you received it?

8. Have you discussed the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor?

Yes  No

If No, do you wish to have more time to do so?

Yes \_\_\_\_\_ No \_\_\_\_\_

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Franchised Business operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business that is contrary to or different from the information contained in the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchised Business will generate, that is contrary to or different from the information contained in the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

14. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

Yes \_\_\_\_\_ No \_\_\_\_\_

15. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or franchise agreement?

Yes \_\_\_\_\_ No \_\_\_\_\_

16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes \_\_\_\_\_ No \_\_\_\_\_

17. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes \_\_\_\_\_ No \_\_\_\_\_

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? \_\_\_\_\_

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If you have answered No to question 9, or Yes to any one of questions 10-17, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 9, and No to each of questions 10-17, please leave the following lines blank.

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I signed the Franchise Agreement and Addendum (if any) on \_\_\_\_\_, 20\_\_\_\_, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

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C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

- (i) a person or entity listed in the Annex to the Executive Order;
- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;
- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or
- (iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

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.

Acknowledged this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Sign here if you are taking the franchise as an  
INDIVIDUAL  
(or a partnership that is not a separate legal entity)

Sign here if you are taking the franchise as a  
CORPORATION, LIMITED LIABILITY  
COMPANY OR PARTNERSHIP

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Signature

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Print Name of Legal Entity

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

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

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Signature

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

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

Title\_\_\_\_\_

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Signature

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

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Signature

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

**RDR INC.**  
**FRANCHISE AGREEMENT**  
**EXHIBIT I**  
**TRANSFER OF A FRANCHISE TO A**  
**CORPORATION OR LIMITED LIABILITY COMPANY**

This Transfer Agreement shall amend that certain Franchise Agreement between \_\_\_\_\_ ("Franchisee"), and RDR Inc. ("Franchisor").

The undersigned, an Officer, Director and Owner of a majority of the issued and outstanding voting stock of the Corporation set forth below, or Members of the issued and outstanding Interests of the Limited Liability Company set forth below, and the Franchisee of the Restaurant under a Franchise Agreement executed on the date set forth below, between himself or herself and Franchisor, granting him/her a franchise to operate at the location set forth below, and the other undersigned Directors, Officers and Shareholders of the Corporation, or the Members of the Limited Liability Company, who together with Franchisee constitute all of the Shareholders of the Corporation, or the Members of the Limited Liability Company, in order to induce Franchisor to consent to the assignment of the Franchise Agreement to the Corporation or Limited Liability Company in accordance with the provisions of Article 15 of the Franchise Agreement, agree as follows:

1. The undersigned Franchisee shall remain personally liable in all respects under the Franchise Agreement and all the other undersigned Officers, Directors and Shareholders of the Corporation, or the Members of the Limited Liability Company, intending to be legally bound hereby, agree jointly and severally to be personally bound by the provisions of the Franchise Agreement including the restrictive covenants contained in Article 18 thereof, to the same extent as if each of them were the Franchisee set forth in the Franchise Agreement and they jointly and severally personally guarantee all of the Franchisee's obligations set forth in said Agreement.

2. The undersigned agree not to transfer any stock in the Corporation, or any interest in the Limited Liability Company without the prior written approval of the Franchisor and agree that all stock certificates representing shares in the Corporation, or all certificates representing interests in the Limited Liability Company shall bear the following legend:

"The shares of stock represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ between \_\_\_\_\_ and RDR Inc."

or

"The ownership interests represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ between \_\_\_\_\_ and RDR Inc."

3. \_\_\_\_\_ or his designee shall devote his commercially reasonable efforts to the day-to-day operation and development of the Restaurant.

4. \_\_\_\_\_ hereby agrees to become a party to and to be bound by all of the provisions of the Franchise Agreement executed on the date set forth below between Franchisee and Franchisor, to the same extent as if it were named as the Franchisee therein.

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

Location of Restaurant: \_\_\_\_\_

WITNESS:

As to Paragraph 3:

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[Name]

As to Paragraph 4:

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[Name]

ATTEST:

\_\_\_\_\_  
Name of Corp. or Limited Liability Company

\_\_\_\_\_  
By: \_\_\_\_\_ (SEAL)  
Title: \_\_\_\_\_

In consideration of the execution of the above Agreement, RDR Inc. hereby consents to the above referred to assignment on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

FRANCHISOR:  
RDR INC.

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

**RDR INC.**  
**FRANCHISE AGREEMENT**  
**EXHIBIT J**  
**INTERNET WEB SITES AND LISTINGS AGREEMENT**

**THIS INTERNET WEB SITES AND LISTINGS AGREEMENT** (the “Internet Listing Agreement”) is made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the “Effective Date”), by and between RDR Inc., a Nevada corporation with a principal address at 9640 West Tropicana Ave. #117, Las Vegas, Nevada, 89147 (the “Franchisor”), and \_\_\_\_\_, a \_\_\_\_\_ limited liability company/corporation/resident, whose principal address is \_\_\_\_\_ (the “Franchisee”).

**W I T N E S S E T H:**

**WHEREAS**, Franchisee desires to enter into a Franchise Agreement with Franchisor for a Rachel’s Kitchen Restaurant (the “Franchise Agreement”); and

**WHEREAS**, Franchisor would not enter into the Franchise Agreement without Franchisee’s agreement to enter into, comply with, and be bound by all the terms and provisions of this Internet Listing Agreement;

**NOW, THEREFORE**, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**1. DEFINITIONS**

All terms used but not otherwise defined in this Internet Listing Agreement shall have the meanings set forth in the Franchise Agreement. “Termination” of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

**2. TRANSFER; APPOINTMENT**

2.1 Interest in Internet Web Sites and Listings. Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of the Franchise Agreement, certain right, title, and interest in and to certain domain names, hypertext markup language, uniform resource locator addresses, and access to corresponding Internet web sites, and the right to hyperlink to certain web sites and listings on various Internet search engines (collectively, the “Internet Web Sites and Listings”) related to the Franchised Business or the Marks (all of which right, title, and interest is referred to herein as “Franchisee’s Interest”).

2.2 Transfer. On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately direct all Internet Service Providers, domain name registries, Internet search engines, and other listing agencies (collectively, the “Internet Companies”) with which Franchisee has Internet Web Sites and Listings: (i) to transfer all of Franchisee’s Interest in such Internet Web Sites and Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Internet Web Sites and Listings, Franchisee will immediately direct the Internet Companies to terminate such Internet Web Sites and Listings or will take such other actions with respect to the Internet Web Sites and Listings as Franchisor directs.

2.3 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under the Franchise Agreement and this Internet Listing Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Internet Listing Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Internet Listing Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.3.1 Direct the Internet Companies to transfer all Franchisee's Interest in and to the Internet Web Sites and Listings to Franchisor;

2.3.2 Direct the Internet Companies to terminate any or all of the Internet Web Sites and Listings; and

2.3.3 Execute the Internet Companies' standard assignment forms or other documents in order to affect such transfer or termination of Franchisee's Interest.

2.4 Certification of Termination. Franchisee hereby directs the Internet Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.5 Cessation of Obligations. After the Internet Companies have duly transferred all Franchisee's Interest in such Internet Web Sites and Listings to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations under, such Internet Web Sites and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet Companies for the sums Franchisee is obligated to pay such Internet Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interest, or for any other obligations not subject to the Franchise Agreement or this Internet Listing Agreement.

### 3. MISCELLANEOUS

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertable in, or in any way related to this Internet Listing Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any

and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Internet Listing Agreement.

3.3 No Duty. The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any or all such Internet Web Sites and Listings.

3.4 Further Assurances. Franchisee agrees that at any time after the date of this Internet Listing Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Internet Listing Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Internet Listing Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Internet Listing Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Internet Listing Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein.

3.7 Survival. This Internet Listing Agreement shall survive the Termination of the Franchise Agreement.

3.8 Joint and Several Obligations. All Franchisee's obligations under this Internet Listing Agreement shall be joint and several.

3.9 Governing Law. This Internet Listing Agreement shall be governed by and construed under the laws of the State of Nevada, without regard to the application of Nevada conflict of law rules.

IN WITNESS WHEREOF, the undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

**RDR INC.**  
Franchisor

\_\_\_\_\_  
Witness

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

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Witness

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

## **TELEPHONE LISTING AGREEMENT**

**THIS TELEPHONE LISTING AGREEMENT** (the “Telephone Listing Agreement”) is made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the “Effective Date”), by and between RDR Inc., a Nevada corporation with a principal address at 9640 West Tropicana Ave. #117, Las Vegas, Nevada, 89147 (the “Franchisor”), and \_\_\_\_\_, a \_\_\_\_\_ limited liability company/corporation/resident, with a principal address at \_\_\_\_\_ (the “Franchisee”).

### **W I T N E S S E T H:**

**WHEREAS**, Franchisee desires to enter into a Franchise Agreement with Franchisor for a Rachel’s Kitchen (the “Franchise Agreement”); and

**WHEREAS**, Franchisor would not enter into the Franchise Agreement without Franchisee’s agreement to enter into, comply with, and be bound by all the terms and provisions of this Telephone Listing Agreement;

**NOW, THEREFORE**, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of all of which are hereby acknowledged, the parties hereto agree as follows:

#### **1. DEFINITIONS**

All terms used but not otherwise defined in this Telephone Listing Agreement shall have the meanings set forth in the Franchise Agreement. “Termination” of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

#### **2. TRANSFER; APPOINTMENT**

2.1 Interest in Telephone Numbers and Listings. Franchisee has, or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, yellow-page, and other telephone directory listings (collectively, the “Telephone Numbers and Listings”) related to the Franchised Business or the Marks (all of which right, title, and interest is referred to herein as “Franchisee’s Interest”).

2.2 Transfer. On Termination of the Franchise Agreement, if Franchisor directs Franchisee to do so, Franchisee will immediately direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the “Telephone Companies”) with which Franchisee has Telephone Numbers and Listings: (i) to transfer all Franchisee’s Interest in such Telephone Numbers and Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Numbers and Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Numbers and Listings or will take such other actions with respect to the Telephone Numbers and Listings as Franchisor directs.

2.3 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor’s benefit under the Franchise Agreement and this Telephone Listing Agreement or otherwise, with full power of substitution, as Franchisee’s true and lawful attorney-in-fact with full power and authority in Franchisee’s place and stead, and in Franchisee’s name or

the name of any affiliated person or affiliated company of Franchisee, on Termination of the Franchise Agreement, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Telephone Listing Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including, without limitation, this Telephone Listing Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.3.1 Direct the Telephone Companies to transfer all Franchisee's Interest in and to the Telephone Numbers and Listings to Franchisor;

2.3.2 Direct the Telephone Companies to terminate any or all of the Telephone Numbers and Listings; and

2.3.3 Execute the Telephone Companies' standard assignment forms or other documents in order to affect such transfer or termination of Franchisee's Interest.

2.4 Certification of Termination. Franchisee hereby directs the Telephone Companies that they shall accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.5 Cessation of Obligations. After the Telephone Companies have duly transferred all Franchisee's Interest in such Telephone Numbers and Listings to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further Interest in, or obligations under, such Telephone Numbers and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Telephone Companies for the sums Franchisee is obligated to pay such Telephone Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interest, or for any other obligations not subject to the Franchise Agreement or this Telephone Listing Agreement.

### 3. MISCELLANEOUS

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertable in, or in any way related to this Telephone Listing Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to Franchisee's performance, Franchisee's nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and the directors, officers, shareholders, partners, members, employees, agents, and attorneys of Franchisor and its affiliates, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Telephone Listing Agreement.

3.3 No Duty. The powers conferred on Franchisor under this Telephone Listing Agreement are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any or all such Telephone Numbers and Listings.

3.4 Further Assurances. Franchisee agrees that at any time after the date hereof, it will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Telephone Listing Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Telephone Listing Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Telephone Listing Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Telephone Listing Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein.

3.7 Survival. The obligations and rights under this Telephone Listing Agreement shall survive the termination or expiration of the Franchise Agreement.

3.8 Joint and Several Obligations. All Franchisee's obligations under this Telephone Listing Agreement shall be joint and several.

3.9 Governing Law. This Telephone Listing Agreement shall be governed by and construed under the laws of the State of Nevada, without regard to the application of Nevada conflict of law rules.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Telephone Listing Agreement as of the Effective Date.

**RDR INC.**

Franchisor

\_\_\_\_\_  
Witness

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

\_\_\_\_\_  
Franchisee

\_\_\_\_\_  
Witness

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

**RDR INC.  
FRANCHISE AGREEMENT  
EXHIBIT K  
POWER OF ATTORNEY (TAX)**

## IRREVOCABLE POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS

That \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee"), does hereby irrevocably constitute and appoint RDR INC., a Nevada corporation ("Franchisor"), true and lawful attorney-in-fact and agent for Franchisee and in Franchisee's name, place and stead to do or cause to be done all things and to sign, execute, acknowledge, certify, deliver, accept, record and file all such agreements, certificates, instruments and documents as, in the sole discretion of Franchisor, shall be necessary or advisable for the sole purpose of obtaining any and all returns, records, reports and other documentation relating to the payment of taxes filed by Franchisee with any state and/or federal taxing authority, including, but not limited to, the State Comptroller of the State of \_\_\_\_\_, hereby granting unto Franchisor full power and authority to do and perform any and all acts and things which, in the sole discretion of Franchisor, are necessary or advisable to be done as fully to all intents and purposes as Franchisee might or could itself do, hereby ratifying and confirming all that Franchisor may lawfully do or cause to be done by virtue of this Power of Attorney and the powers herein granted.

During the term of this Power of Attorney, and regardless of whether Franchisee has designated any other person to act as its attorney-in-fact and agent, no governmental agency, person, firm or corporation dealing with Franchisor, if acting in good faith, shall be required to ascertain the authority of Franchisor, nor to see to the performance of the agency, nor be responsible in any way for the proper application of documents delivered or funds or property paid or delivered to Franchisor. Any governmental agency, person, firm or corporation dealing with Franchisor shall be fully protected in acting and relying on a certificate of Franchisor that this Power of Attorney on the date of such certificate has not been revoked and is in full force and effect, and Franchisee shall not take any action against any person, firm, corporation or agency acting in reliance on such a certificate or a copy of this Power of Attorney. Any instrument or document executed on behalf of Franchisee by Franchisor shall be deemed to include such a certificate on the part of Franchisor, whether or not expressed. This paragraph shall survive any termination of this Power of Attorney.

This Power of Attorney shall terminate two (2) years following the expiration or termination of that certain Franchise Agreement dated as of \_\_\_\_\_, 20\_\_\_\_ by and between Franchisor and Franchisee. Such termination, however, shall not affect the validity of any act or deed that Franchisor may have effected prior to such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable power of attorney coupled with an interest. It is executed and delivered in the State of \_\_\_\_\_ and the laws of the State of \_\_\_\_\_ \_\_\_\_\_ shall govern all questions as to the validity of this Power of Attorney and the construction of its provisions.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney as of the \_\_\_\_\_  
day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_, a  
\_\_\_\_\_

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

STATE OF \_\_\_\_\_  
\_\_\_\_\_  
COUNTY OF \_\_\_\_\_

BEFORE ME, the undersigned authority, on this day personally appeared \_\_\_\_\_,  
\_\_\_\_\_  
\_\_\_\_\_, known to me to be the person whose name is subscribed  
to the foregoing instrument, who acknowledged to me that s/he executed the same for the purposes and  
consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

(SEAL)

\_\_\_\_\_  
Notary Public in and for  
The State of \_\_\_\_\_

My commission expires:  
\_\_\_\_\_  
\_\_\_\_\_

**RDR INC.**  
**FRANCHISE AGREEMENT**  
**EXHIBIT L**  
**SITE SPECIFIC ADDENDUM**

**CALIFORNIA APPENDIX**

1. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement or Area Development Agreement contains provisions that are inconsistent with the law, the law will control.
2. The Franchise Agreement and Area Development Agreement provide for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 *et seq.*).
3. The Franchise Agreement and Area Development Agreement contain covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.
4. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.
5. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a *et seq.*, suspending or expelling such persons from membership in such association or exchange.
6. The franchise agreement requires binding arbitration. The arbitration will occur in Nevada with the costs being borne by the franchisee and franchisor. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
7. The Franchise Agreement and Area Development Agreement require application of the laws of Nevada. This provision may not be enforceable under California law.
8. You must sign a general release if you renew or transfer your franchise. California Corporation 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).
9. 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.
10. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section

20040.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

11. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
12. OUR WEBSITE, [www.rachelskitchen.com](http://www.rachelskitchen.com), HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).
13. 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.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

ATTEST

FRANCHISOR:  
RDR INC.

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

FRANCHISEE:

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

## ILLINOIS APPENDIX

1. Illinois law governs the Franchise Agreement(s).
2. In Conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
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.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

ATTEST

FRANCHISOR:

RDR INC.

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

FRANCHISEE:

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

**EXHIBIT C TO THE DISCLOSURE DOCUMENT**  
**STATE SPECIFIC ADDENDUM**

## **EXHIBIT C TO THE DISCLOSURE DOCUMENT**

### **ADDENDUM TO RDR INC.** **DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF CALIFORNIA**

#### **CALIFORNIA ADDENDUM**

- a. 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.
- b. 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.
- c. Neither the franchisor, nor any person or franchise broker listed in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934 (15 U.S.C.A. §78A et seq.), suspending or expelling these persons from membership in such association or exchange.
- d. Any interest rate charged to a California franchisee shall comply with the California Constitution. The interest rate shall not exceed either (a) 10% annually or (b) 5% annually plus the prevailing interest rate charged to banks by the Federal Reserve Bank of San Francisco, whichever is higher.
- e. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the Franchise Disclosure Document.
- f. The following must be in bold type at the end of the California Addendum:] 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.

*[Signatures on following page]*

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

ATTEST

FRANCHISOR:  
RDR INC.

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

FRANCHISEE:

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

**ADDENDUM TO RDR INC.**  
**DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF ILLINOIS**

1. Illinois law governs the Franchise Agreement(s).
2. In Conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
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.

**EXHIBIT D TO THE DISCLOSURE DOCUMENT**  
**LIST OF FRANCHISEES**

(As of 12/31/2023)

**Franchisees who were open as of 12/31/2023:**

FRA LLC Rachel's Kitchen at The District 2265 Village Walk Drive Henderson, Nevada 89052 702-522-7887	**TAAB Ogden, LLC Rachel's Kitchen at The Ogden 150 Las Vegas Blvd North, Suite 160 Las Vegas, Nevada 89101 702-778-8800
*Asaki Restaurant One LLC Rachel's Kitchen at The Trails 10218 Early Morning Avenue Las Vegas, Nevada 89135 702-812-7698	*Asaki Restaurant Two Rachel's Kitchen at Centennial Hills 10218 Early Morning Avenue Las Vegas, Nevada 89135 702-812-7698
Rachel's Kitchen at McCarran LLC 10218 Early Morning Avenue Las Vegas, Nevada 89135 702-812-7698	Arnash LLC 3330 S. Hualapai Way #190 Las Vegas, Nevada 89117 702-459-6789
**TAAB Ogden, LLC Rachel's Kitchen at Town Square 6605 S Las Vegas Blvd Ste B-139 Las Vegas, Nevada 89119 702-485-3636	

**\*Area Developer**

**\*\*While this franchisee operates two locations, this franchisee is not operating under an Area Development Agreement.**

**Franchisees who signed Franchise Agreements but had not opened as of 12/31/2023**

DDA Family, LLC 610 Seminole Trail Murphy, TX 75094 972-292-9018	
---	--

**EXHIBIT E TO THE DISCLOSURE DOCUMENT**  
**FRANCHISEES WHO HAVE LEFT THE SYSTEM**

(As of 12/31/2023)

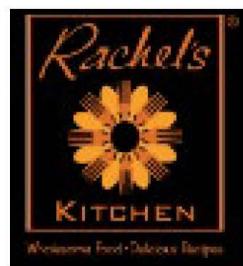
If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Name	City and State	Telephone Number

**EXHIBIT F TO THE DISCLOSURE DOCUMENT**  
**FINANCIAL STATEMENTS**

# **RDR, INC.**

FINANCIAL REPORT  
AS OF DECEMBER 31, 2023



**RDR, INC.**

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### **Independent Auditor's Report**

To the Board of Directors and Stockholders  
RDR, Inc.  
Las Vegas, Nevada

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of RDR, Inc. which comprise the balance sheets as of December 31, 2023, and 2022 and the related statements of operations, changes in stockholders' equity and cash flows for the years ended December 31, 2023, 2022, and 2021 and the related notes to the financial statements.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of RDR, Inc. as of December 31, 2023, and 2022 and the results of its operations and its cash flows for the years ended December 31, 2023, 2022 and 2021 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 (GAAS). 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 RDR, Inc. 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 RDR, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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.

2580 East Harmony Road, Ste. 301-10 • Ft. Collins, CO 80528  
Office: (303) 999-6485



In performing an audit in accordance with GAAS, 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 RDR, Inc.'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 RDR, Inc.'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.

*Reese CPA LLC*

Ft. Collins, Colorado  
April 1, 2024

**RDR INC.**  
**BALANCE SHEETS**

	<b>AS OF DECEMBER 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>ASSETS:</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 241,021	\$ 304,460
Equity and debt securities	533,573	491,617
Franchisee receivables	43,438	7,972
Inventory	69,128	72,421
Prepaid expense	5,261	5,261
<b>TOTAL CURRENT ASSETS</b>	<b>892,421</b>	<b>881,731</b>
<b>NON-CURRENT ASSETS</b>		
Property and equipment, net	79,296	27,574
Intangible assets	88,313	88,313
Other assets	12,594	12,594
<b>TOTAL ASSETS</b>	<b>\$ 1,072,624</b>	<b>\$ 1,010,212</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 77,566	\$ 81,825
Current portion non-refundable deferred franchise fees	13,500	10,000
Long-term debt, current portion	18,305	29,194
<b>TOTAL CURRENT LIABILITIES</b>	<b>109,371</b>	<b>121,019</b>
<b>LONG-TERM LIABILITIES</b>		
Non-refundable deferred franchise fees, net of current portion	63,000	39,500
Long-term debt	558,585	487,044
<b>TOTAL LIABILITIES</b>	<b>730,956</b>	<b>647,563</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, no par value		
75,000 shares authorized, issued and outstanding	100,000	100,000
Due from related parties	(5,340)	(5,340)
Retained earnings	247,008	267,989
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>341,668</b>	<b>362,649</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,072,624</b>	<b>\$ 1,010,212</b>

The accompanying notes are an integral part of these financial statements.

**RDR INC.**  
**STATEMENTS OF OPERATIONS**

	YEARS ENDED DECEMBER 31,		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>REVENUES</b>			
Royalty fees	\$ 603,729	\$ 594,041	\$ 488,453
Franchise fees	13,000	8,000	14,250
Product sales	415,518	422,995	389,063
Advertising fees	78,772	77,460	60,034
Consulting and other fees	160,560	91,776	86,427
<b>TOTAL REVENUES</b>	<b>1,271,579</b>	<b>1,194,272</b>	<b>1,038,227</b>
<b>COST OF SALES</b>	365,601	292,473	186,496
<b>GROSS PROFIT</b>	<b>905,978</b>	<b>901,799</b>	<b>851,731</b>
<b>OPERATING EXPENSES</b>			
Payroll and related costs	511,997	452,832	406,113
Professional fees	6,956	10,260	7,264
Advertising expenses	80,935	101,037	71,442
General and administrative	201,956	206,963	170,571
<b>TOTAL OPERATING EXPENSES</b>	<b>801,844</b>	<b>771,092</b>	<b>655,390</b>
<b>OPERATING INCOME</b>	104,134	130,707	196,341
<b>OTHER INCOME</b>			
Other income	-	62,659	138,137
Realized gain (loss) on equity and debt securities	(13,894)	(54,091)	-
Unrealized gain (loss) on equity and debt securities	65,938	(49,550)	32,086
(Loss) on sale of equipment	(3,706)	-	-
Investment income	16,287	12,053	1,646
Interest expense	(19,740)	(19,711)	(16,443)
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<b>44,885</b>	<b>(48,640)</b>	<b>155,426</b>
<b>NET INCOME</b>	<b>149,019</b>	<b>82,067</b>	<b>351,767</b>

The accompanying notes are an integral part of these financial statements

**RDR INC.**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021**

	<b>Common Shares Outstanding</b>	<b>Common Stock</b>	<b>Retained Earnings (Deficit)</b>	<b>Total Stockholders' Equity</b>
<b>BALANCE, DECEMBER 31, 2020</b>	<b>75,000</b>	<b>\$ 100,000</b>	<b>\$ 144,155</b>	<b>\$ 244,155</b>
Distributions	-	-	(60,000)	(60,000)
Net income	-	-	351,767	351,767
<b>BALANCE, DECEMBER 31, 2021</b>	<b>75,000</b>	<b>100,000</b>	<b>435,922</b>	<b>535,922</b>
Distributions	-	-	(250,000)	(250,000)
Net income	-	-	82,067	82,067
<b>BALANCE, DECEMBER 31, 2022</b>	<b>75,000</b>	<b>100,000</b>	<b>267,989</b>	<b>367,989</b>
Distributions	-	-	(170,000)	(170,000)
Net income	-	-	149,019	149,019
<b>BALANCE, DECEMBER 31, 2023</b>	<b>75,000</b>	<b>\$ 100,000</b>	<b>\$ 247,008</b>	<b>\$ 347,008</b>

The accompanying notes are an integral part of these financial statements.

**RDR INC.**  
**STATEMENTS OF CASH FLOWS**

	FOR THE YEARS ENDED DECEMBER 31,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 149,019	\$ 82,067	\$ 351,767
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	9,297	9,335	3,680
Recognition of non-refundable deferred franchise sales	(13,000)	(8,000)	(14,250)
Recognized loss from equity and debt securities	15,885	54,091	-
Unrecognized (gain) loss from equity and debt securities	(57,841)	40,721	(33,733)
Loss on sale of equipment	3,706	-	-
Change in assets and liabilities			
Franchisee receivables	(20,851)	12,235	(3,061)
Inventory	3,293	(6,425)	(31,601)
Other assets	-	(250)	(9,750)
Accounts payable	(4,259)	27,660	21,711
Due to related parties	40,000	40,000	-
Net cash provided by operating activities	<u>125,249</u>	<u>251,434</u>	<u>284,763</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of available for sale securities	-	-	(360,000)
Change in cash equivalents	-	-	16,150
Purchase of property and equipment	(2,450)	100	(100)
Net cash (used) in investing activities	<u>(2,450)</u>	<u>100</u>	<u>(343,950)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments on notes payable	(16,238)	(14,539)	(8,483)
Proceeds from notes payable	-	-	350,000
Distributions to Shareholders'	(170,000)	(251,000)	(60,000)
Net cash provided by financing activities	<u>(186,238)</u>	<u>(265,539)</u>	<u>281,517</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(63,439)</b>	<b>(14,005)</b>	<b>222,330</b>
<b>CASH, beginning of year</b>	<b>304,460</b>	<b>318,465</b>	<b>96,135</b>
<b>CASH, end of year</b>	<b><u>\$ 241,021</u></b>	<b><u>\$ 304,460</u></b>	<b><u>\$ 318,465</u></b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>			
Cash paid for interest	\$ 33,356	\$ 961	\$ 1,016
<b>SUPPLEMENTAL SCHEDULE OF NON-CASH FLOW INFORMATION</b>			
Acquisition of equipment through issuance of note payable	\$ 76,890	\$ -	\$ 39,260

The accompanying notes are an integral part of these financial statements.

**RDR INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

RDR, Inc. (“Company”) is a Nevada Corporation and was formed March 10, 2008.

The Company offers franchises to own and operate a restaurant offering breakfast, lunch, and dinner menus, including breakfast items, soups, salads, wraps, burgers, sandwiches, pasta, smoothies, and other beverages under the name “Rachel’s Kitchen” or “Little Rachel’s Kitchen”. A Rachel’s Kitchen restaurant operates using the franchisor’s proprietary recipes, formulae, techniques, trade dress, trademarks, and logos.

*Related Parties*

The Company’s affiliate is Rae Rae Inc., a Nevada corporation formed on June 18, 2004 (“Affiliate”). Affiliate owned and operated one Rachel’s Kitchen Restaurant from 2006 until 2015 when it was sold to a franchisee.

*Outlets in Operation*

Changes in the number of operating outlets for the years ended December 31, 2022, and 2021 consist of the following:

	2023	2022	2021
Outlets in operation, beginning	7	7	6
Outlets opened	2	-	1
Outlets terminated or closed	-	-	-
Outlets in operation, ending	<u>9</u>	<u>7</u>	<u>7</u>
Franchised outlets	9	7	7
Related party owned outlets	-	-	-

A summary of significant accounting policies follows:

*Basis of Presentation*

The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

*Use of Estimates*

Preparation of the Company’s financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents*

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. The Company had no cash equivalents as of December 31, 2023, and 2022.

**RDR INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Equity and Debt Securities*

Investments in equity and debt securities are valued at quoted prices on active markets as of December 31, 2023, and 2022. That value includes unrealized gains of \$65,938, losses of \$(49,550) and unrealized gains of \$32,086, included in the accompanying statements of operations for the years ended December 31, 2023, 2022, and 2021.

*Franchisee Receivables*

The Company's franchisee receivables primarily result from initial franchise fees, royalty fees, brand development contributions and training fees charged to franchisees. Timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized after invoicing. The Company reports these receivables at net realizable value.

Management determines the allowance for doubtful accounts based on historical losses, current expectations, and economic conditions. On a continuing basis, management analyzes delinquent accounts receivable and, once these accounts receivable are determined to be uncollectible, they are written off through a charge against an existing allowance account. The allowance account is reviewed regularly and adjusted against earnings as appropriate. The Company determined that an allowance on outstanding franchisee receivables of \$0 and \$0 was necessary as of December 31, 2023, and 2022. There was no Franchisee bad debt expense for the years ended December 31, 2023, 2022, and 2021. There were no Franchisee amounts written off for the years ended December 31, 2023, 2022, and 2021.

*Inventory*

Inventory primarily consists of paper, plastic and food products and is valued on a first-in, first-out method at the lower of cost or net realizable value.

*Property and Equipment*

The Company has adopted ASC 360 – Property, Plant and Equipment. Property and equipment are stated at historical cost. Depreciation is provided using straight-line method based on the estimated useful lives of the related assets (generally five years).

Property and equipment consist of the following as of December 31:

	<b>2023</b>	<b>2022</b>
Vehicles	\$ 164,122	\$ 124,042,
Furniture, fixtures, and equipment	32,338	32,338
Property and equipment	196,460	156,380
Less accumulated depreciation	(117,164)	(128,806)
	<hr/> <u>\$ 79,296</u>	<hr/> <u>\$ 27,574</u>

Depreciation expense was \$9,297, \$9,335, and \$3,680 for the years ended December 31, 2023, 2022, and 2021.

**RDR INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Property and Equipment (continued)*

Routine expenditures for repairs and maintenance are expensed as incurred and are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and a gain or loss is included in operating expenses.

*Intangible Assets*

The Company has adopted ASC 350, Intangibles – Goodwill and Other that requires that goodwill and intangible assets with indefinite lives no longer be amortized to earnings but be tested for impairment at least annually. Intangible assets with finite lives are amortized over their estimated useful lives. The useful life of an intangible asset is the period over which it is expected to contribute directly or indirectly to future cash flows. Intangible assets with finite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying value might not be recoverable. Intangible assets consist of franchise development costs related to the establishment of the franchise system. The Company has concluded there is no impairment in the value of the intangible assets for the years ended December 31, 2023, and 2022.

*Franchisee Revenue Recognition and Non-refundable Deferred Franchise Fee Revenue*

The Company recognizes revenue under the guidance of ASC 606 “Contracts with Customers”.

Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each obligation, allocates the transaction price to each performance obligation and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee. The remainder of performance obligations represent a single performance obligation and are recognized over the term of the respective franchise agreement from the date the agreement is executed. Unearned initial fee revenues from franchisee acquisition and acceptance will be recorded as deferred revenue and recognized as revenue over the term of the contract which is currently 10 years.

*Franchisee Revenue Recognition and Non-refundable Deferred Franchise Fee Revenue (continued)*

When a franchisee purchases a franchise, the Company grants the franchisee the right to operate a location in a designated territory and to use the proprietary methods, techniques, trade dress, trademarks, and logos (“the license”). Revenues related to the territory and license are continuing royalties and are based on gross sales and are 6%. These revenues will be used to continue the development of the Company’s brand, the franchise system and provide on-going support for the Company’s franchisees. The royalties are billed weekly and are recognized as revenue when earned.

*Product Sales*

Sales of products consist of food stuffs, paper, and plastic products to franchisees. Revenue is recognized when the product has been transferred to the franchisee and the franchisee controls the product.

**RDR INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Marketing Fee*

The Company collects a marketing fee of 1% of gross revenues of each franchise location. These fees are recognized as revenue when earned.

*Income Taxes*

The stockholders of the Company have elected to be treated as a Sub Chapter S corporation for income tax purposes. Accordingly, taxable income and losses of the Company are reported on the income tax returns of the Company's members and no provision for federal or state income taxes has been recorded in the accompanying financial statements.

The Company follows accounting requirements associated with uncertainty in income taxes under the provisions of Financial Accounting Standards Board ("FASB") ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements for the years ended December 31, 2022, and 2021.

*Concentrations of Credit Risk*

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, franchise receivables. The Company places its temporary cash investments with financial institutions. At times throughout the year the Company may, in the ordinary course of business, maintain cash balances in excess of federally insured limits. Management does not believe the Company is exposed to any unusual risks on such deposits. The Company grants credit to franchisees. The Company's ability to collect the amounts due from franchisees is affected by fluctuations in the economy and the operations of the franchisees.

*Fair Value of Financial Instruments*

The Company's financial instruments other than equity and debt securities consist of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses. The carrying amounts of these financial statement items, approximate fair value due to their short maturities.

*Advertising Expenses*

The Company expenses advertising costs as incurred. Advertising costs expensed were \$80,935, \$101,037, and \$71,442 for the years ended December 31, 2023, 2022, and 2021.

*Recently issued accounting pronouncements*

The Company has adopted all recently issued Accounting Standards Updates ("ASU"). The adoption of the recently issued ASUs, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

**RDR INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**NOTE 2 – CONTRACTS WITH CUSTOMERS**

The Company has recorded a liability for unearned revenue associated with franchisee acquisition and acceptance performance obligation of the Company's franchise agreement. The account balances and activity as of December 31, 2023, and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
<b>Deferred Non-refundable Franchise Fees:</b>		
Balance Beginning of year	\$ 49,500	\$ 17,500
Deferral of non-refundable franchise fees	40,000	40,000
Recognition of non-refundable franchise fees	(13,000)	(8,000)
Balance at End of Year	<u>\$ 76,500</u>	<u>\$ 49,500</u>

*Estimated Recognition of Non-refundable Deferred Franchise Fees and Franchise Acquisition Costs*

Estimated revenues and franchise acquisition costs to be recognized in future periods related to non-refundable deferred franchise fees as reported at December 31, 2023, is as follows:

	<u>Non-refundable Franchise Fees</u>
<i>Year ending December 31:</i>	
2024	\$ 13,500
2025	8,000
2026	8,000
2027	8,000
2028	8,000
Thereafter	<u>31,000</u>
	<u>\$ 76,500</u>

*Disaggregation of Revenues*

Disaggregated revenues based on the satisfaction of performance obligations in the Company's contracts with franchisees for the years ended December 31, 2023, 2022, and 2021 is as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Performance obligations satisfied at a point in time	\$ 1,258,579	\$ 1,186,272	\$ 1,023,977
Performance obligations satisfied through the passage of time	13,000	8,000	14,250
Total revenues	<u>\$ 1,271,579</u>	<u>\$ 1,194,272</u>	<u>\$ 1,038,227</u>

**RDR INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – NOTES PAYABLE**

Notes payable consist of the following at December 31,

	<b>2023</b>	<b>2022</b>
Note payable with the Small Business Administration Face amount of \$500,000, payable in 360 monthly installments of \$2518 including interest at the rate of 3.75% Final payment due on April 28, 2050. Collateralized by assets of the Company.	\$ 500,000	\$ 500,000
Note payable with a bank. Face amount of \$79,890, payable in 60 monthly installments of \$1,383 including interest at the rate of 2.99%. Collateralized by automobile	76,890	16,238
	<u>576,890</u>	<u>516,238</u>
Less current maturities	(18,305)	(29,194)
	<u>\$ 558,585</u>	<u>\$ 487,044</u>

The maturities of the long-term debt are as follows:

Year ending December 31:	
2023	\$ 18,305
2024	26,485
2025	27,385
2026	28,316
2027	29,228
Thereafter	<u>447,171</u>
	<u>\$ 590,890</u>

**NOTE 4 – RETIREMENT PLAN**

The Company maintains a 401(k)-retirement plan for eligible employees. Under the terms of the retirement plan employee deferrals are matched by the company at the rate of 4% as described in the plan's document. Company contributions to the plan were \$10,248, \$12,466, and \$11,466 for the years ended December 31, 2023, 2022, and 2021.

**NOTE 5 – COVID-19 RELIEF**

During 2021 the Company borrowed \$122,137 from the Small Business Administration ("SBA") under the Paycheck Protection Program for COVID-19 relief. As of December 31, 2021, that borrowing has been forgiven in full by the SBA. The Company also received an Economic Injury Disaster Grant from the SBA in the amount of \$6,000 and a Pandemic Emergency Technical Support Program grant from the State of Nevada in the amount of \$10,000. All amounts are reported as other income in the accompanying Statement of Operations for the year ended December 31, 2021.

During 2022 the Company received \$62,659 in employee retention tax credits under the provisions of the CARES Act for COVID-19 relief. The amount is reported as other income in the accompanying Statement of Operations for the year ended December 31, 2022.

**RDR INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – TRANSACTIONS WITH SHAREHOLDERS AND AFFILIATE**

Net advances due from the related parties as of December 31, 2023, and 2022 were \$5,340 and \$5,340, respectively. The advances are reported as a component of stockholders' equity in the accompany balance sheet as the net advances do not have stated repayment terms and the ownership of these related parties is the same ownership of the Company.

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

*Rent Expense*

The Company rents office space under the terms of an operating lease. The terms of the lease require monthly payments of \$3,581 over the term of the lease that ends on June 30, 2024. Office rent expense was \$43,891, \$42,422, and \$40,988 for the years ended December 31, 2023, 2022, and 2021. Vehicle lease expense was \$0, \$0, and \$2,601 for the years ended December 31, 2023, 2022, and 2021. Future amounts due for the rental of the office space are \$21,486 for the year ending December 31, 2024.

*Contingencies*

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

**NOTE 8 - SUBSEQUENT EVENTS**

*Date of Management's Evaluation*

Management has evaluated subsequent events through April 1, 2024, the date on which the financial statements were available to be issued.

**EXHIBIT G TO THE DISCLOSURE DOCUMENT**  
**TABLE OF CONTENTS OF OPERATIONS MANUAL**



## **RACHEL'S KITCHEN FRANCHISE OPERATIONS MANUAL**

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**EXHIBIT H TO THE DISCLOSURE DOCUMENT**  
**FORM OF GENERAL RELEASE**

**RDR INC.**

**GENERAL RELEASE AGREEMENT**

THIS AGREEMENT ("Agreement") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by and between RDR Inc., a Nevada corporation having its principal place of business located at 9640 West Tropicana Ave. #117, Las Vegas, Nevada 89147 (the "Franchisor"), and \_\_\_\_\_, a \_\_\_\_\_ with a principal address at \_\_\_\_\_ (hereinafter referred to as "Releasor"), wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties, and comments herein are set forth, do agree as follows:

**1. Release by Releasor:**

Releasor does for itself, its successors and assigns, hereby release and forever discharge generally the Franchisor and any affiliate, wholly owned or controlled corporation, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, or agent of any of them, from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Releasor may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and anti-trust statutes, rules or regulations, in any way arising out of or connected with the Agreement, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against the Franchisor, any affiliate, successor, assign, parent corporation, subsidiary, director, officer, shareholder, employee, agent, executor, administrator, estate, trustee or heir, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Agreement. If the Releasor breaches any of the promises, covenants, or undertakings made in this Agreement, the Releasor shall indemnify and hold the Franchisor harmless from all losses, damages, costs, and expenses, including reasonable attorneys' fees, arising from or related to such breach.

2. Releasor hereto represents and warrants that no portion of any claim, right, demand, obligation, debt, guarantee, or cause of action released hereby has been assigned or transferred by Releasor party to any other party, firm or entity in any manner including, but not limited to, assignment or transfer by subrogation or by operation of law. In the event that any claim, demand or suit shall be made or institute against any released party because of any such purported assignment, transfer or subrogation, the assigning or transferring party agrees to indemnify and hold such released party free and harmless from and against any such claim, demand or suit, including reasonable costs and attorneys' fees incurred in connection therewith. It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph.

3. Each party acknowledges and warrants that his, her or its execution of this Agreement is free and voluntary.

4. Nevada law shall govern the validity and interpretation of this Agreement, as well as the performance due thereunder. This Agreement is binding upon and inures to the benefit of the respective assigns, successors, heirs and legal representatives of the parties hereto.

5. In the event that any action is filed to interpret any provision of this Agreement, or to enforce any of the terms thereof, the prevailing party shall be entitled to its reasonable attorneys' fees and costs incurred therein, and said action must be filed in the State of Nevada

6. This Agreement may be signed in counterparts, each of which shall be binding against the party executing it and considered as the original.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed this agreement effective as of the date first above.

Witness:

RELEASOR:

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Name: \_\_\_\_\_

Witness:

FRANCHISOR:  
RDR INC.:

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

**EXHIBIT I**  
**AREA DEVELOPMENT AGREEMENT**

**RDR, INC.**

**AREA DEVELOPMENT AGREEMENT**

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**DEVELOPER**

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**DATE OF AGREEMENT**

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**RDR, INC.**  
**AREA DEVELOPMENT AGREEMENT**

**THIS AREA DEVELOPMENT AGREEMENT** (this “Agreement”) is entered into by and between \_\_\_\_\_ whose principal office is at \_\_\_\_\_ (“Developer”, “You” or “Your”) and RDR Inc., a Nevada corporation whose principal place of business is 9640 West Tropicana Ave. #117, Las Vegas, Nevada 89146 (“Franchisor”, “We”, “Us” or “Our”).

**ARTICLE 1**  
**INTRODUCTION**

1.1 We and our Affiliates have developed and continue to develop methods of operating retail food restaurants specializing, as of the date of this Agreement, in the offering of breakfast, lunch and dinner menus, including breakfast items, soup, salad, wraps, burgers, sandwiches, pasta, smoothies and other beverages under the name “Rachel’s Kitchen” (the “System”). Such a business is defined below as a “Rachel’s Kitchen Restaurant”. A Rachel’s Kitchen Restaurant operates using our proprietary recipes, formulae and techniques (“Proprietary Products”), as well as other non-proprietary food, beverage, and other compatible items designated by us from time to time (collectively, “Products”). We operate and grant to certain qualified persons and entities franchises to own and operate Rachel’s Kitchen Restaurants using the System and the Marks.

1.2 We grant to certain qualified persons or entities who meet our qualifications, and who are willing to undertake the investment and effort, the right to develop a specified number of Rachel’s Kitchen Restaurants within a defined geographic area. This Agreement governs the grant of rights to you to develop Rachel’s Kitchen Restaurants within the Development Area. Pursuant to this Agreement, we will grant rights to you or Controlled Affiliates to develop Rachel’s Kitchen Restaurants in accordance with the Development Schedule set forth in Exhibit B to this Agreement. The operation of each Rachel’s Kitchen Restaurant will be governed by a Franchise Agreement.

1.3 Certain terms that are capitalized in this Agreement are defined in Section 2 or at the places in this Agreement where they first appear.

**ARTICLE 2**  
**DEFINITIONS**

2.1 For purposes of this Agreement, the terms listed below have the meaning that follow them. Other terms used in this Agreement are defined and construed in the context in which they occur.

2.1.1 **“Affiliate”** - Any person, entity or company that directly or indirectly owns or controls a party, that is directly or indirectly owned or controlled by a party, or that is under common control with a party. For purposes of this definition, “control” means the power to direct or cause the direction of the management and policies of an entity.

2.1.2 **“Competitive Business”** - A retail food service business other than a Rachel’s Kitchen Restaurant that: (a) features the Products for sale as primary items; (b) grants or has granted franchises or licenses or establishes or has established joint ventures for the development and/or operation of a retail food service business described in the foregoing clause (a); or (c) uses a business model, trade dress, or branding that is substantially similar to that of the Rachel’s Kitchen Restaurants as determined by Franchisor in its sole discretion.

2.1.3 **“Controlled Affiliate”** - A legal entity in which you own at least seventy-five percent (75%) of the voting equity interests and which meets our then-current standards and requirements for area developers. A legal entity in which you own at least seventy-five percent (75%) of the voting equity interests and which meets our then-current standards and requirements for franchisees. Furthermore, in order for such an entity to qualify as a Controlled Affiliate, you must establish to our satisfaction that you have and will maintain during the term of each Franchise Agreement for the Restaurant to be owned and operated by such entity the right and power to direct the management, policies and operation of such entity and the sale or other disposition of such Restaurant.

2.1.4 **“Development Area”** - The geographic area described on Exhibit A to this Agreement.

2.1.5 **“Franchise Agreement”** - The form of franchise agreement that we use to grant franchises for Rachel’s Kitchen Restaurants in the Development Area, as we may modify it from time to time.

2.1.6 **“Rachel’s Kitchen Restaurant”** - A restaurant that: (a) offers Products for sale as well as certain complementary products and services; (b) meets our standards and specifications; (c) operates using the Marks and the System; and (d) is either operated by us or our Affiliates or pursuant to a valid license from Us.

2.1.7 **“Marks”** - The trademarks, service marks, logos and other commercial symbols which we authorize you or a Controlled Affiliate to use to identify the services and/or products offered by Rachel’s Kitchen Restaurants including the mark “Rachel’s Kitchen” and the Trade Dress (as defined in the Franchise Agreement); provided that such trademarks, service marks, logos, other commercial symbols, and the Trade Dress are subject to modification and discontinuance and may include additional or substitute trademarks, service marks, logos, commercial symbols and trade dress as provided in this Agreement.

2.1.8 **“Owners”** - All persons or entities holding direct or indirect legal or beneficial ownership interests in you and all persons who have other direct or indirect property rights in you or this Agreement. All current Owners are listed on Exhibit C to this Agreement.

2.1.9 **“Ownership Interests”** - In relation to a: (a) corporation, the legal or beneficial ownership of shares in the corporation; (b) partnership, the legal or beneficial ownership of a general or limited partnership interest; (c) limited liability company, the legal or beneficial ownership of units of membership interests in the limited liability company; or (d) trust, the ownership of a beneficial interest of such trust.

2.1.10 **“Principal Owners”** - Each Owner having an equity ownership interest in you of five percent (5%) or more (regardless of whether such Owner is entitled to vote thereon) and any other Owner designated as a Principal Owner on Exhibit C to this Agreement.

2.1.11 **“Products”** - The food items, beverages and other goods and services which we authorize from time to time for sale by Rachel’s Kitchen Restaurants.

2.1.12 **“Restaurant”** - A Rachel’s Kitchen Restaurant developed, owned and operated by you or a Controlled Affiliate pursuant to this Agreement and a Franchise Agreement.

2.1.13 **“Website”** - An interactive electronic document contained in a network of computers linked by communications software.

## **ARTICLE 3** **DEVELOPMENT RIGHTS AND OBLIGATIONS**

### **3.1     GRANT OF DEVELOPMENT RIGHTS.**

Subject to the provisions of this Agreement, we grant to you the right to develop Rachel's Kitchen Restaurants within the Development Area ("Development Rights"). Notwithstanding any other provision of this Agreement, your rights under this Agreement do not include the right to develop Rachel's Kitchen Restaurants at any "Non-Traditional Sites". Non-Traditional Sites include, without limitation, military bases, hotels, high school and college campuses, airports, train stations, travel plazas, toll roads, prisons, hospitals, convenience stores, casinos, sports or entertainment venues or stadiums, and retail locations being sublet under a lease to a master concessionaire, whether currently existing or constructed or established subsequent to the date hereof, whether located within or outside the Development Area.

### **3.2     EXCLUSIVE TERRITORIAL RIGHTS.**

3.2.1 Provided you are in full compliance with all the terms and conditions of this Agreement, including, without limitation, your development obligations described in Section 3.4, and you and all Controlled Affiliates are in full compliance with all of their obligations under all franchise agreements executed pursuant to this Agreement, then during the term of this Agreement neither we nor any of our Affiliates will develop or operate or grant franchises for the development or operation of Rachel's Kitchen Restaurants within the Development Area, except the franchises that are granted to you or Controlled Affiliates pursuant to this Agreement and except as otherwise expressly provided in this Agreement.

3.2.2 Upon the termination or expiration of this Agreement, we and our Affiliates shall have the right to develop and operate and to grant to others development rights and franchises to develop and operate Rachel's Kitchen Restaurants within the Development Area.

3.2.3 Notwithstanding the above, upon the execution of a Franchise Agreement for the last Restaurant to be developed within the Development Area pursuant to the Development Schedule, your exclusive rights with respect to the Development Area shall terminate and we and our Affiliates shall have the right to develop and operate Rachel's Kitchen Restaurants within the Development Area.

### **3.3     RIGHTS RETAINED BY US.**

Except as expressly limited by Section 3.2 above, we and our Affiliates retain all rights with respect to Rachel's Kitchen Restaurants, the Marks and the sale of Products and any other goods and services anywhere in the world, including, without limitation, the right:

- (a) to establish and operate, and grant rights to other franchisees to establish and operate, Restaurants or similar businesses at any locations anywhere and on any terms and conditions we deem appropriate;
- (b) to sell the Products and services, and any products or services identical or similar to, or dissimilar from, those you sell at, from or through the Restaurant, whether identified by the Marks or other trademarks or service marks through any distribution channels we deem best (including mail order and the Internet), wherever located or operating anywhere, except not through any Restaurants, the physical premises of which are located anywhere;

- (c) to sell our Products through any distribution channels we deem best (including, but not limited to, mail order and the Internet), wherever located or operating anywhere, except not through retail Restaurants (other than your Restaurant), the physical premises of which are located anywhere;
- (d) to purchase or otherwise acquire the assets or controlling ownership of one (1) or more businesses identical or similar to your Restaurant (and/or franchise, license, and/or similar agreements for such businesses), anywhere. If there is such a purchase or other acquisition, we will (i) (A) continue to operate the businesses, (B) offer to sell these businesses to you at their fair market value to be operated under our System, or (C) offer you the opportunity to operate those businesses in partnership with us (or our Affiliate) under their original trade identities or a different trade identity that does not include the Marks. We retain the right to choose which of these alternatives we deem best; (ii) with respect to those businesses which are franchised or licensed, act as franchisor and/or licensor of those businesses in compliance with the then-effective franchise and/or license agreements;
- (e) to be acquired (regardless of the form of transaction) by a business identical or similar to “Rachel’s Kitchen” Restaurants, even if the other business operates, franchises and/or licenses competitive businesses anywhere; and
- (f) to engage in any other business activities not expressly prohibited by this Agreement, anywhere.

### **3.4 DEVELOPMENT OBLIGATIONS.**

To maintain your rights under this Agreement, you must by the dates set forth in the “Development Schedule” attached hereto as Exhibit B have open and in operation the cumulative number of Restaurants set forth on the Development Schedule. You or a Controlled Affiliate must sign our then-current form of Franchise Agreement for each Restaurant established and operated pursuant to this Agreement, which may be substantially different from the form of franchise agreement we use as of the date of this Agreement; provided that the royalty fee payable under any Franchise Agreement will not exceed three percent (3%) percent of the weekly gross revenue of the Rachel’s Kitchen Restaurant operated pursuant to that Franchise Agreement. You must at all times after the Restaurant opening date set forth in the Development Schedule continuously maintain in operation pursuant to a Franchise Agreement the number of Restaurants to be developed by that date under the Development Schedule. If a Restaurant closes during a development period due to casualty or condemnation that is not your fault, or with our approval, we will consider that Restaurant open and operating as of the end of that particular development period for purposes of the Development Schedule. However, you are obliged to reopen or replace such Restaurant at the earliest possible date in compliance with the Development Schedule, unless otherwise agreed by Us.

### **3.5 BEST EFFORTS - SOLE PURPOSE.**

3.5.1 You and your Principal Owners agree to use their best efforts to develop and expand the market for products and services offered by the Restaurants and to cooperate with us to accomplish the purposes of this Agreement.

3.5.2 If you are a corporation, partnership or limited liability company or other legal entity, you will not directly or indirectly engage in any business or other activity other than the development and operation of the Restaurants and other Rachel’s Kitchen Restaurants developed and operated pursuant to other agreements with Us.

## **ARTICLE 4** **TERM OF AGREEMENT**

Subject to the provisions of this Agreement, the term shall commence on the date first written above and expire on the date for the opening of the last Restaurant as set forth in the Development Schedule.

## **ARTICLE 5** **DEVELOPMENT FEE**

On execution of the Area Development Agreement, you are required to pay us a non-refundable development fee in a lump sum (“Development Fee”). The Development Fee is calculated as the initial franchise fee for the first Restaurant to be developed plus the reduced initial franchise fees for the second Restaurant and each additional Restaurant to be developed hereunder. The initial franchise fee is Forty Thousand Dollars (\$40,000) for the first Restaurant, Thirty Thousand Dollars (\$30,000) for the second Restaurant and Twenty Thousand Dollars (\$20,000) for the third Restaurant and for each additional Restaurant you commit to develop under the Development Schedule. The maximum number of Restaurants that can be committed to be developed is a cumulative total of ten (10). These Fees will be paid at the time you execute this Agreement and the Franchise Agreement for the first Development Right granted hereunder, and which agreements shall be executed simultaneously. You will not pay another Initial Franchise Fee (defined above) for each Rachel’s Kitchen Restaurant developed under the Area Development Agreement, but must sign a Franchise Agreement for each Restaurant according to the Development Schedule. In the event you fail to open the required number of Rachel’s Kitchen Restaurants, or we terminate the Area Development Agreement for any reason, we are entitled to retain any unapplied portion of the Development Fee.

## **ARTICLE 6** **GRANT OF FRANCHISES**

### **6.1 APPROVAL OF SITES.**

6.1.1 You shall obtain our approval of any proposed site for a Restaurant in accordance with our procedures. You will submit to us a complete site report for each proposed site which you reasonably believe to conform to site selection criteria we establish from time to time. The site report will contain such demographic, commercial and other information and photographs as we may reasonably require. You acknowledge that in approving a proposed site, we may consider such matters as we deem material including, without limitation, demographic characteristics, traffic patterns, parking, the predominant character of the neighborhood, competition from Rachel’s Kitchen Restaurants and other businesses providing similar services within the area, the proximity to other businesses, the exclusivity granted to our other franchisees or developers, the nature of other businesses in proximity to the site, its size, its appearance, other physical characteristics, the purchase or lease terms for the site and other commercial characteristics.

6.1.2 In addition, you agree to furnish to us such pro forma financial statements and other information regarding your or a Controlled Affiliate’s development and operation of the proposed Restaurant, as we may reasonably require. You understand and agree that we may refuse to grant to you or a Controlled Affiliate a franchise for a proposed Restaurant unless you and/or the Controlled Affiliate have demonstrated in our reasonable judgment sufficient financial capabilities to properly develop and operate the proposed Restaurant. You or a Controlled Affiliate or the managing owner, if you or Controlled Affiliate are a corporation, partnership, limited liability company or other business entity, must attend and complete to our satisfaction any initial or ongoing training programs that we may establish and we may refuse to

grant you or a Controlled Affiliate a franchise for a proposed Restaurant unless you or the Controlled Affiliate have completed these programs or requirements.

6.1.3 We will approve or disapprove each site you propose for the operation of a Restaurant by giving written notice to You. We agree to use reasonable efforts to deliver such a notice to you within thirty (30) days after we receive the complete site documentation, financial statements and any other materials we request regarding You, the Controlled Affiliate and the proposed site. We will not unreasonably withhold our approval of proposed sites that meet our standards and specifications for Restaurants. A proposed site which we have approved is referred to as an “Approved Site.”

6.1.4 You hereby acknowledge and agree that our approval of a site will not constitute an express or implied assurance, representation or warranty as to the suitability of the site for a Restaurant or for any other purpose. Our approval of a site indicates only that we believe the site complies with acceptable minimum criteria established by us solely for our purposes as of the time of evaluation. You and we acknowledge that application of criteria that have been effective with respect to other sites may not be predictive of potential for the Restaurant and that, subsequent to our approval of a site, demographic and/or economic factors included in or excluded from our criteria could change, thereby altering the potential of the site. Such factors are unpredictable and are beyond our control.

6.1.5 We shall not be responsible for the failure of a site to meet your expectations as to revenue or operational performance or other criteria or for your failure to locate the required number of suitable sites in the Development Area. You further acknowledge and agree that your acceptance of a franchise for the operation of a Rachel’s Kitchen Restaurant at the site is based on your own independent investigation of the suitability of the site.

## 6.2 APPROVAL OF LEASE.

6.2.1 Upon our approval of a proposed site, you or Controlled Affiliate will attempt to obtain lawful possession of the Approved Site through purchase, lease or sublease; provided that we must approve any lease or purchase contract for an Approved Site and the lease must contain certain terms and conditions that we designate in our form of Franchise Agreement. As soon as practicable, you will deliver to us for review a copy of the lease, sublease or purchase agreement for each Approved Site. If we do not disapprove a proposed lease, sublease or purchase agreement within fifteen (15) days after we receive it, it shall be deemed approved by Us. You shall deliver a copy of the signed lease, sublease or purchase agreement to us within fifteen (15) days of its execution. You further agree that you will not execute or allow a Controlled Affiliate to execute or agree to any modification of the lease, sublease or purchase agreement which would affect our rights without our prior written approval. If you or a Controlled Affiliate own an Approved Site, you or the Controlled Affiliate will, at our request, enter into a lease with us for a term equal to the term of the franchise, and will sublease the Approved Site from us on the same terms as the prime lease.

6.2.2 If you or a Controlled Affiliate shall have failed to obtain lawful possession of an Approved Site within ninety (90) days after our approval thereof, we may, at our sole discretion, withdraw approval of such site.

## 6.3 EXECUTION OF FRANCHISE AGREEMENTS.

Provided that (i) you are then in full compliance with all of the terms and conditions of this Agreement, (ii) you and your Controlled Affiliates are in full compliance with all Franchise Agreements they have entered into, and (iii) you or a Controlled Affiliate has obtained legal possession of an Approved Site, we agree to offer to you or such Controlled Affiliate a Franchise to operate a Rachel’s Kitchen Restaurant at such Approved Site by delivering to you a Franchise Agreement in form for execution by you

and your Principal Owners or such Controlled Affiliate and its Principal Owners. Such Franchise Agreement shall be executed and returned to us within fifteen (15) days of our delivery thereof, but in any event prior to the commencement of the operation of the respective Restaurant, with payment of the fees required to be paid upon execution thereof. If the Franchise Agreement is not fully executed and returned to us along with payment of such fees within such period, we may terminate our offer to grant a Franchise for a Rachel's Kitchen Restaurant at such Approved Site and withdraw our approval of such site. We reserve the right to require you and your Owners to guarantee all obligations of a Controlled Affiliate under any Franchise Agreement issued to such a Controlled Affiliate pursuant to this Agreement and to require the Owners to guarantee your obligations under any Franchise Agreement.

## **ARTICLE 7** **CONFIDENTIAL INFORMATION**

7.1 We possess and will further develop and acquire "Confidential Information" (as defined in the Franchise Agreement). We will disclose to you such parts of the Confidential Information as are required for the development of Rachel's Kitchen Restaurants. We may disclose Confidential Information in providing training and in guidance and assistance furnished to you under this Agreement, and you may learn or otherwise obtain from us additional Confidential Information during the term hereof. You acknowledge and agree that neither you nor any other person or entity will acquire any interest in or right to use the Confidential Information other than the right to use it in the development of Restaurants pursuant to this Agreement and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition with us and with other Rachel's Kitchen Restaurants, developers and franchisees. You agree to disclose the Confidential Information to your Owners and to your employees only to the extent reasonably necessary for the development of Restaurants hereunder.

7.2 You acknowledge and agree that the Confidential Information is confidential to and a valuable asset of us and our Affiliates, is proprietary, includes trade secrets of us and our Affiliates, and is disclosed to you solely on the condition that You, your Owners and your employees who have access to it agree, and you do hereby agree, that during and after the term of this Agreement You, your Owners and such employees:

- (a) will not use the Confidential Information in any other business or capacity;
- (b) will maintain the absolute secrecy and confidentiality of the Confidential Information;
- (c) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form;
- (d) will adopt and implement all reasonable procedures prescribed from time to time by us to prevent unauthorized use or disclosure of or access to the Confidential Information; and
- (e) will require all Principal Owners and all employees and Owners who will have access to Confidential Information to execute Confidentiality and Non-Competition Agreements in the form attached hereto as Exhibit E. You shall provide Us, at our request, executed originals of each Confidentiality and Non-Competition Agreement. Failure to procure execution of a Confidentiality and Non-Competition Agreement shall be a material breach of this Agreement.

7.3 Notwithstanding anything to the contrary contained in this Agreement and provided you shall have obtained our prior written consent, the restrictions on your disclosure and use of the Confidential

Information shall not apply to the following: (a) information, methods, procedures, techniques and knowledge which are or become generally known in the business of the offer and sale of Products in the United States, other than through disclosure (whether deliberate or inadvertent) by You; and (b) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that you are legally compelled to disclose such information, provided you have notified us prior to disclosure and shall have used your best efforts to obtain and shall have afforded us the opportunity to obtain an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed.

7.4 You agree to disclose to us all ideas, concepts, methods, techniques and products relating to the development and operation of Rachel's Kitchen Restaurants conceived or developed by You, your Affiliates, Owners or employees during the term of this Agreement. You hereby grant to us and agree to procure from your Affiliates, Owners or employees a perpetual, non-exclusive, royalty-free, and worldwide right to use same. We shall have no obligation to make any payment with respect to any such idea, concept, method, technique or product. You agree that you will not use nor will you allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.

## **ARTICLE 8** **EXCLUSIVE RELATIONSHIP**

8.1 You acknowledge and agree that we would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Rachel's Kitchen Restaurants if developers, franchisees or their Principal Owners and members of their immediate families were permitted to engage in, hold interests in or perform services for a Competitive Business. You further acknowledge and agree that the restrictions contained in this Section will not hinder your activities or the activities of your Principal Owners under this Agreement or in general. We have entered into this Agreement with you on the express condition that with respect to the development and operation of Competitive Businesses, you and your Principal Owners and members of their respective immediate families will deal exclusively with Us. You therefore agree that during the term of this Agreement neither you nor any of your Principal Owners, nor any member of the immediate family of you or your Principal Owners, shall directly or indirectly:

- (a) have any interest as a disclosed or beneficial owner in any Competitive Business;
- (b) perform services as a director, officer, manager, employee, consultant, representative, agent, or otherwise for any Competitive Business; or
- (c) employ or seek to employ any person who is employed by Us, our Affiliates or by any other developer or franchisee of Rachel's Kitchen Restaurants nor induce nor attempt to induce any such person to leave said employment without the prior written consent of such person's employer.

8.2 The restrictions of clause (a) of this Section shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than three percent (3%) of the number of shares of that class of securities issued and outstanding.

8.3 The restrictions of this Section shall not be construed to prohibit You, any of your Principal Owners, or any member of the immediate families of you or your Principal Owners from having a direct or indirect ownership interest in any Rachel's Kitchen Restaurant, Area Development Agreement or Franchise Agreement for the development or operation of any Rachel's Kitchen Restaurant or in any entity owning,

controlling or operating a Rachel's Kitchen Restaurant or from providing services to any such Rachel's Kitchen Restaurant pursuant to other agreements with Us.

## **ARTICLE 9** **MARKS**

### **9.1 GOODWILL AND OWNERSHIP OF MARKS.**

9.1.1 You acknowledge and agree that the Marks are owned by and are the valuable property right of us or our Affiliates. Any unauthorized use of the Marks by you shall constitute a breach of this Agreement and an infringement of the rights of us and/or our Affiliates in and to the Marks. You further acknowledge and agree that all usage of the Marks by you and any goodwill established thereby shall inure to the exclusive benefit of us and/or our Affiliates and that this Agreement does not confer any goodwill or other interests in the Marks upon You, other than the right to develop Restaurants in compliance with this Agreement. All provisions of this Agreement applicable to the Marks shall apply to any other trademarks, trade names, commercial symbols and trade dress hereafter authorized for use by and licensed to you by Us.

9.1.2 You shall not apply for, or seek to apply for, registration of any of the Marks or Copyrighted Works or any portion thereof anywhere in the world or challenge or seek to challenge the validity of any of the Marks, the "Copyrighted Works" or any portion thereof or our proprietary rights in the Confidential Information. Any such unauthorized actions will constitute a material breach of this Agreement, and we reserve the right to take any and all appropriate legal actions to protect our rights.

### **9.2 LIMITATIONS ON YOUR USE OF MARKS.**

You agree to use the Marks strictly in accordance with this Agreement and with such standards and specifications designated from time to time by Us. Without limiting the foregoing, you shall not use any Mark or any variation thereof: (a) as part of any corporate or trade name or with any prefix, suffix or other modifying words, terms, designs or symbols or in any modified form; (b) in connection with the performance or sale of any unauthorized services or products; (c) as part of the domain name or electronic address of any Website you may maintain; or (d) in any other manner not expressly authorized in writing by Us. You agree to display the Marks prominently in the manner prescribed by us to give such notices of trademark and trade name registrations as we specify and to comply with all laws of the country regulating the operation of a business under a licensed trademark.

### **9.3 NOTIFICATION OF INFRINGEMENTS AND CLAIMS.**

You shall immediately notify us of any actual or threatened infringement of or challenge to your use of any Mark or claim by any person of any rights in any Mark or a confusingly or deceptively similar trademark or trade name. You shall not communicate with any person other than your counsel, us and/or our Affiliates and their counsel with respect to any such infringement, challenge or claim. We shall have sole discretion to take such action as we deem appropriate in connection with the foregoing and the right to control exclusively any settlement, litigation, arbitration or administrative proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Mark. You agree to execute any and all instruments and documents, render such assistance and do such acts and things as may in the opinion of our counsel be necessary or advisable to protect and maintain the interests of us and/or our Affiliates in any settlement, litigation, arbitration or administrative proceeding or to otherwise protect and maintain the interests of us and/or our Affiliates in the Marks. We shall reimburse you for the reasonable out-of-pocket expenses incurred and paid by you in complying with such requests made by us pursuant to this Section.

#### **9.4 DISCONTINUANCE OF USE OF MARKS.**

If it becomes advisable at any time in our sole judgment for you to modify or discontinue use of any Mark and/or to use one or more additional or substitute trademarks or trade names, you agree to immediately comply with our directions in that regard. We shall have no obligation to reimburse you for any expenditures made by you to modify or discontinue the use of a Mark and to adopt substitutes for a discontinued Mark, including, without limitation, any expenditures relating to advertising or promotional materials, or to compensate you for any goodwill related to the discontinued Mark.

#### **9.5 INDEMNIFICATION OF YOU.**

We agree to indemnify you against and to reimburse you for all damages for which you are held liable with respect to any claim, action or proceeding asserted or brought by any person or entity claiming to have trademark or other rights to any of the Marks or any name or trademark similar thereto arising out of your authorized use of the Marks, pursuant to and in compliance with this Agreement, and for all costs reasonably incurred by you in the defense of any such claim brought against you or in any proceeding in which you are named as a party, provided that you have timely notified us of such claim or proceeding, have given us sole control of the defense and settlement of any such claim and have otherwise complied with the requirements of this Agreement regarding use of the Marks. We may offset against any sums owed to you pursuant to this paragraph any sums which you owe to Us.

### **ARTICLE 10 COPYRIGHTS**

#### **10.1 OWNERSHIP OF COPYRIGHTED WORKS.**

You acknowledge and agree that we own or are the licensee of the owner of certain valuable copyrighted or copyrightable works and may create, acquire or obtain licenses for certain additional copyrights in various works of authorship used in connection with the operation of Rachel's Kitchen Restaurants. Such Copyrighted Works include the Operating Manual and may include all or part of the Marks, Trade Dress and other portions of the System. We intend that all works of authorship related to the System, whether now existing or created in the future, will be deemed to be Copyrighted Works. We may authorize you to use certain Copyrighted Works solely on the condition that you comply with the terms of this Section.

#### **10.2 LIMITATION ON YOUR USE OF COPYRIGHTED WORKS.**

You acknowledge that your right to use any of the Copyrighted Works is derived solely from this Agreement and is limited to the use of such Copyrighted Works as we may expressly authorize from time to time. Your use of such Copyrighted Works shall be pursuant to and in strict compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by us from time to time during the Agreement Term. You acknowledge that this Agreement does not confer any interest in the Copyrighted Works upon you other than the right to use expressly authorized items in connection with the operation of your business in accordance with the terms of this Agreement. You shall ensure that all Copyrighted Works used hereunder shall bear an appropriate copyright notice under the Universal Copyright Convention or other copyright laws as prescribed by us specifying that we or our Affiliate is the owner of the copyright. If we authorize you to prepare any translations or derivative works from the Copyrighted Works, you hereby agree that such translations or derivative works shall be our property and you hereby assigns all your right, title and interest in and to such translations and derivative works to us and agree to execute when requested by us such additional assignments and other documents as may be necessary or desirable to effectuate this provision. You shall submit all such translations or derivative works to us for approval prior to use.

### **10.3 NOTIFICATION OF INFRINGEMENTS AND CLAIMS.**

You shall immediately notify us of any actual or threatened infringement of or challenge to any of the Copyrighted Works, or claim by any person of any rights in the Copyrighted Works. You shall not communicate with any person other than your counsel, us and/or our Affiliates and their counsel with respect to any such infringement, challenge or claim. You agree that we shall have the sole discretion to take such action as we deem appropriate in connection with the foregoing and the right to control exclusively any settlement, litigation, arbitration or administrative proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to the Copyrighted Works. You agree to execute any and all instruments and documents, render such assistance, and do such acts and things as may in the opinion of our counsel be necessary or advisable to protect and maintain our interests in any settlement, litigation, arbitration or administrative proceeding, or to otherwise protect and maintain the interests of us and/or our Affiliates in the Copyrighted Works. We shall reimburse you for the reasonable out-of-pocket expenses incurred and paid by you in complying with such requests made by us pursuant to this Section.

### **10.4 DISCONTINUANCE OF USE.**

If it becomes advisable at any time in our good faith judgment for you to modify or discontinue use of any Copyrighted Work and/or for you to use one or more additional or substitute copyrighted or copyrightable items, you agree, at your expense, to immediately comply with our directions in that regard.

## **ARTICLE 11** **YOUR OBLIGATIONS**

### **11.1 SENIOR OPERATING MANAGER.**

Concurrently with the execution of this Agreement, you shall designate a person acceptable to us in our sole discretion to act as the “Senior Operating Manager” of the business conducted by you pursuant to this Agreement. The Senior Operating Manager shall be identified in Exhibit C of this Agreement. The Senior Operating Manager shall have appropriate experience operating multiple food service businesses and shall at all times during the term of this Agreement own at least ten percent (10%) of the voting equity interests in You. If the relationship of the Senior Operating Manager with you terminates or if the proposed Senior Operating Manager is unable to satisfactorily complete our management training program, you agree to promptly designate a replacement Senior Operating Manager acceptable to us in our sole discretion who shall, at your expense and subject to our then-current training charges, satisfactorily complete the management training program.

### **11.2 MANAGEMENT PERSONNEL.**

You shall hire and maintain the number and level of management personnel required for the conduct of your business pursuant to this Agreement and adequate management and supervisory personnel for all Restaurants in accordance with guidelines established from time to time by Us. You shall keep us advised of the identities of such personnel. You shall be responsible for ensuring that such personnel are properly trained to perform their duties.

### **11.3 COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES.**

You shall secure and maintain in force in your name all required licenses, permits, and certificates relating to the conduct of your business pursuant to this Agreement. You shall comply with all applicable laws, ordinances and regulations including, without limitation, laws relating to worker's compensation insurance, unemployment insurance, and withholding and payment of all taxes. You shall in all dealings with customers, suppliers and public officials adhere to high standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business practice which may be injurious to our business and the goodwill associated with the Marks and Rachel's Kitchen Restaurants. You shall notify us in writing within five (5) days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality which may adversely affect the operation or financial condition of you or Rachel's Kitchen Restaurants.

#### 11.4 **INSURANCE.**

11.4.1 During the term of this Agreement, in addition to insurance required to be maintained in connection with the development and operation of each Restaurant, you shall maintain in force under policies of insurance issued by licensed insurers approved by us the following categories of insurance coverage:

- (a) broad form comprehensive general liability coverage against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the conduct of business by you pursuant to this Agreement and broad form contractual liability coverage under one or more policies of insurance containing minimum liability coverage prescribed by us from time to time, but in no event in an amount less than One Million Dollars (\$1,000,000) aggregate, and such insurance shall not have a deductible or self-insured retention in excess of Five Thousand Dollars (\$5,000); and
- (b) worker's compensation and employer's liability insurance in statutory amounts, unemployment insurance and state disability insurance as required by governing law for your employees.

11.4.2 You shall also maintain such additional insurance as is necessary to comply with all legal requirements concerning insurance. We may periodically increase the amounts of coverage required under such insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances.

11.4.3 The insurance policies required herein shall:

- (a) name us as an additional named insured and contain a waiver of all subrogation rights against Us, our Affiliates, and their successors and assigns;
- (b) provide for thirty (30) days' prior written notice to us of any material modification, cancellation, or expiration of such policy;
- (c) provide that the coverage applies separately to each insured against whom a claim is brought as though a separate policy had been issued to each insured;

- (d) contain no provision which in any way limits or reduces coverage for you in the event of a claim by any one or more of the parties indemnified under this Agreement;
- (e) be primary to and without right of contribution from any other insurance purchased by the parties indemnified under this Agreement; and
- (f) extend to and provide indemnity for all obligations assumed by you hereunder and all other items for which you are required to indemnify us under this Agreement.

11.4.4 You shall provide us with evidence of the insurance required hereunder within fifteen (15) days after execution of this Agreement. You shall provide us with a complete copy of each insurance policy no more than thirty (30) days after delivery of the original proof of insurance. Thereafter, prior to the expiration of the term of each insurance policy, you shall furnish us with a copy of each renewal or replacement insurance policy to be maintained by you for the immediately following term and evidence of the payment of the premium therefor. If you fail or refuse to maintain required insurance coverage, or to furnish satisfactory evidence thereof and the payment of the premiums therefor, we may, at our option and in addition to our other rights and remedies hereunder, obtain such insurance coverage on your behalf and you shall fully cooperate with us in our effort to obtain such insurance policies, promptly execute all forms or instruments required to obtain or maintain any such insurance, allow any inspections of your operations which are required to obtain or maintain such insurance, and pay to us on demand any costs and premiums incurred by Us.

11.4.5 The maintenance of sufficient insurance coverage shall be your responsibility. Your obligation to maintain insurance coverage as herein described shall not be affected in any manner by reason of any separate insurance maintained by us nor shall the maintenance of such insurance relieve you of any indemnification obligations under this Agreement.

#### **11.5 RECORDS AND REPORTS.**

You agree at your expense to maintain and preserve at your principal office full, complete and accurate records and reports pertaining to the development and operation of Restaurants and the performance by you of your obligations under this Agreement, including, but not limited to, records and information relating to the following: site reports, leases for Restaurants, supervisory reports relating to operation of Restaurants, records reflecting the financial condition and performance of you and any Controlled Affiliate and such other records and reports as may be prescribed by us from time to time. To determine whether you are complying with this Agreement, we or our agents shall have the right at any reasonable time to inspect, audit and copy any books, records, reports and documents pertaining to your obligations hereunder. You agree to cooperate fully with us in connection with any such inspection or audit.

#### **11.6 OPERATING MANUAL.**

We will loan to you for your sole use during the term of this Agreement one (1) copy of an operating manual which may consist of one or more handbooks or manuals, as may be added, replaced or supplemented by us from time to time in our sole discretion (collectively the "Operating Manual"). The Operating Manual shall contain specifications, standards, policies and procedures prescribed from time to time by us for Rachel's Kitchen Restaurant developers and franchisees and information relative to your other obligations hereunder and the operation of a Rachel's Kitchen Restaurant. The Operating Manual may be modified from time to time to reflect changes in the System or specifications, standards, policies and procedures. You shall keep your copy of the Operating Manual current by immediately inserting all modified pages furnished by Us. In the event of a dispute about the contents of the Operating Manual, the

master copies maintained by us at our principal office shall be controlling. You acknowledge that the Operating Manual is proprietary and confidential and constitutes part of the Confidential Information and, therefore, agree that you will not, at any time, copy or distribute any part of the Operating Manual.

## **ARTICLE 12** **TRANSFERS**

### **12.1 BY US.**

We shall have the right to assign this Agreement and all of our attendant rights and privileges to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of our functions: (i) the assignee shall, at the time of such assignment, be financially responsible and economically capable of performing our obligations; and (ii) the assignee shall expressly assume and agree to perform such obligations.

You expressly affirm and agree that we may sell our assets, our rights to the Proprietary Marks or to the System outright to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of said Proprietary Marks (or any variation thereof) and/or the loss of association with or identification of "RDR Inc." as Franchisor. Nothing contained in this Agreement shall require us to remain in the restaurant business or to offer the same products and services, whether or not bearing the Proprietary Marks, in the event that we exercise our right to assign our rights in this Agreement.

### **12.2 BY YOU.**

12.2.1 You understand and acknowledge that the rights and duties created by this Agreement are personal to you and your Owners and that we have entered into this Agreement because of the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and the Owners. Therefore, neither this Agreement nor any part of your interest in it, nor any ownership interest in You, may be voluntarily, involuntarily, directly or indirectly assigned, sold, subdivided, sub-franchised or otherwise transferred by you or the Owners.

12.2.2 For purposes of the foregoing provision an assignment, sale or other transfer shall include the following events:

- (a) the transfer of ownership of shares, partnership interest, or other Ownership Interests;
- (b) merger or consolidation or issuance of additional securities representing Ownership Interests;
- (c) any sale of Ownership Interests carrying voting rights of you or any security convertible to voting Ownership Interests of you or any agreement granting the right to exercise or control the exercise of the voting rights of any holder of an Ownership Interest; or
- (d) transfer in a divorce, insolvency, corporate or partnership dissolution proceeding or in the event of the death of you or an Owner of you by will,

declaration of or transfer in trust, or under the laws of intestate succession or otherwise by operation of law.

#### **12.3 SHARE STRUCTURE AND INITIAL CAPITALIZATION.**

You represent and warrant that your share structure and initial capitalization are as set forth on Exhibit C hereto and covenant that you will not vary from that share structure without our prior written approval.

#### **12.4 YOUR DEATH OR INCAPACITY.**

Upon your death or disability, or if you are a corporation, limited liability company, partnership, or other legal entity upon the death or disability of a Principal Owner of You, all of such person's interest in this Agreement or such interest in you shall be transferred to a transferee approved by Us, provided that such transferee can demonstrate to our satisfaction the ability to fulfill the obligations under this Agreement. Such disposition of this Agreement or such interest in You, including, without limitation, transfer by bequest or inheritance, shall be completed within a reasonable time, not to exceed six (6) months from the date of death or disability, and shall be subject to terms and conditions substantially similar to those applicable to transfers contained in the Franchise Agreement. Failure to so transfer the interest in this Agreement or such interest in you within said period of time shall constitute a breach of this Agreement.

### **ARTICLE 13** **TERMINATION**

#### **13.1 BY YOU.**

13.1.1 If you are in full compliance with this Agreement and we materially breach this Agreement, you may terminate this Agreement effective immediately upon delivery of written notice of termination to Us, if you give written notice of such material breach to us and we do not:

- (a) correct such material breach within thirty (30) days after delivery to us of such notice of material breach; or
- (b) if such breach cannot reasonably be cured within thirty (30) days after delivery of such notice of material breach, undertake within ten (10) days after delivery of such notice and continue until completion efforts to cure such breach.

Any termination of this Agreement by you other than as provided in this Paragraph shall be deemed a termination by you without cause.

#### **13.2 BY US.**

13.2.1 If you or any of your Owners fail to comply with any provision of this Agreement, we may terminate this Agreement and your rights to develop Restaurants effective immediately upon delivery of written notice of termination to You, if we give written notice of such breach to you and you do not:

- (a) correct such breach within fifteen (15) days after delivery to you of such notice of breach; or

- (b) if such breach cannot reasonably be corrected within fifteen (15) days after delivery of notice of breach, undertake within ten (10) days after delivery of such notice of breach and continue until completion efforts to cure such breach and furnish proof acceptable to us upon our request of such efforts and the date full compliance will be achieved.

13.2.2 Notwithstanding the above, we may terminate this Agreement and your rights to develop Restaurants upon delivery of notice of termination to you without opportunity to cure if you commit any of the following breaches:

- (a) You fail to open and operate Restaurants in compliance with the Development Schedule;
- (b) You or a Controlled Affiliate have failed to make any payments due us under this Agreement (including the payment of the balance of the initial franchise fee due under any Franchise Agreement) and do not correct such failure within ten (10) days after written notice of that failure is delivered to You;
- (c) You become insolvent, make an assignment for the benefit of creditors, are unable to pay your debts as they become due or a receiver or custodian is appointed for your assets or the assets of any Restaurant or if a final judgment against you remains outstanding or of record for longer than fifteen (15) days unless a supersedeas bond is filed;
- (d) You or any of your Owners have made any material misrepresentation or omission in your application for the development rights conferred by this Agreement;
- (e) You or any of your Owners (i) are convicted by a trial court of or plead guilty or no contest to a felony or other crime or offense that may adversely affect the reputation of You, the Restaurants or the goodwill associated with the Marks; or (ii) engage in any conduct which is injurious or prejudicial to the goodwill associated with the Marks or the System or which adversely affects the reputation of us or any Rachel's Kitchen Restaurant;
- (f) You make a direct or indirect transfer of this Agreement or an ownership interest in You;
- (g) We have delivered to you or any Controlled Affiliate a notice of termination of a Franchise Agreement in accordance with its terms and conditions or you or any Controlled Affiliate terminates a Franchise Agreement without cause;
- (h) You or any of your Affiliates or Owners interfere or attempt to interfere with our ability to franchise or license others to use and employ the Marks or System;
- (i) You or any of your Affiliates or Owners interfere or attempt to interfere with our contractual relations with other franchisees, area developers,

customers, suppliers, employees, advertising agencies or other third parties;

- (j) You or any of your Affiliates or Owners make any unauthorized use or disclosure of or duplicate any copy of any Confidential Information, make any unauthorized use of the Marks or “Copyrighted Works” (as defined in the Franchise Agreement), or use, duplicate, or disclose any portion of the Operating Manual or challenge or seek to challenge the validity of the Marks or Copyrighted Works;
- (k) You, your Principal Owners, or members of their immediate families violate the restrictions of Section 8 entitled “Exclusive Relationship” hereof or of any Confidentiality and Non-Competition Agreement; or
- (l) You or any of your Owners fail on three (3) or more separate occasions during any twelve (12) consecutive months to comply with this Agreement, whether or not such failures to comply are corrected and whether or not notice of such default is given; or fail on two (2) or more separate occasions within any period of twelve (12) consecutive months to comply with the same requirement under this Agreement, whether or not such failures to comply are corrected and whether or not notice of such default is given.
- (m) You or any of your Owners fail to comply with all applicable laws and ordinances, including Anti-Terrorism Laws and the RICO Act, or if you or any of your Owners’ assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities or racketeering activities, or you or any of your Owners otherwise violate any such law, ordinance, or regulation.

## **ARTICLE 14** **RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS** **AGREEMENT**

### **14.1 PAYMENT OF AMOUNTS OWED TO US.**

Upon termination or expiration of this Agreement, you shall immediately pay to us any and all amounts owed by you to us or our Affiliates, including, but not limited to, any unpaid fees, charges, or other amounts, together with any accrued and unpaid interest thereon, at the maximum rate permitted by applicable law.

### **14.2 MARKS AND COPYRIGHTS.**

Upon the termination or expiration of this Agreement, you shall: (1) not thereafter directly or indirectly at any time or in any manner identify Yourself or any business as a current or former developer of or as otherwise associated with Us, or use any Mark, any colorable imitation thereof or any mark substantially identical to or deceptively similar to any Mark in any manner or for any purpose or utilize for any purpose any trade name, trademark or service mark or other commercial symbol or trade dress that suggests or indicates a connection or association with Us; (2) remove all signs containing any Mark, and return to us or destroy all forms and materials containing any Mark or otherwise identifying or relating to the Marks; (3) take such action as may be required to cancel or, at our option, to transfer to us or our designee all fictitious or assumed name or equivalent registrations relating to your use of any Mark; and

(4) immediately cease use of all Copyrighted Works which were furnished to you by us pursuant hereto and return to us or destroy all forms, advertising and promotional materials or other materials containing such copyrighted works. You shall furnish to us within thirty (30) days after the effective date of termination or expiration evidence satisfactory to us of your compliance with the foregoing obligations. Notwithstanding the foregoing, you shall continue to have the right to use the Marks pursuant to any Franchise Agreements you have entered into pursuant to this Agreement which are then still in effect.

#### **14.3 CONFIDENTIAL INFORMATION.**

You agree that upon termination or expiration of this Agreement: (1) you will immediately cease to use any of our Confidential Information disclosed to or otherwise learned or acquired by you in any business or otherwise; and (2) you will return to us all copies of the Operating Manual and any other confidential materials which have been loaned or made available to you by us pursuant to this Agreement. Notwithstanding the foregoing, you shall continue to have the right to use the Confidential Information and the Operating Manual pursuant to any Franchise Agreements you have entered into pursuant to this Agreement which are then still in effect.

#### **14.4 COVENANT NOT TO COMPETE.**

14.4.1 Upon termination of this Agreement by us in accordance with its terms and conditions or by you without good cause or upon expiration of this Agreement, neither you nor any of your Principal Owners shall, directly or indirectly, through a member of the immediate family of you or of a Principal Owner of You, or otherwise for a period of two (2) years commencing on the effective date of such termination or expiration or the date on which you cease to conduct your activities hereunder, whichever is later:

- (a) have any interest as a disclosed or beneficial owner in any Competitive Business located or operating within a three (3) mile radius of any Rachel's Kitchen Restaurant; or
- (b) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for any Competitive Business located or operating within a fifty (50) mile radius of any Rachel's Kitchen Restaurant in operation or under construction on the effective date of such termination or expiration; or
- (c) employ or seek to employ any person who is employed by Us, our Affiliates or by any other developer or franchisee of us nor induce nor attempt to induce any such person to leave said employment without the prior written consent of such person's employer.

14.4.2 The restrictions of clause (a) of Section 14.4.1 will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than three percent (3%) of the total number of issued and outstanding shares of that class of securities.

14.4.3 The restrictions of Section 14.4.1 shall not be construed to prohibit You, any Principal Owner of you or any member of the immediate families of you or your Principal Owners from having a direct or indirect ownership interest in any Rachel's Kitchen Restaurant, Area Development Agreement or Franchise Agreement for the development or operation of any Rachel's Kitchen Restaurant or in any entity owning, controlling or operating a Rachel's Kitchen Restaurant or from providing services to a Rachel's Kitchen Restaurant.

#### **14.5 CONTINUING OBLIGATIONS.**

All obligations of us and you under this Agreement which expressly or by their nature survive or are intended to survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

### **ARTICLE 15 INDEPENDENT CONTRACTORS/INDEMNIFICATION**

#### **15.1 INDEPENDENT CONTRACTORS.**

It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that we and you are and shall be independent contractors, and that nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner, or employee of the other for any purpose. You shall conspicuously identify Yourself in all dealings with customers, suppliers, public officials, developer personnel and others as the developer of the Restaurants under this Agreement and shall conspicuously and prominently display such other notices of independent ownership in the business premises and on such forms, business cards, stationery, advertising, and other materials as we may require from time to time.

#### **15.2 NO LIABILITY FOR ACTS OF OTHER PARTY.**

You shall not employ any of the Marks in signing any contract, application for any license or permit or in a manner that may result in liability of us or our Affiliates for any indebtedness or obligation of You, nor will you use the Marks in any way not expressly authorized herein. Except as expressly authorized in writing, neither we nor you shall make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other or represent that their relationship is other than franchisor and area developer or franchisee and neither we nor you shall be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized in writing, nor shall we be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Restaurants or your business authorized by or conducted pursuant to this Agreement.

#### **15.3 TAXES.**

We shall have no liability for any sales, value added, use, service, occupation, excise, gross receipts, income, property, payroll or other taxes, whether levied upon this Agreement, you, the Restaurants or your property or upon us in connection with the sales made or business conducted by You. Payment of all such taxes shall be your responsibility.

#### **15.4 INDEMNIFICATION.**

You agree to indemnify, defend and hold Us, our Affiliates, and their respective shareholders, directors, officers, employees, agents, successors and assignees harmless against and to reimburse them for (a) all claims, obligations and damages described in this Section; (b) any and all taxes described above; and (c) any and all claims and liabilities directly or indirectly arising out of the development or operation of the Restaurants, the use of the Marks, or the transfer of any interest in You,

this Agreement, the Franchises, the Restaurants, some or all of the assets of the Restaurants, other than the sale of inventory items in the ordinary course of business, or some or all of the assets of you in any manner not in accordance with this Agreement to the extent that such claims, obligations, damages, taxes, losses or liabilities do not arise from our negligence or wrongful conduct. For purposes of this indemnification, "claims" shall mean and include all obligations, actual and consequential damages and costs incurred in the defense of any claim against us including, without limitation, reasonable accountants', attorneys', attorney assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. We shall have the right to defend any such claim against us in such manner as we deem appropriate or desirable in our sole discretion. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

## **ARTICLE 16** **DISPUTE RESOLUTION**

### **16.1 ARBITRATION.**

16.1.1 Subject to Sections 16.1 and 16.3, all controversies, disputes or claims arising between Us, our Affiliates, and their respective officers, directors, shareholders, partners, agents, employees and lawyers acting in their representative capacity and you and your Owners arising out of or related to the relationship of the parties hereto, this Agreement and any provision hereof or any related agreement, the validity of this Agreement or any provision hereof or any specification, standard or operating procedure relating to the development, establishment or operation of a Rachel's Kitchen Restaurant shall be submitted for arbitration to be administered by the Las Vegas, Nevada office of the American Arbitration Association ("AAA") on demand of either party.

16.1.2 Such arbitration proceedings shall be conducted in Las Vegas, Nevada before a panel of three (3) arbitrators and, except as otherwise provided in this Agreement, shall be conducted in accordance with the then-current commercial arbitration rules of the AAA. We and you shall each appoint one (1) arbitrator and the two (2) arbitrators so appointed shall appoint a third arbitrator to act as chairperson of the tribunal. If a party fails to nominate an arbitrator within fifteen (15) days from the date when the claimant's request for arbitration has been communicated to the defendant, such appointment shall be made by the AAA. Unless otherwise provided in this Section 16.2, all matters within the scope of the Federal Arbitration Act of the United States (9 U.S.C. §§ 1 et seq.) shall be governed by it. The arbitrators shall have the right to award or include in their award any relief which they deem proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from date due), specific performance, injunctive relief, and legal fees and costs in accordance with this Agreement, provided that the arbitrators shall not have the authority to declare any Mark generic or otherwise invalid. The arbitrators shall not have the authority to award exemplary or punitive damages. The award and decision of the arbitrators shall be conclusive and binding upon all parties referred to in Section 16.2.1 and judgment upon the award may be entered in any court of competent jurisdiction. The parties further agree that in connection with any such arbitration proceeding, each shall submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the United States Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed as described above shall be barred. This provision shall continue in full force and effect subsequent to and notwithstanding expiration or termination of this Agreement. You and we agree that arbitration shall be conducted on an individual, not a class-wide basis and that any arbitration proceeding between us and you shall not be consolidated with any other arbitration proceeding involving us and any other person, corporation, partnership, limited liability company or other entity.

### **16.2 INJUNCTIVE RELIEF.**

16.2.1 Notwithstanding anything to the contrary contained in Sections 16.1 and 16.2, we and you each have the right in a proper case to seek injunctions, restraining orders and orders of specific performance from a court of competent jurisdiction, provided that the parties agree to contemporaneously submit their dispute for arbitration on the merits as provided herein.

16.2.2 You agree that we will not be required to post a bond to obtain any injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction if warranted upon due hearing. You hereby expressly waive all claims for damages by reason of the wrongful issuance of such injunction. If we secure any such injunction or order of specific performance, you agree to pay to us an amount equal to the aggregate of our costs of obtaining such relief, including, without limitation, reasonable legal fees, costs and expenses as provided in this Section and any damages incurred by us as a result of the breach of any such provision.

### **16.3 COSTS AND LEGAL FEES.**

If we are required to enforce this Agreement in a judicial or arbitration proceeding, you shall reimburse us for our costs and expenses, including, without limitation, reasonable accountants', attorneys', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by you to comply with this Agreement, you shall reimburse us for any of the above-listed costs and expenses incurred by Us.

## **ARTICLE 17** **MISCELLANEOUS.**

### **17.1 SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.**

17.1.1 If any provision of this Agreement relating to the covenants to refrain from operating, owning or assisting a Competitive Business during the term of this Agreement is declared or made invalid or unenforceable by judicial action, legislation or other government action, we may in our sole discretion, if we believe that the continuation of this Agreement would not be in our best interests, terminate this Agreement upon sixty (60) days' written notice to You.

17.1.2 All other provisions of this Agreement are severable and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. To the extent the post-transfer restrictive covenants or post-termination restrictive covenants contained herein are deemed unenforceable by virtue of their scope in terms of geographic area, business activity prohibited and/or length of time, but may be made enforceable by reductions of either or any thereof, you and we agree that the same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required hereunder or the taking of some other action not required hereunder, or if under any applicable and binding law or rule of any jurisdiction any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions hereof and we shall have the right in our sole discretion to modify such invalid or unenforceable provision, specification, standard, or operating procedure to the extent required to be valid and enforceable. Such modifications to this Agreement shall be effective only in such jurisdiction and this Agreement shall be enforced as originally made and entered into in all other jurisdictions.

## 17.2 **WAIVER OF OBLIGATIONS.**

17.2.1 We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Whenever this Agreement requires our prior approval or consent, you shall make a timely written request therefor and such approval shall be obtained in writing.

17.2.2 We make no warranties or guarantees upon which you may rely, and assume no liability or obligation to you by granting any waiver, approval, or consent to you or by reason of any neglect, delay, or denial of any request therefor. Any waiver granted by us shall be without prejudice to any other rights we may have, will be subject to continuing review by Us, and may be revoked in our sole discretion at any time and for any reason effective upon delivery to you of ten (10) days' prior written notice.

17.2.3 We and you shall not be deemed to have waived or impaired any right, power, or option reserved by this Agreement including, without limitation, the right to demand exact compliance with every term, condition, and covenant herein or to declare any breach thereof to be a default and to terminate this Agreement prior to the expiration of its term by virtue of any (a) custom or practice of the parties at variance with the terms hereof; (b) any failure, refusal, or neglect of us or you to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder including, without limitation, any mandatory specification, standard or operating procedure; (c) any waiver, forbearance, delay, failure, or omission by us to exercise any right, power or option whether of the same, similar or different nature with respect to any other Rachel's Kitchen Restaurant or any development or franchise agreement therefor; or (d) the acceptance by us of any payments from you after any breach by you of this Agreement.

## 17.3 **RIGHTS OF PARTIES ARE CUMULATIVE.**

Both our and your rights hereunder are cumulative and no exercise or enforcement by either us or you of any right or remedy hereunder shall preclude either our or your exercise or enforcement of any other right or remedy hereunder or which either we or you are entitled by law to enforce.

## 17.4 **COSTS AND LEGAL FEES.**

If we assert a claim for amounts you owe to us in any judicial proceeding or appeal thereof or if we are required to enforce this Agreement in a judicial or arbitration proceeding or appeal thereof, we shall be reimbursed by you for our costs and expenses, including, without limitation, reasonable accountants', attorneys', attorney assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by the undersigned to comply with this Agreement, you shall reimburse us for any of the above-listed costs and expenses incurred by Us.

## 17.5 **GOVERNING LAW/CONSENT TO JURISDICTION.**

17.5.1 Except to the extent governed by the Federal Arbitration Act, United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement and the relationship between the parties hereto shall be governed by the internal laws of the State of Nevada without regard to its conflict of laws principles. No Nevada law regulating the sale of franchises or governing the franchise relationship, shall apply unless its jurisdictional requirements are met independently without reference to this Section.

17.5.2 You and your Owners agree that you shall institute any action and we may institute any action against you or your Owners which is not required to be arbitrated hereunder in any state or federal court of general jurisdiction in the City of Las Vegas, Nevada or the state court of general jurisdiction or the Federal District Court nearest to our executive office at the time such action is filed. You and each of your Owners hereby irrevocably consent to the jurisdiction of such courts and waive any objection you or it/he/she may have to the jurisdiction or venue of such courts.

#### 17.6 **FORCE MAJEURE.**

Neither we nor you shall be liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from any of the following and is not caused or exacerbated by the non-performing party: (a) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material, or energy, or the voluntary forgoing of 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 national, state, provincial, municipal or other government or any department or agency thereof; (b) compliance with any law, ruling, order, regulation, requirement, or instruction of any national, state, provincial, municipal or other government or any department or agency thereof; (c) acts of God; (d) acts of war or insurrection; (e) strikes, lockouts, boycotts, fire and other casualties; (f) pandemics or epidemics; or (g) any other similar event or cause. Any delay resulting from any of said causes shall extend performance accordingly or excuse performance in whole or in part as may be reasonable, except that said causes shall not excuse payments of amounts owed at the time of such occurrence or payment of amounts or fees thereafter, and as soon as performance is possible the non-performing party shall immediately resume performance; provided that in no event shall such period of excused non-performance exceed six (6) months. The ability to invoke this clause is conditioned upon delivery of written notice to the other party stating the basis for such invocation as soon as reasonably practical – in no event longer than ten (10) days – after learning of the basis. The party invoking this clause shall use reasonable efforts to limit damages to the other party.

#### 17.7 **LIMITATIONS OF CLAIMS.**

Except with regard to claims arising from your obligations to pay monies to us or our Affiliates arising from or relating to this Agreement, any and all claims arising out of or relating to this Agreement or the relationship of you or a Controlled Affiliate and us shall be barred unless an action or proceeding is commenced within one (1) year from the date on which the party knew or should have known in the exercise of reasonable diligence of the facts giving rise to such claims.

#### 17.8 **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.**

We and you and your Owners waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, except as otherwise provided herein, in the event of a dispute between us and you or your Owners, the party making a claim shall be limited to equitable relief and to recovery of any actual damages it sustains. We and you and your Owners irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either party.

#### 17.9 **BINDING EFFECT.**

This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest and shall not be modified except by written agreement signed by both you and Us.

#### 17.10 **CONSTRUCTION.**

17.10.1 The preambles and exhibits to this Agreement are a part of this Agreement, which together with all Franchise Agreements executed pursuant hereto constitute the entire agreement of the parties, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement. Except as expressly stated herein, nothing in this Agreement is intended nor shall be deemed to confer any rights or remedies upon any person or legal entity not a party hereto. The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit, or construe the contents of such sections or paragraphs. Except where this Agreement expressly obligates us to reasonably approve or not unreasonably withhold our approval of any action or request by You, we have the absolute right to refuse any request by you or to withhold our approval of any action or omission by You. This Agreement shall be executed in multiple copies, each of which shall be deemed an original.

17.10.2 We and you acknowledge and agree that we are both sophisticated in business matters and represented by counsel and, therefore, this Agreement shall not be construed against us as the author of this Agreement.

17.10.3 The term "You" as used herein is applicable to one (1) or more persons, a corporation, a partnership, a limited liability company or another business entity, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If you are two (2) or more persons at any time hereunder, whether or not as partners or joint venturers, their obligations and liabilities to us shall be joint and several. References to "ownership interests" shall include: (a) in relation to a corporation or limited liability company, the ownership of shares or membership interests; (b) in relation to a partnership, the ownership of a general or limited partnership interest; or (c) in relation to a trust, the ownership of a beneficial interest of such trust. References to "immediate family" as used herein shall mean parents, spouses, natural and adopted children and siblings and their spouses, and the parents, children and siblings of spouses. References to a "controlling interest" in you shall mean: (a) if you are a corporation or limited liability company, thirty-three and one-third percent (33-1/3%) or more of the voting shares or membership interests of you if you are owned by three (3) or more persons, otherwise fifty percent (50%) or more of the voting control of You, and (b) if you are a partnership, thirty-three and one-third percent (33-1/3%) of the general partnership interest in you if you have three (3) or more general partners, otherwise fifty percent (50%) or more of the general partnership interest.

17.10.4 Nothing in this or any related agreement is intended to disclaim the representations we made in the latest franchise disclosure document that we furnished to you.

#### 17.11 **REASONABLENESS.**

We and you agree to act reasonably in all dealings with each other pursuant to this Agreement. Whenever the consent or approval of either party is required or contemplated hereunder, the party whose consent is required agrees not to unreasonably withhold the same, unless otherwise permitted in this Agreement to do so.

### **ARTICLE 18** **NOTICES AND PAYMENTS**

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or of the Operating Manual shall be deemed so delivered at the time delivered by hand, one (1) business day after transmission by telefax with machine generated evidence of receipt, one (1) business day after being placed in the hands of a commercial courier service for overnight delivery, or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested,

postage prepaid and addressed to us at RDR Inc., 9640 West Tropicana Ave. #117, Las Vegas, Nevada 89146, to the attention of the Chief Financial Officer, or at our most current principal business address of which you have been notified, or to you at your most current principal business address of which we have been notified, as applicable. All payments and reports required by this Agreement shall be directed to RDR Inc., 9640 West Tropicana Ave. #117, Las Vegas, Nevada 89146, or to such other persons and places as we may direct from time to time. Any required payment or report not actually received by us during regular business hours on the date due (or postmarked by postal authorities at least two (2) days prior thereto) shall be deemed delinquent.

**IN WITNESS WHEREOF** the parties have executed, sealed and delivered this Agreement in multiple counterparts.

**FRANCHISOR:**  
**RDR, INC.**  
a Nevada corporation

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

**DEVELOPER:**

**CORPORATION, LIMITED LIABILITY  
COMPANY, OR PARTNERSHIP:**

\_\_\_\_\_  
[Name]  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**INDIVIDUALS:**

\_\_\_\_\_  
\_\_\_\_\_  
[Print Name]  
\_\_\_\_\_  
\_\_\_\_\_  
[Print Name]

## **JOINDER**

The undersigned Owners and Principal Owners of you hereby agree to be bound by the restrictions on transfers of interests in the ownership of you contained in the foregoing Area Development Agreement.

### **COMPANIES**

(Name of Company)

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

(Name of Company)

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

(Name of Company)

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

### **INDIVIDUALS**

(Name)

\_\_\_\_\_  
(Signature)

(Name)

\_\_\_\_\_  
(Signature)

(Name)

\_\_\_\_\_  
(Signature)

**EXHIBIT A**  
**TO THE AREA DEVELOPMENT AGREEMENT**  
**BETWEEN RDR, INC.**  
**AND \_\_\_\_\_**

**DEVELOPMENT AREA**

The Development Area shall be:

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You acknowledge and agree that your rights to develop Rachel's Kitchen Restaurants in the Development Area excludes all "Non-Traditional Sites," including, without limitation, military bases, hotels, high school and college campuses, airports, train stations, travel plazas, toll roads, prisons, hospitals, convenience stores, casinos, sports or entertainment venues or stadiums, and retail restaurant locations being sublet under a master lease, whether existing as of or constructed subsequent to the date hereof, whether located within or outside the Development Area.

**FRANCHISOR:**

**RDR, INC.,**  
a Nevada corporation

**DEVELOPER:**

**CORPORATION, LIMITED LIABILITY  
COMPANY, OR PARTNERSHIP:**

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

\_\_\_\_\_  
[Name]

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

**INDIVIDUALS:**

\_\_\_\_\_  
\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
\_\_\_\_\_  
[Print Name]

**EXHIBIT B**  
**TO THE AREA DEVELOPMENT AGREEMENT**  
**BETWEEN RDR, INC.**

AND \_\_\_\_\_

**DEVELOPMENT SCHEDULE**

1. **Restaurant Development**. You agree to develop a total of \_\_\_\_\_(\_\_\_\_\_) Restaurants in accordance with the terms of this Agreement.

2. **Development Obligations**. You agree to open each Restaurant specified on or before the specified opening date shown below and to have open and in operation in the Development Area on or before each opening date the cumulative number of Restaurants shown below:

<b>Restaurant Number</b>	<b>Restaurant Opening By: Date</b>	<b>Cumulative Number Of Restaurants To Be Open and In Operation No Later Than the Opening Date</b>
One (1)		
Two (2)		
Three (3)		

**FRANCHISOR:**

**RDR, INC.,**  
a Nevada corporation

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

**DEVELOPER:**

**CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP:**

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

**INDIVIDUALS:**

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[Print Name]

---

[Print Name]

**EXHIBIT C**  
**TO THE AREA DEVELOPMENT AGREEMENT**  
**BETWEEN RDR, INC.**

**AND** \_\_\_\_\_

**OWNERS**

1. **Owners**: List the full name and mailing address of each person or entity who directly or indirectly owns an equity or voting interest in You and describe the nature of the interest.

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

Number of Ownership Interests Owned: \_\_\_\_\_  
% of Total Ownership Interests: \_\_\_\_\_  
Number of Ownership Interests Owner is  
Entitled to Vote: \_\_\_\_\_  
Other Interest (Describe): \_\_\_\_\_  
\_\_\_\_\_

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

Number of Ownership Interests Owned: \_\_\_\_\_  
% of Total Ownership Interests: \_\_\_\_\_  
Number of Ownership Interests Owner is  
Entitled to Vote: \_\_\_\_\_  
Other Interest (Describe): \_\_\_\_\_  
\_\_\_\_\_

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

Number of Ownership Interests Owned: \_\_\_\_\_  
% of Total Ownership Interests: \_\_\_\_\_  
Number of Ownership Interests Owner is  
Entitled to Vote: \_\_\_\_\_  
Other Interest (Describe): \_\_\_\_\_  
\_\_\_\_\_

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

Number of Ownership Interests Owned: \_\_\_\_\_  
% of Total Ownership Interests: \_\_\_\_\_  
Number of Ownership Interests Owner is  
Entitled to Vote: \_\_\_\_\_  
Other Interest (Describe): \_\_\_\_\_  
\_\_\_\_\_

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

Number of Ownership Interests Owned: \_\_\_\_\_  
% of Total Ownership Interests: \_\_\_\_\_  
Number of Ownership Interests Owner is  
Entitled to Vote: \_\_\_\_\_  
Other Interest (Describe): \_\_\_\_\_  
\_\_\_\_\_

2. **Designated Principal Owners:** The following individuals named in Paragraph 1 are designated as Principal Owners, although they do not hold five percent (5%) or more of the equity ownership interests in You:

Name: \_\_\_\_\_

3. **Management:** As required pursuant to Section 9.1 of this Agreement, the following person shall serve as your Senior Operating Manager:

Name: \_\_\_\_\_

4. **Ownership Structure and Initial Capitalization:** You and your Owners represent and warrant that the ownership structure and initial capitalization of you is as follows:

## **OWNERSHIP STRUCTURE**

As of the date hereof, there are \_\_\_\_\_ (\_\_\_\_\_) shares or other ownership interests authorized and there are \_\_\_\_\_ (\_\_\_\_\_) shares or other ownership interests which are issued and outstanding. There are no other authorized classes of shares or other ownership interests.

## INITIAL CAPITALIZATION

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**FRANCHISOR:**

**RDR, INC.,**  
a Nevada corporation

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

**DEVELOPER:**

**CORPORATION, LIMITED LIABILITY  
COMPANY, PARTNERSHIP:**

\_\_\_\_\_  
[Name]  
\_\_\_\_\_  
\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**INDIVIDUALS:**

\_\_\_\_\_  
\_\_\_\_\_  
[Print Name]  
\_\_\_\_\_  
\_\_\_\_\_  
[Print Name]

**EXHIBIT D**  
**TO THE AREA DEVELOPMENT AGREEMENT**  
**BETWEEN RDR, INC.**

**AND \_\_\_\_\_**

**ACKNOWLEDGMENTS AND REPRESENTATIONS**

1. You acknowledge that you have read this Agreement and our Disclosure Document and that you understand and accept the terms, conditions, and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality and service and the uniformity of those standards at all Rachel's Kitchen Restaurants and thereby to protect and preserve the goodwill of the Marks and the System.

2. You acknowledge that you have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that like any other business, the nature of the business conducted by Rachel's Kitchen Restaurants may evolve and change over time, that an investment in a Rachel's Kitchen Restaurant involves business risks and that the success of the venture is largely dependent upon your business abilities and efforts. We recommend that applicants for Rachel's Kitchen Restaurant franchises make their own investigations and determine whether or not a Rachel's Kitchen Restaurant is profitable. We recommend that each applicant for a Rachel's Kitchen Restaurant franchise consult with an attorney of its choosing and further be represented by legal counsel at the time of its closing.

3. You acknowledge that no representations or statements of actual, average, projected or forecasted sales, profits or earnings have been made with respect to Rachel's Kitchen Restaurants, other than information, if any, disclosed in Item 19 of our Disclosure Document or in an authorized, written supplemental earnings claim which supplements our Disclosure Document. Neither our sales personnel nor any of our employees or officers is authorized to make any other claims or statements as to the earnings, sales or profits or prospects or chances of success that any developer or franchise owner can expect or that present or past franchise owners have had. We specifically instruct our sales personnel, agents, employees and officers that they are not permitted to make such other claims or statements as to the earnings, sales or profits or the prospects or chances of success, nor are they authorized to represent or estimate dollar figures as to Rachel's Kitchen Restaurants. We will not be bound by any unauthorized representations as to your earnings, sales, profits or prospects or chances of success. You acknowledge that you have not received or relied on any representations by Us, or by our officers, directors, shareholders, employees or agents that are contrary to the statements made in our Disclosure Document or the terms herein.

4. You acknowledge that in all of your dealings with them, our officers, directors, employees, Affiliates, representatives and agents acted only in a representative capacity and not in an individual capacity. You further acknowledge that this Agreement and all business dealings between you and such individuals as a result of this Agreement are solely between you and Us. You further represent to us as an inducement to our entry into this Agreement that neither you nor your Owners have made misrepresentations in obtaining the rights granted hereunder.

5. If You are a legal entity, you (a) represent that it is duly organized and validly existing in good standing under the laws of the jurisdiction of its organization, is qualified to do business in all jurisdictions in which its business activities or the nature of properties owned by you requires such qualification and has the authority to execute, deliver and carry out all the terms of this Agreement; and (b) agree and warrant that all certificates representing ownership interests in you now outstanding or hereafter issued will be endorsed with a legend in form approved by us reciting that the transfer of ownership interests in you is subject to restrictions contained in this Agreement. You further represent and

warrant that all Owners of you and their interests therein are completely and accurately listed in Exhibit C of this Agreement and that you will execute such revised versions of Exhibit C as may be necessary during the term of this Agreement to reflect any changes in the information contained therein.

**IN WITNESS WHEREOF**, the parties hereto have executed and delivered this Agreement in multiple counterparts on the day and year first written above.

**FRANCHISOR:**

**RDR, INC.**  
a Nevada corporation

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**DEVELOPER:**

**CORPORATION, LIMITED LIABILITY  
COMPANY, PARTNERSHIP:**

[Name]  
By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## INDIVIDUALS:

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[Print Name]

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**EXHIBIT E**  
**TO THE AREA DEVELOPMENT AGREEMENT**  
**BETWEEN RDR, INC.**  
**AND \_\_\_\_\_**

**CONFIDENTIALITY AND NON-COMPETITION AGREEMENT**

**THIS AGREEMENT** (the “Agreement”) is made and entered into as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and among you (defined below), COVENANTOR (defined below) and **RDR, INC.**, a Nevada corporation (“Franchisor”, “We”, “Us” or “Our”).

“You”: \_\_\_\_\_

“COVENANTOR”: \_\_\_\_\_, being [a Principal Owner, as defined in the Area Development Agreement] [an Owner, as defined in the Area Development Agreement, who will have access to Confidential Information], [an employee of you who will have access to Confidential Information], [an officer] or [a director] of You.

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

**1. PREAMBLES.**

We have executed or intend to execute an area development agreement with \_\_\_\_\_ (the “Area Development Agreement”), under which we grant to you certain rights with regard to Rachel’s Kitchen Restaurants. We and you require that COVENANTOR enter into this Agreement before allowing COVENANTOR to have access to the Confidential Information and as a material term of the Area Development Agreement necessary to protect our “System”, which consists of confidential know-how and distinctive systems, designs, decor, trade dress, specifications, standards and procedures authorized or reasonably required by us from time to time for use in the operation of the Rachel’s Kitchen Restaurants and to protect our proprietary rights in and your right to use the Confidential Information.

To induce us to enter into the Area Development Agreement and/or to avoid a material breach thereof, as the case may be, we, you and COVENANTOR desire and consider it to be in COVENANTOR’S best interests that COVENANTOR enter into this Agreement. Furthermore, due to the nature of our and your business, any use or disclosure of the Confidential Information other than in accordance with this Agreement will cause us and you substantial harm.

**2. DEFINITIONS.**

The following terms shall have the meanings set forth below:

(1) “Competitive Business”: A retail food service business other than a Rachel’s Kitchen Restaurant that: (i) features the Products for sale as primary items; or (ii) grants or has granted franchises or licenses or establishes or has established joint ventures for the development and/or operation of a retail food service business described in the foregoing clause (i).

(2) “Confidential Information”: Certain confidential and proprietary information and trade secrets, including, but not limited to, the following categories of information, methods, techniques,

procedures and knowledge developed or to be developed by Us, our Affiliates and/or franchisees and developers of Rachel's Kitchen Restaurants: (i) recipes, methods, techniques, specifications, standards, policies, procedures, information, concepts, systems for, and knowledge of and experience in the development, operation and franchising of Rachel's Kitchen Restaurants; (ii) marketing and promotional programs for Rachel's Kitchen Restaurants; (iii) knowledge of specifications for and suppliers of certain materials, equipment and fixtures for Rachel's Kitchen Restaurants; (iv) knowledge concerning operating results and financial performance of Rachel's Kitchen Restaurants; (v) our operating manuals for use in Rachel's Kitchen Restaurants as modified from time to time; and (vi) the terms of the Area Development Agreement and each agreement entered into pursuant to the Area Development Agreement.

### **3. PROTECTION OF CONFIDENTIAL INFORMATION.**

3.1 COVENANTOR agrees to use the Confidential Information only to the extent reasonably necessary to perform his or her duties on your behalf, taking into consideration the confidential nature of the Confidential Information. COVENANTOR may disclose the Confidential Information only as agent for You. COVENANTOR acknowledges and agrees that neither COVENANTOR nor any other person or entity will acquire any interest in or right to use the Confidential Information under this Agreement or otherwise, other than the right to utilize it as authorized in this Agreement, and that the unauthorized use or duplication of the Confidential Information, including, without limitation, in connection with any other business, would be detrimental to us and you and would constitute a breach of COVENANTOR'S obligations of confidentiality and an unfair method of competition with us and/or passing off you and other Rachel's Kitchen Restaurants owned by us or franchisees.

3.2 COVENANTOR acknowledges and agrees that the Confidential Information is confidential to and a valuable asset of Us. The Confidential Information will be disclosed to COVENANTOR solely on the condition that COVENANTOR agrees to the terms and conditions of this Agreement. COVENANTOR therefore agrees that, during the term of the Area Development Agreement and thereafter, he or she: (a) will not use the Confidential Information in any other business or capacity; (b) will maintain the absolute confidentiality of the Confidential Information; (c) will not make unauthorized copies of any portion of the Confidential Information disclosed or recorded in written or other tangible form; and (d) will adopt and implement all reasonable procedures prescribed from time to time by us and you to prevent unauthorized use or disclosure of or access to the Confidential Information.

3.3 Notwithstanding anything to the contrary contained in this Agreement, the restrictions on COVENANTOR'S disclosure and use of the Confidential Information shall not apply to the following: (a) information, methods, procedures, techniques and knowledge which are or become generally known or easily accessible, other than by COVENANTOR'S breach of an obligation of confidentiality; and (b) the disclosure of the Confidential Information pursuant to applicable law or in judicial or administrative proceedings to the extent that COVENANTOR is legally compelled or required by a regulatory body to disclose such information, provided COVENANTOR has notified us and you prior to disclosure and shall have used his or her best efforts to obtain and shall have afforded us and you the opportunity to obtain an appropriate assurance reasonably satisfactory to us of confidential treatment for the information required to be so disclosed.

### **4. IN-TERM RESTRICTIVE COVENANT.**

4.1 COVENANTOR acknowledges and agrees that we and you would be unable to protect the Confidential Information against unauthorized use or disclosure and would be unable to achieve a free exchange of ideas and information among Rachel's Kitchen Restaurants if persons authorized to use the Confidential Information were permitted to engage in, have ownership interests in or perform services for Competitive Businesses. COVENANTOR therefore agrees that for as long as COVENANTOR is a Principal Owner as defined in the Area Development Agreement, an Owner as defined in the Area Development Agreement who will have access to Confidential Information, an employee of you who will

have access to Confidential Information, an officer or a director of You, COVENANTOR shall not directly or indirectly through members of COVENANTOR'S immediate family or otherwise:

- (1) have any interest as a disclosed or beneficial owner in any Competitive Business; or
- (2) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for any Competitive Business; or
- (3) employ or seek to employ any person who is employed by Us, our Affiliates or any developer or franchisee of us nor induce nor attempt to induce any such person to leave said employment without the prior written consent of such person's employer.

4.2 COVENANTOR acknowledges that the restrictions contained in Section 4.1 will not hinder his, her or their activities or those of members of his, her or their immediate family under this Agreement or in general. The restrictions of Section 4.1(a) are not applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than three percent (3%) of the total number of issued and outstanding shares of that class of securities. The restrictions of this Section 4.1 shall not be construed to prohibit a direct or indirect ownership interest in any Rachel's Kitchen Restaurant or any area development agreement or franchise agreement for the development or operation of any Rachel's Kitchen Restaurant or the providing of services to a Rachel's Kitchen Restaurant.

5. **RESTRICTIVE COVENANT UPON TERMINATION OR EXPIRATION OF THE AREA DEVELOPMENT AGREEMENT OR COVENANTOR'S ASSOCIATION WITH YOU.**

5.1 Upon the first to occur of: (a) termination or expiration of the Area Development Agreement; or (b) the date as of which COVENANTOR is neither a Principal Owner as defined in the Area Development Agreement, an Owner as defined in the Area Development Agreement who will have access to Confidential Information, an employee of you who will have access to Confidential Information, an officer or a director of you (each of these events is referred to as a "Termination Event"), COVENANTOR agrees that for a period of two (2) years commencing on the effective date of a Termination Event, COVENANTOR shall not directly or indirectly through members of COVENANTOR'S immediate family or otherwise:

- (a) have any interest as a disclosed or beneficial owner in any Competitive Business located or operating within a fifty (50) mile radius of any other Rachel's Kitchen Restaurant; or
- (b) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for any Competitive Business located or operating within a fifty (50) mile radius of any Rachel's Kitchen Restaurant; or
- (c) employ or seek to employ, any person who is employed by Us, our Affiliates or any developer or franchisee of us nor induce nor attempt to induce any such person to leave said employment without the prior written consent of such person's employer.

5.2 The restrictions of Section 5.1(a) will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than three percent (3%) of the number of shares of that class of securities issued and outstanding. The restrictions of Section 5.1 shall not be construed to prohibit ownership in any Rachel's Kitchen Restaurant, area development agreement or franchise agreement for the development or operation of any Rachel's Kitchen Restaurant, or any entity owning, controlling, or operating a Rachel's Kitchen Restaurant, or from providing services to a Rachel's Kitchen Restaurant. COVENANTOR recognizes the broad scope

of the restrictive covenants set forth in Sections 4 and 5 of this Agreement, but agrees that they are reasonable. If any court or tribunal of competent jurisdiction shall refuse to enforce any such covenant because it is more extensive as to time limit, geographic area, scope of business or otherwise than is deemed reasonable, it is expressly understood and agreed that such covenants shall not be void, but that the restrictions contained therein as to time limit, geographic area, scope of business or otherwise shall be deemed reduced to the extent necessary to permit the enforcement of such covenants. COVENANTOR expressly acknowledges and agrees that COVENANTOR possesses skills and abilities of a general nature and has opportunities for exploiting such skills. Consequently, enforcement of the covenants made in Sections 4 and 5 of this Agreement will not deprive COVENANTOR of the ability to earn a living.

6. **SURRENDER OF DOCUMENTS.**

COVENANTOR agrees that upon the effective date of a Termination Event, COVENANTOR shall immediately cease to use the Confidential Information disclosed to or otherwise learned or acquired by COVENANTOR. COVENANTOR shall also return to Us, or to you if so directed by Us, all copies of the Confidential Information loaned or made available to COVENANTOR, including but not limited to, digital copies, physical copies, and any other form in which the Confidential Information may exist.

7. **COSTS AND ATTORNEYS' FEES.**

In the event that we or you bring an action against COVENANTOR arising out of the terms or provisions of this Agreement, the prevailing party in whose favor judgment is entered or in whose favor a decision is rendered shall be entitled to receive from the other party full reimbursement of its reasonable attorneys' fees, court costs, and any other expenses related to the action, whether such costs are incurred before, during or after any trial or administrative proceeding or on appeal.

8. **WAIVER.**

Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant or condition nor shall any waiver or relinquishment of any right or remedy hereunder at any one or more times be deemed a waiver or relinquishment of such right or remedy at any other time or times.

9. **SEVERABILITY.**

Each section, paragraph, term and provision of this Agreement and any portion thereof shall be considered severable and if for any reason any such provision is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which we are a party, that ruling shall not impair the operation of or have any other effect upon such other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and bind the parties hereto. Any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires if COVENANTOR is a party thereto, otherwise upon COVENANTOR'S receipt of a notice from us that we will not enforce the section, paragraph, term or provision in question.

10. **RIGHTS OF PARTIES ARE CUMULATIVE.**

The rights of the parties hereunder are cumulative and no exercise or enforcement by a party hereto of any right or remedy granted hereunder shall preclude the exercise or enforcement by them of any other right or remedy hereunder or which they are entitled by law to enforce.

11. **BENEFIT.**

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. In the event that for any reason we do not execute this Agreement, we shall be deemed a third party beneficiary of this Agreement and shall have the right to enforce this Agreement directly.

12. **EFFECTIVENESS.**

This Agreement shall be enforceable and effective when signed by COVENANTOR, regardless of whether and when we or you sign this Agreement.

13. **GOVERNING LAW.**

This Agreement and the relationship between the parties hereto shall be construed and governed in accordance with the internal laws of the State of Nevada, except that its choice of law rules shall not apply. COVENANTOR and you agree that they shall institute and that we may institute any action against any of the parties hereto in any state or federal court of general jurisdiction in the City of Las Vegas, Nevada or the state court of general jurisdiction or the Federal District Court nearest to our executive office at the time such action is filed. COVENANTOR and you irrevocably submit to the jurisdiction of such courts and waive any objections to either the jurisdiction or venue of such court.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement in multiple counterparts as of the day and year first above written.

**DEVELOPER:**

Print name of COVENANTOR

\_\_\_\_\_  
Print name

Signature of COVENANTOR

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISOR:**

**RDR, INC.**  
a Nevada corporation

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT F**  
**TO THE AREA DEVELOPMENT AGREEMENT**  
**BETWEEN RDR, INC.**

**AND \_\_\_\_\_**

**GUARANTY AND ASSUMPTION OF OBLIGATIONS**

In consideration of and as an inducement to the execution of the foregoing Area Development Agreement (the "Agreement") by RDR, INC., a Nevada corporation ("We", "Us" or "Our"), each of the undersigned hereby personally and unconditionally (1) guarantees to us and our successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that \_\_\_\_\_ ("You") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and (2) agrees to be personally bound by and personally liable for the breach of each and every provision in the Agreement.

Each of the undersigned waives:

- (1) acceptance and notice of acceptance by us of the foregoing undertakings;
- (2) notice of demand for payment of any indebtedness or of nonperformance of any obligations hereby guaranteed;
- (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
- (4) any right he, she or it may have to require that an action be brought against you or any other person as a condition of liability;
- (5) all right to payment or reimbursement from, or subrogation against, you which the undersigned may have arisen out of his or her guaranty of your obligations; and
- (6) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that:

- (1) his, her or its direct and immediate liability under this guaranty shall be joint and several;
- (2) he, she or it shall render any payment or performance required under the Agreement upon demand if you fail or refuse punctually to do so;
- (3) such liability shall not be contingent or conditioned upon pursuit by us of any remedies against you or any other person; and
- (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may from time to time grant to you or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims none of which shall in any way modify or amend this guaranty which shall be continuing and irrevocable during the term of the Agreement.

If we are required to enforce this Guaranty in a judicial or arbitration proceeding, and prevail in such proceeding, the undersigned shall reimburse us for our costs and expenses including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred during, prior to, in preparation for or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the undersigned shall reimburse us for any of the above-listed costs and expenses incurred by Us.

**IN WITNESS WHEREOF**, each of the undersigned has hereunto affixed his or her signature on the same day and year as the Agreement was executed.

**WITNESS**

\_\_\_\_\_  
Witness

**GUARANTOR(S)**

\_\_\_\_\_  
Name: \_\_\_\_\_

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Name: \_\_\_\_\_

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Name: \_\_\_\_\_

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Name: \_\_\_\_\_

**EXHIBIT G**  
**TO THE AREA DEVELOPMENT AGREEMENT**  
**BETWEEN RDR, INC.**

**AND** \_\_\_\_\_

**SITE SPECIFIC ADDENDUM**

**CALIFORNIA APPENDIX**

1. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement or Area Development Agreement contains provisions that are inconsistent with the law, the law will control.
2. The Franchise Agreement and Area Development Agreement provide for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 *et seq.*).
3. The Franchise Agreement and Area Development Representative Agreement contain covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.
4. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.
5. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a *et seq.*, suspending or expelling such persons from membership in such association or exchange.
6. The franchise agreement requires binding arbitration. The arbitration will occur in Nevada with the costs being borne by the franchisee and franchisor. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
7. The Franchise Agreement and Area Development Agreement require application of the laws of Nevada. This provision may not be enforceable under California law.
8. You must sign a general release if you renew or transfer your franchise. California Corporation 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).
9. 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.

10. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
11. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
12. OUR WEBSITE, [www.rachelskitchen.com](http://www.rachelskitchen.com), HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).
13. 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.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

ATTEST

RDR INC.

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

DEVELOPER:

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

**EXHIBIT G**  
**TO THE AREA DEVELOPMENT AGREEMENT**  
**BETWEEN RDR, INC.**

**AND** \_\_\_\_\_

**SITE SPECIFIC ADDENDUM**

**ILLINOIS APPENDIX**

1. Illinois law governs the Franchise Agreement(s).
2. In Conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
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.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

ATTEST

RDR INC.

\_\_\_\_\_  
Witness

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

DEVELOPER:

\_\_\_\_\_  
Witness

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

## STATE EFFECTIVE DATES

The following States require that the Franchise Disclosure Document be registered or filed with the State, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

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

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**

### **(RETURN ONE COPY TO US)**

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 RDR Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If RDR Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

The franchisor is RDR Inc., located at 9640 West Tropicana Ave. #117, Las Vegas, Nevada 89147. Its telephone number is (702) 629-6100.

Issuance date: April 12, 2024

The name, principal business address and telephone number of the franchise sellers for this offering are:

- Debbie Roxarzade, 9640 West Tropicana Ave. #117, Las Vegas, NV 89147, (702) 629-6100
- Paul Segreto, 6700 Woodlands Parkway, #230-262, The Woodlands, TX 77382
- Lance Graulich, 9533 Camino Capistrano Lane, Las Vegas, NV 89147 (702) 682-7173

RDR Inc. authorizes the agents listed in Exhibit A to receive service of process for it.

I have received a disclosure document dated April 12, 2024 that included the following Exhibits:

A – List of State Administrators/Agents for Service of Process	F – Financial Statements
B – Franchise Agreement	G – Table of Contents of Operations Manual
C – State Specific Addendum	H – Form of General Release
D – List of Franchisees	I – Area Development Agreement
E – List of Franchisees Who Have Left The System	

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

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

You may return the signed receipt either by signing, dating and mailing it to RDR Inc. at 9640 West Tropicana Ave. #117, Las Vegas, Nevada 89147, or by emailing a copy of the signed and dated receipt to [debbie@rachelskitchen.com](mailto:debbie@rachelskitchen.com).

## **RECEIPT**

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Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

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

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