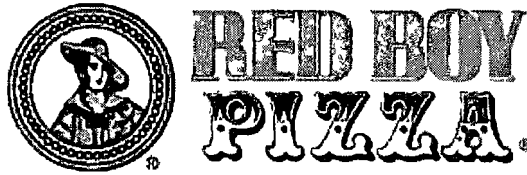


FRANCHISE DISCLOSURE DOCUMENT

Red Boy Pizza Franchising Corp
4308 Arden Place
Oakland, CA 94602
Tel (510) 336-3160
franchise@redboypizza.com
www.redboypizza.com

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DEPARTMENT OF
BUSINESS OVERSIGHT
SAN FRANCISCO



The franchise offered by Red Boy Pizza Franchising Corp is for the right to establish and operate a Red Boy Pizza Restaurant

The total initial investment required to commence operations of a Red Boy Pizza franchise is estimated to range from \$186,000 to \$273,000 for a take-out Red Boy Pizza and \$279,000 to \$413,000 for a sit-down Red Boy Pizza restaurant. This includes the initial franchise fee of \$15,000 and the pre-opening services fee of \$10,000. The initial franchise fee for any subsequent franchise purchased by an existing franchisee is \$10,000.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Note, however, that no governmental 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 James Radwan, at Red Boy Pizza Franchising Corp, 4308 Arden Place, Oakland, California, telephone number (510) 559-2727, email James@RedBoyPizza.com.

The terms of your contract will govern your franchise relationship. Do not 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, such as an attorney or accountant.

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

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

Issuance Date February 9, 2017

STATE COVER PAGE

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

Call the state administrators listed in Exhibit F for information about the franchisor, about other franchisors, or about franchising in your state.

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

Please consider the following RISK FACTORS before you buy this franchise.

- 1 THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN CALIFORNIA. OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN CALIFORNIA THAN IN YOUR HOME STATE.
- 2 THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THIS AGREEMENT AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAWS. YOU MAY WANT TO COMPARE THESE LAWS.
- 3 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

Effective Date _____

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A	Red Boy Pizza Franchise Agreement (<u>Exhibit "A"</u>)
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ITEM 1
THE FRANCHISOR, ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this Disclosure Document the words "Red Boy," "we," "our" and "us" refer to Red Boy Pizza Franchising Corp, the Franchisor "You" means the person or entity who buys the franchise To fully understand all your and our rights and obligations to each other, you must still carefully review the actual agreements that you will execute These will control if there is any dispute between us

The Business

Red Boy Pizza Franchising Corp 's principal business address is 4308 Arden Place, Oakland, California 94602

Red Boy has two affiliates One is JJR Investments Group, Inc , whose principal business address is also 4308 Arden Place, Oakland, California 94602 ("JJR") JJR does not offer any franchises or any products or services to franchisees, but it owns two Red Boy Pizza restaurants The other is Bordenave's Bakery, whose principal business address is 1512 Fourth Street, San Rafael, California 94901 ("Bordenave's") Bordenave's does not offer any franchises, but it is the required supplier of Red Boy Pizza dough products

Red Boy has no subsidiaries and is not a subsidiary of any entity The previous owners of Red Boy were Peter (now deceased) and Kathleen Forstner whose last known address is P O Box 1068, Woodacre, CA 94973

We do business under our corporate name Red Boy Pizza Franchising Corp and under "Red Boy Pizza®" Our agent for service of process is Mr Farid (Fred) Radwan, 4308 Arden Place, Oakland, CA 94602 Red Boy Pizza Franchising Corp is a California corporation incorporated on August 19 1987

There are currently seven Red Boy Pizza Restaurants that are open and operating as of the date of this Disclosure Document, five of which are owned and operated by franchisees, and two of which are owned and operated by our affiliate JJR

We grant franchises (each referred to in this Disclosure Document as a "Red Boy") which give you the right to establish and operate a Red Boy restaurant under the registered service mark "Red Boy Pizza®" and its registered logo, subject to compliance with our standards, specifications and operating procedures We are engaged in no other business

Franchised Red Boys are retail food restaurants which are authorized to offer and sell a variety of Red Boy pizzas and a limited number of other food products, all of which are made according to recipes or specifications furnished by us A Red Boy franchise can be either a sit-down restaurant or a take-out/delivery store depending on the level of investment you wish to undertake (see Item 7 of this Disclosure Document) A sit-down Red Boy features table service, a more extensive menu, and a larger restaurant space A take-out/delivery Red Boy is smaller and provides pizza pick-up and delivery, although there may be a few tables at the premises A franchise for the operation of a Red Boy at a single location is granted pursuant to the terms of our standard form Red Boy Franchise Agreement, a copy of which is found as Exhibit "A" to this Disclosure Document

The food products and services offered by a Red Boy appeal to the general public. Because of this, a Red Boy will compete with other providers of food products, including fast food chains, pizza chains, full-service restaurants, as well as independently-owned pizza establishments and those offering similar or related food products.

You must, in the establishment and operation of the restaurant, comply, at your sole expense, with all applicable statutes, ordinances, regulations, orders and other enactments or requirements of all governmental and regulatory bodies, including obtaining any licenses, permits or other entitlements required by any law or laws. The restaurant industry in California is governed, generally, by the California Health and Safety Code, the California Business and Professions Code, and the California Food and Agricultural Department.

In addition, local governments have ordinances and policies that regulate various aspects of the restaurant industry such as (1) zoning (for example, if a restaurant sells alcoholic beverages, the proximity of the restaurant to a school or church may affect your ability to open a restaurant in the location of your choice), or (2) inspection policies - the frequency and nature of the inspections vary greatly among local governments. As part of your assessment in deciding whether or not to purchase a Red Boy franchise, you are urged to contact the local governmental agencies in the area of your proposed Red Boy.

The current principals of Red Boy Pizza Franchising Corp. also own and operate Marin Baking LLC, doing business as Bordenave's Bakery in San Rafael, California. Other than the required purchase of pizza dough by the franchisees from Bordenave's Bakery, there is no affiliation between us and Bordenave's Bakery. The principals have owned Red Boy Pizza Franchise Corp. since August 2005.

The predecessors, Peter and Kathleen Forstner started their first Red Boy Pizza store on January 26, 1969, in San Francisco, California and guided their sole proprietorship into a company that operated six Red Boy Pizzas in California substantially similar to the franchises being offered in this Disclosure Document. They started this Franchise in August 1987 and continued ownership until it was sold to the current owner in August 2005. The Predecessor is not engaged in this or any other line of business as he is deceased.

This franchise business has operated for over 30 consecutive years. We were established in order to promote, market and franchise Red Boy Pizza® restaurants similar to those previously owned and operated by the Predecessor. We have not and do not offer franchises in any other kind of business.

ITEM 2 BUSINESS EXPERIENCE

The names of the officers, directors, and of the principal executives and other persons who have management responsibility in connection with the marketing and servicing of the franchised Red Boy's offered by this Disclosure Document are:

President, Chief Financial Officer and Director: Fred Radwan

Mr. Radwan has been the President, Chief Financial Officer, and a Director of Red Boy Pizza Franchising Corp. since he, along with his wife, purchased the stock of Red Boy Pizza Franchising Corp. in August of 2005. Mr. Radwan is part owner of Marin Baking, LLC which

was formed in June of 1997, and which does business under the name of Bordenave's Bakery, located in San Rafael, California

Vice President, Secretary and Director Antoinette Radwan

Mrs Radwan has been the Vice President, Secretary and a Director of Red Boy Pizza Franchising Corp since she, along with her husband, purchased the stock of Red Boy Pizza Franchising Corp in August of 2005

**ITEM 3
LITIGATION**

No litigation is required to be disclosed in this Item

**ITEM 4
BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item

**ITEM 5
INITIAL FEES**

As required by the California Department of Business Oversight, Red Boy has agreed to defer the collection of all initial fees in California until Red Boy has performed all of its pre-opening obligations to the Franchisee, and the Franchisee has commenced doing business. Therefore, you would instead pay the Initial Franchise Fee to Red Boy when your restaurant opens. However, you would still be required to enter into a Franchise Agreement in order to be granted a franchise. In the future, should this fee deferral requirement be lifted by the State of California, the collection of fees from you would occur as and when described in this Item 5.

Franchise Agreement

As of the date of filing of this Disclosure Document, the standard initial franchise fee is \$15,000 for the first franchise acquired by any franchisee and \$10,000 for each additional franchise acquired. The initial franchise fee, is payable in two payments. Fifty percent (50%) of the initial fee is payable upon the signing of the Franchise Agreement with the remaining fifty percent (50%) payable within thirty (30) days of signing the franchise agreement. The initial fee is nonrefundable under any circumstances.

In some cases, before entering into the Franchise Agreement, while financing or lease acquisition efforts are in progress, it may be possible for you to enter into a Reservation Deposit Agreement, a copy of which is attached as Exhibit "C" to this Disclosure Document, reserving an area or territory for a period (to be determined at that time) upon payment of a fee of \$5,000. The fee is payable upon the signing of the Reservation Deposit Agreement. The reservation period and size of the area or territory reserved will be specified prior to the signing of the Reservation Deposit Agreement. The reservation deposit fee is non-refundable under any circumstances. The full amount of this fee will be applied toward the initial franchise fee if a Franchise Agreement is signed.

When you begin your initial training session or when you sign the lease for the location of your Red Boy, whichever occurs first, you are required to pay a pre-opening services fee for

education and training services, advisory services in connection with site location advice and other services to be provided before the opening of your Red Boy. The pre-opening services fee is paid to us and we conduct and provide the initial training. The pre-opening services fee, as of the date of this Disclosure Document, is \$10,000 and is uniform for all franchisees. The pre-opening services fee is waived for you if you are an employee of a Red Boy and have been employed for at least 1 year at the level of cook or assistant manager, or have been a manager for at least 6 months. If you are unable to complete the training program to our satisfaction, we reserve the right to terminate the Franchise Agreement. If we terminate the Franchise Agreement on this basis, the entire pre-opening services fee will be refunded to you, but the initial Franchise Fee (as discussed above) is nonrefundable.

ITEM 6 OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty ^{[1][2][4]}	5% of gross revenues	On or before each Friday for preceding week's revenues	Gross revenues include all revenues less sales taxes. Royalties are computed and collected on a weekly basis. Preceding week begins on a Tuesday and ends on Monday.
Local Advertising	1% of gross revenues	As incurred	You must send a report to us on the 10th day of each fiscal quarter detailing your advertising expenditures. See Section 11. ^[2]
Network Marketing Fund ^{[1][2]}	1% of gross revenues	On or before each Friday for preceding week's revenue	See Section 11 for details.
Transfer ^{[1][2]}	\$2,500	30 days effective date of transfer	This fee is payable by the transferring franchisee.
Compliance with Company Promotions	Cost of discounts, plus cost of advertising promotions	As incurred	If you fail to increase Gross Revenue by two percent (2%) each year, we may require you to participate in all brand promotions. Otherwise, your participation is optional, except for participation in delivery guarantees.
Additional Training ^{[1][2]}	\$5,000	At the time of signing of the Franchise Agreement	This fee is payable in lieu of the pre-opening services fee and is payable by the buyer of an existing Red Boy for training and other initial assistance. See Section 11.
Audit ^{[1][2]}	Cost of audit plus expenses	30 days after billing	Payable only if audit shows an understatement of royalties of 5% or more.

Type of Fee	Amount	Due Date	Remarks
Interest ^{[1][2]}	10% <u>or</u> the maximum rate permitted by law	Upon remittance of amount due	Interest is payable on all late payments
Penalties ^{[1][2]}	\$150 - \$500	Upon failure to attend mandatory meetings	If you do not attend mandatory quarterly franchise meetings, we may fine you After five (5) missed meetings, we will terminate your right to operate

Notes

[1] These fees are imposed by and payable to us, and are nonrefundable

[2] You must pay fees due to us in the manner we designate, which may include electronic funds transfer from your bank account initiated by the Franchisor (ACH) or by some comparable electronic debit system

[3] Our fiscal year is November 1 to October 31

[4] This fee may vary and may not be uniform to all franchisees

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT (Take-out/Delivery Restaurant)

Type of Expenditure ^[1]	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Franchise Fee	\$15,000	Lump Sum or as Arranged See Item 10	Date Franchise Agreement Signed	Franchisor
Pre-opening Fee ^[2]	\$10,000	Lump Sum or as Arranged	Earlier of Date Lease Signed or Training Starts	Franchisor
Leaschold ^[3] Improvements	\$40,000 - \$70,000	As Arranged	When Construction Begins	Contractors/Others
Furniture and Equipment ^[4]	\$80,000 - \$105,000	As Arranged	Prior to Opening	Suppliers/Others
Initial Inventory	\$6,000 - \$9,000	As Arranged	Prior to Opening	Suppliers/Others

1st Month's Rent and Deposits ^[5]	\$2,000 - \$5 000	As Arranged	Upon Signing of Lease	Lessor
Advertising ^[6] for Grand Opening	\$1,000	As Incurred	Prior to Opening	Media/Other
Working Capital ^[7]	\$20,000 - \$30,000	As Incurred	As Incurred	Various
Computer System ^[8]	\$12,000 - \$28,000	Lump sum	50% on placement of order and 50% on delivery of goods	Suppliers
TOTAL	\$186,000 - \$273,000			

Notes

- [1] Type of Expenditure You are required to pay or provide financing for all costs and expenses of making leasehold improvements, acquiring and installing fixtures, furniture, equipment and initial inventory as well as working capital for rent and other recurring operating expenses. With the exception of the circumstances where the pre-opening services fee is refundable in part (discussed in Item 5 of this Disclosure Document) none of the other items of payment are refundable unless you make independent arrangements with sellers or suppliers. Some of the third party costs and expenses will vary due to the wide disparity of land and construction costs, interest rates, and other expenses, and are subject to change in response to general economic conditions. You should independently determine the cost of each item within the locale of the proposed Red Boy.
- [2] Pre-opening Fee The pre-opening services fee is waived for you if you are an employee of a Red Boy and have either been employed for at least 1 year at the level of cook or assistant manager, or have been a manager for at least 6 months.
- [3] Leasehold Improvements The cost of leasehold improvements will vary substantially depending on such factors as the size and age of the building, etc. You are required to make certain modifications and leasehold improvements to the premises. These modifications and leasehold improvements must be approved by us.
- [4] Furniture and Equipment Furniture and equipment costs will vary substantially depending on the size and age of the building, the type of furniture desired, and the equipment required.
- [5] 1st Month's Rent and Deposits These figures are based on a lease requiring a first month's rent and a security deposit, a rental range of \$2.00 to \$4.00 per square foot per month, and a premises size of approximately 500 to 1,000 square feet for a take-out Red Boy. The exact rental cannot be estimated with accuracy because it is dependent on factors such as location, size, condition of the premises, possible buyouts of existing tenants, taxes, utility charges, and other expenses directly related to the premises. No financing or improvement costs are included in the rent figures.

- [6] Advertising for Grand Opening The Franchise Agreement requires you to spend a minimum of \$1,000 on local advertising in connection with the grand opening of your Red Boy
- [7] Working Capital This category includes various ongoing operating expenses, such as insurance premiums and labor expenses. Accurate estimates of obtaining insurance are difficult because insurance costs vary greatly. Additionally, the amounts and types of insurance may be dictated by the terms of the lease of the premises. Some types of insurance which are now quite expensive (such as liquor liability) may become unavailable or unaffordable. You are urged to investigate the amounts and costs which may be required for permits, licenses and sales tax deposits or bonds. Revenues and costs can vary due to a number of factors including individual management and marketing skills, competitive pricing, aggregate demand, prevailing wages, location and other variables. Because a Red Boy requires a period of time to attain reasonable sales volume, working capital requirements will vary. The estimate does not include interest or other financing costs.
- [8] Computer System You will be required to purchase or lease computer hardware and software with the specifications we determine. We use a "point of sale" or POS system. Each Red Boy will have its own configuration, depending on whether it is a sit-down or take-out restaurant, and the size of the premises. The cost of the system typically ranges from \$12,000-\$28,000.

YOUR ESTIMATED INITIAL INVESTMENT
(Sit Down Restaurant)

Type of Expenditure ^[1]	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Franchise Fee	\$15,000	Lump Sum or as Arranged See Item 10	Date Franchise Agreement Signed	Franchisor
Pre-opening Fee ^[2]	\$10,000	Lump Sum or as Arranged	Earlier of Date Lease Signed or Training Starts	Franchisor
Leasehold ^[3] Improvements	\$100,000 - \$175,000	As Arranged	When Construction Begins	Contractors/Others
Furniture and Equipment ^[4]	\$100,000 - \$125,000	As Arranged	Prior to Opening	Suppliers/Others
Initial Inventory	\$7,000 - \$10,000	As Arranged	Prior to Opening	Suppliers/Others
1st Month's Rent and Deposits ^[5]	\$4,000 - \$9,000	As Arranged	Upon Signing of Lease	Lessor
Advertising ^[6] for Grand Opening	\$1,000	As Incurred	Prior to Opening	Media/Other

Working Capital ^[7]	\$30,000 - \$40,000	As Incurred	As Incurred	Various
Computer System ^[8]	\$12,000 - \$28,000	Lump sum	50% on placement of order and 50% on delivery of goods	Suppliers
TOTAL	\$279,000 - \$413,000			

Notes

- [1] Type of Expenditure You are required to pay or provide financing for all costs and expenses of making leasehold improvements, acquiring and installing fixtures, furniture, equipment and initial inventory as well as working capital for rent and other recurring operating expenses. With the exception of the circumstances where the pre-opening services fee is refundable in part (discussed in Item 5 of this Disclosure Document) none of the other items of payment are refundable unless you make independent arrangements with sellers or suppliers. Some of the third party costs and expenses will vary due to the wide disparity of land and construction costs, interest rates, and other expenses, and are subject to change in response to general economic conditions. You should independently determine the cost of each item within the locale of the proposed Red Boy.
- [2] Pre-opening Fee The pre-opening services fee is waived for you if you are an employee of a Red Boy and have either been employed for at least 1 year at the level of cook or assistant manager, or have been a manager for at least 6 months.
- [3] Leasehold Improvements The cost of leasehold improvements will vary substantially depending on such factors as the size and age of the building, etc. You are required to make certain modifications and leasehold improvements to the premises. These modifications and leasehold improvements must be approved by us.
- [4] Furniture and Equipment Furniture and equipment costs will vary substantially depending on the size and age of the building, the type of furniture desired, and the equipment required.
- [5] 1st Month's Rent and Deposits These figures are based on a lease requiring a first month's rent and a security deposit a rental range of \$2.00 to \$4.00 per square foot per month, and a premises size of approximately 1,200 square feet for a sit-down Red Boy. The exact rental cannot be estimated with accuracy because it is dependent on factors such as location, size, condition of the premises, possible buyouts of existing tenants, taxes, utility charges and other expenses directly related to the premises. No financing or improvement costs are included in the rent figures.
- [6] Advertising for Grand Opening The Franchise Agreement requires you to spend a minimum of \$1,000 on local advertising in connection with the grand opening of your Red Boy.
- [7] Working Capital This category includes various ongoing operating expenses, such as insurance premiums and labor expenses. Accurate estimates of obtaining insurance are difficult because insurance costs vary greatly. Additionally, the amounts and types of

insurance may be dictated by the terms of the lease of the premises. Some types of insurance which are now quite expensive (such as liquor liability) may become unavailable or unaffordable. You are urged to investigate the amounts and costs which may be required for permits, licenses and sales tax deposits or bonds. Revenues and costs can vary due to a number of factors including individual management and marketing skills, competitive pricing, aggregate demand, prevailing wages, location and other variables. Because a Red Boy requires a period of time to attain reasonable sales volume, working capital requirements will vary. The estimate does not include interest or other financing costs.

- [8] Computer System. You will be required to purchase or lease computer hardware and software with the specifications we determine. We use a "point of sale" or POS system. Each Red Boy will have its own configuration, depending on whether it is a sit-down or take-out restaurant, and the size of the premises. The cost of the system typically ranges from \$12,000-\$28,000.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Approval of Suppliers

As of the date of this Disclosure Document, you are not obligated by the terms of the Franchise Agreement or any other agreement, to purchase or lease from us any goods, services, supplies, fixtures, equipment, inventory or real estate relating to the establishment or operation of the franchise business, except those goods and services which are explicitly required to be purchased from us or our approved suppliers, as detailed below.

You must purchase or lease all fixtures, furniture, equipment, products, services and advertising, in accordance with our standards and specifications to insure uniformity of quality and appearance. You are required to lease the business premises (which have been approved by us), install improvements and maintain the premises, all according to our specifications.

Our specifications and requirements concerning the above are set forth in our Confidential Operating Manual, and any amendments to it. If there are any supplements, improvements or alterations to our business system after the date of this Disclosure Document, you may be required to add or eliminate products, services, processes or equipment.

You may purchase or lease items meeting our specifications from any approved supplier(s). A list of specifications and suppliers will be given to you in our Confidential Operating Manual or otherwise in writing. It is estimated that for sit-down restaurants, the cost of leasing a dishwasher, ice maker and soda dispenser will equal approximately \$300.00 per month. No leasing of this equipment is required in take-out locations. We may attempt to use volume purchasing power to enable you to purchase food and other items at prices lower than you could obtain individually. We have arranged for national chain prices from our primary suppliers and multi-unit prices from companies providing beverages, credit card processing, produce, linens and payroll.

As of the date of this Disclosure Document, you are required to purchase the following items from us or our approved suppliers: Pizza dough, cheeses, spices, all meat products, all canned products, all paper goods, all pasta products and all goods that directly pertain to the making of the products sold by a Red Boy.

In addition, you are required to purchase the following products that must meet our specifications all alcoholic or non-alcoholic products, vegetables, stationary, utensils, and car signs

Approved suppliers are those who demonstrate, to our continuing reasonable satisfaction (i) the ability to meet standards and specifications established by us for nonproprietary items, (ii) the presence of adequate quality controls, and (iii) the ability to supply needs promptly and reliably

Approved products and services are those that, in our sole discretion, are appropriate and consistent with the image, appearance and quality associated with our trade and service marks as well as customer perception and acceptance

If you want to use a supplier or sell products or services not previously approved by us, you must first submit a written request for approval, which will not be unreasonably withheld by us. As a condition of approval, we may require inspection or testing, at our expense, of requested suppliers, products or services. We will advise you of our approval or disapproval within a reasonable time after receiving the request and conducting an evaluation. We may revoke our approval of any supplier, product or service which fails to meet or maintain the standards and specifications established by us.

The Franchisor or the Affiliate may receive rebates or other revenue or consideration from designated and approved suppliers or distributors as a result of purchasing arrangements. In the 2016 fiscal year, the rebates received totaled approximately \$15,762.77.

We will negotiate purchase arrangements with a supplier or suppliers to prepare and sell proprietary menu items and other products to the franchised and company-owned Red Boy Restaurants. We also negotiate prices on various items for the benefit of all Red Boy Restaurants. The Franchisor tries to get favorable pricing terms from its vendors, but cannot promise that the pricing vendors agree to extend will be the lowest possible pricing. Also, vendor pricing and rebate programs can be changed or discontinued by vendors in the future.

Franchisees do not receive any material benefit or inducement from the Franchisor or its Affiliate for using designated or approved suppliers.

Owners and officers of Red Boy may have minority ownership interests in a variety of publicly traded companies. Some of these publicly traded companies or their affiliates could be approved or designated suppliers to Red Boy franchises. Other than this type of minority ownership, no officer or owner of Red Boy has any ownership interest in any of your suppliers.

Advertising

You may not use any advertising material for local advertising unless we have expressly approved it in writing before publication or use, and it complies with our requirements concerning format, content and media.

Records

All of your bookkeeping and accounting records, financial statements, and all reports you submit to us must conform to our requirements and GAAP.

Computer Equipment

You will be required to purchase or lease computer hardware and software with the specifications we determine. We use a "point of sale" or POS system. Each Red Boy will have its own configuration, depending on whether it is a sit-down or take-out restaurant, and the size of the premises. Some Red Boy's may require only 2 stations, but some may require 4. Attached hereto as Exhibit "G" and incorporated herein, is a sample of the type of system we require for a 4-station Red Boy. We have and will continue as best we can to negotiate discounts from the supplier for your computer system and equipment. The cost savings is given directly to you, and we derive no benefit, monetarily or otherwise, from the supplier. The cost for the POS system ranges from \$12,000-\$28,000, based again on the type and size of Red Boy you own and operate. While leasing the system and equipment may be an option, we have found through our experience that the cost is ultimately higher than purchasing it so we do not recommend it. Should you desire to lease the system and equipment, you are solely responsible for qualifying to lease with any supplier.

Training by the supplier is included as part of the purchase price of the system, as well as on-going technical support for a designated period of time. Additional support will be provided by us if necessary, but we are under no obligation to do so.

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. For purposes of this table, the sections referred to are those in the franchise agreement unless otherwise noted.

Obligation	Section in Agreement	Disclosure Document Item
a Site selection and acquisition/lease	Section 3 of Franchise Agreement	Items 6, 8 and 11
b Pre-opening purchases/leases	Section 3 of Franchise Agreement	Item 5
c Site development and other pre-opening requirements	Section 3 of Franchise Agreement	Items 6, 8, and 11
d Initial and ongoing training	Section 3 of Franchise Agreement	Item 11
e Opening	Section 3 of Franchise Agreement	Item 11
f Fees	Section 5 of Franchise Agreement	Items 5, 6, and 7
g Compliance with the Manuals	Section 3 of Franchise Agreement	Item 11
h Trademarks and proprietary information	Section 3 of Franchise Agreement	Item 13

	Obligation	Section in Agreement	Disclosure Document Item
I	Restrictions on products/services offered	Section 3 of Franchise Agreement	Items 8 and 16
J	Warranty and customer service requirements	Section 3 of Franchise Agreement	Item 11
k	Territorial development and sales quotas	None	None
l	Ongoing product/ service purchases	Section 3 of Franchise Agreement	Items 8 and 16
m	Maintenance, appearance, and remodeling requirements	Section 3 of Franchise Agreement	Item 11
n	Insurance	Section 3 of Franchise Agreement	Item 7
o	Advertising	Section 3 of Franchise Agreement	Items 6, 7, and 11
p	Indemnification	Section 3 of Franchise Agreement	None
q	Owner's participation/ management/staffing	Section 4 of Franchise Agreement	Item 11
r	Records and reports	Section 3 of Franchise Agreement	Item 8
s	Inspections/audits	Section 3 of Franchise Agreement	Items 6 and 11
t	Transfer	Section 6 of Franchise Agreement	Item 17
u	Renewal	Section 2 of Franchise Agreement	Item 17
v	Post-termination obligations	Section 5 of Franchise Agreement	Item 17
w	Non-competition covenants	Section 3 of Franchise Agreement	Item 17
x	Dispute resolution	Section 7 of Franchise Agreement	Item 17
y	Other (describe)	Not applicable	

ITEM 10 FINANCING

The Franchisor does not offer direct or indirect financing. The Franchisor does not guarantee your note, lease or obligation.

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

Except as listed below, Red Boy is not required to provide you with any assistance

Pre-opening Obligations

We will meet the following obligations prior to the opening of your Red Boy. References below refer to the Franchise Agreement section detailing the obligation.

- 1 **Site Selection Advice** We will advise and consult with you in selecting an appropriate location [§ 4.1(a)]. The franchise for a Red Boy is for a specific location [§ 2.1(a)]. You are responsible for selecting the location within an area that has been designated by us. No site proposed may be developed unless approved by us. We approve sites on the basis of a variety of factors including (i) density of population, (ii) population characteristics, (iii) traffic patterns, (iv) cost of space, (v) cost of construction of leasehold improvements, (vi) availability of parking and other access factors. A location must be selected and a lease signed within 6 months of the date of signing the Franchise Agreement [§ 3.8]. Improvements are to be completed, equipment installed and business operations commenced within 12 months of the date of signing the Franchise Agreement [§ 3.10]. This 12-month period represents the typical length of time between the signing of the Franchise Agreement and the opening of a franchised Red Boy. Factors affecting this length of time in each individual case will include the availability of suitable premises, compliance with local zoning, state and local permit and other license requirements, time for delivery and installation of equipment, fixtures and inventory, and completion of improvements in accordance with our design, layout and decor specifications.
- 2 **Premises Specification** We will provide a nonstructural floor plan for the planning, designing and construction of improvements for the Red Boy [§ 4.1(a)].

Post-Opening Obligations

We will meet the following obligations after opening and during operation of your Red Boy. References below refer to the section of the Franchise Agreement detailing the obligation.

- 1 **On-Site Start Up Assistance** For a continuous period of up to one week we will assist you at your Red Boy to aid you in learning operations, in the hiring of personnel and to assist in establishing standard operating procedures [§ 4.2(a)].
- 2 **Field Visits** After you open your Red Boy, we will provide periodic visits by a field representative to provide consultation, advice and information concerning the operation and growth of your business [§ 4.2(b)].
- 3 **Management Training** We will provide seminars for updates on new management techniques and other topics of interest to you and your managers. Although there will be no separate charge for these seminars, it will be your responsibility to pay all travel, living and wage expenses incurred by you or your manager(s) while attending the

seminars (which will be held in Northern California) Attendance at the seminars is mandatory Missed quarterly meetings carry the following penalties

- 1st missed meeting \$150
(less than 48 hours notice to Red Boy Pizza)
- 2nd missed meeting \$150
- 3rd missed meeting \$200
- 4th missed meeting \$300
- 5th missed meeting Material default and \$500

[§ 3 10(h)]

4 Consultation We provide continuing support to you through the availability of representatives at our corporate office for personal, written or telephone discussion concerning questions which may arise in the day-to-day operation of your Red Boy
[§ 4 2(d)]

5 Updates We will disseminate periodic supplements and amendments to our Confidential Operations Manual as well as bulletins and other information of a general interest to you
[§ 4 2(e)]

We do not provide additional supervision, assistance or services either prior to the opening or during the operation of a Red Boy, other than as specified above and contained explicitly in the Franchise Agreement

Advertising Fund

The Franchise Agreement requires that all advertising and promotions in any form and in any medium shall be conducted in a dignified manner and shall conform to such standards and requirements as we may, from time to time, designate in writing

You must submit to us for our prior written approval samples of all advertising and promotional plans and materials that you desire to use and that have not been prepared or previously approved by us If you do not receive approval in writing from us, we shall be deemed to have disapproved

We provide assistance with local advertising and promotion of the restaurants for the benefit of all the Red Boy's, paid for by us Some of the work is performed by a marketing company with whom we contract From time to time, we run promotions or special marketing efforts If you participate in those promotions or marketing efforts, we will require you to purchase pre-approved flyers and/or posters for your individual store

Local Advertising

You are required to spend 1% of the fiscal quarter's gross revenue in local advertising and promotion Advertising may be disseminated in print, radio or television With respect to local advertising requirements, you must submit a report detailing advertising and promotional activities for the previous quarter

In addition to the amounts specified above, you must spend \$1,000 on advertising and promotional activities related to your Red Boy Restaurant concurrently with the opening of the Restaurant and

furnish the Franchisor with evidence of the expenditures within 45 days of the grand opening of your Red Boy Restaurant (Franchise Agreement - Section 3 4(c))

All of your advertising must be completely factual and must conform to the highest standards of ethical advertising. You must refrain from any business or advertising practice that may damage the system or the goodwill associated with the Marks. All advertising and promotions by you in any form and in any medium shall be conducted in a dignified manner and must conform to such standards and requirements as the Franchisor may designate in writing. You must submit to the Franchisor (by mail, return receipt requested, or email), for prior written approval, samples of all advertising and promotional plans and materials that you desire to use and that have not been prepared or previously approved by the Franchisor. If written approval is not received by you, the Franchisor will be deemed not to have given the required approval (Franchise Agreement – Section 3(d))

Network Marketing Fund

We utilize the marketing fund payments discussed in Item 6 of this Disclosure Document to direct, supervise and develop local, regional and national advertising and marketing programs [§ 4 2(f)] We prepare an accounting of the operation of the fund annually, which is available to you upon your written request [§ 3 4(a)]

Computer Equipment

As described in Item 8 above, we will require you to purchase or lease a computer system and equipment in accordance with our specifications, and substantially in conformance with Exhibit "G" Depending on the size and type of the Red Boy you own and operate, your cost for purchasing a system is estimated to be \$12,000-\$28,000. At the time of this Disclosure Document, the supplier offers training and free technical support for 12 months from the date the system is shipped. You are responsible for contracting for on-going support services after the expiration of this 12-month period should you desire. It is estimated that on-going technical support will cost approximately \$1,000 per year thereafter. We will provide additional support when necessary to the best of our ability but we are in no way obligated to maintain, repair, update or upgrade your system. Because the implementation of this system is new to us, and with the constant advances in technology, we do not know, nor can we predict, whether upgrades will be required during the term of your franchise, or the cost thereof. We reserve the right to require upgrades should the need arise. You will be notified in advance of any such required upgrades and the estimated cost thereof.

Your computer system is unique to your Red Boy and we will not have independent access to any information generated or stored on your system. Because we are trying to provide uniformity throughout the Red Boy system, we may from time to time connect with your particular system. You will be provided advance written notice of when this would occur and what we would have access to on your system. At this time, we will receive from you only those reports that you are required to provide to us under the Franchise Agreement or the Confidential Operating Manual.

Confidential Operating Manual

Before signing the Franchise Agreement, you will have an opportunity to view our Confidential Operating Manual (the "Manual") in our presence. Following successful completion of the formal training program, we will loan to you a single copy of our Manual, containing, among other things, specifications, instructions and requirements concerning authorized products, services, standards and operating procedures [§ 4 1(d)]. This Manual will at all times remain our property and we may

modify the Manual from time to time to reflect changes in our business system or concept. You are required to treat the Manual and the information contained in it as confidential. You are also required to keep your copy of the Manual current and to comply with new or changed provisions. The master copy of the Manual maintained by us at our principal office shall be controlling in the event of a dispute relative to the contents of the Manual [§ 3 10(a)]

Training

1 Formal Training We will provide for you, and one additional person, a formal training program, to be held at one of the other Red Boy locations in Northern California. The training period will last for up to one week depending on your background and previous work experience [§ 4 1(b)]. This formal training is mandatory and you are required to satisfactorily complete the training prior to the opening date of the Red Boy. If you fail to demonstrate to our satisfaction an aptitude or ability to comprehend and carry out the course of study, methods and procedures being taught, we will have the right to terminate the Franchise Agreement and refund the pre-opening services fee. Determination of whether or not you satisfactorily complete the formal training program rests solely with us [§ 3 1(b)]. Costs of travel to Red Boy locations, food, lodging, and in-town transportation expenses incurred during the training program will be your responsibility. The training program will be conducted so that it will be completed approximately one month prior to the intended opening of the Red Boy. The objective of the formal training program is to familiarize you with all facets of Red Boy operations. You will receive comprehensive instruction covering matters discussed in our Confidential Operation Manual. Instruction materials and procedures will include small, highly intensified, group training sessions, lectures, quizzes and feedback. We will provide you with copies of reporting and other standard forms as detailed in the manual [§ 4 1(e)]. We do not presently maintain full-time formal training staff but utilize the services and expertise of our personnel who have primary responsibility for sales, marketing, administrative and other functions. (See Item 20 of this Disclosure Document.)

2 Employee Training We will train up to 10 employees (or 6 employees in the case of a take-out Red Boy) for a period of up to one week at an existing Red Boy [§ 4 1(c)]. This employee training is required to be completed prior to the opening of your Red Boy [§ 3 10(f)]. (See also Item 20 of this Disclosure Document.)

The subjects covered in the initial training program are described below.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of on the Job Training	Location
Menus, delivery systems, orders	2.5	6.0	Training as needed, To be held at other Red Boy location
Personnel management, operation of equipment, financial operation, accounting	4.5	2.0	Training as needed, To be held at other Red Boy location

Subject	Hours of Classroom Training	Hours of on the Job Training	Location
Product preparation, sanitation	2 0	4 0	Training as needed, To be held at other Red Boy location
Pizza preparation, oven maintenance	1 0	6 5	Training as needed, To be held at other Red Boy location
Opening and closing store	1 0	5 0	Training as needed, To be held at other Red Boy location
Ordering supplies	3 0	5 0	Training as needed, To be held at other Red Boy location
Employee management	5 0	2 0	Training as needed, To be held at other Red Boy location
Other food preparation	1 5	5 0	Training as needed, To be held at other Red Boy location
Totals	20 5	35 5	

ITEM 12 TERRITORY

Franchise Agreement

You are given an area, usually defined in terms of a stated radius around a specific point, a given state, county or other political subdivision, or by street boundaries, within which to locate a Red Boy. The exact location of the Red Boy within this area is determined and selected by you. No site proposed by you may be developed as a Red Boy unless it is approved by us. You are usually given a protected area (referred to in the Franchise Agreement as a "Designated Area") which is defined as either a quarter-mile, half mile, or one mile radius around the designated Red Boy location. The area within which to locate your Red Boy and your "Designated Area" are described and attached as "Exhibit 1" to the Franchise Agreement. In densely populated areas, which we define in our sole discretion, we do not grant protected areas. Therefore, you have no territorial rights and are not protected from further franchise grants by us to other Red Boy franchisees in these areas.

Area Development Agreement

You are granted the exclusive right to operate a Red Boy at a single specific location. Any relocation of your Red Boy would require our prior approval. Our approval of your proposed location or any relocation will be based on a variety of factors such as (i) population of the area, (ii) population characteristics, (iii) traffic patterns, (iv) cost of space and construction, (v) availability of parking and other access factors, and (vi) viability of the Red Boy in the current location. The Franchise Agreement provides that, during the term of your franchise, but subject to the conditions described here and in the Franchise Agreement, we will not operate, or license others to operate, a Red Boy anywhere within your Designated Area.

Loss of Rights

1. If an event occurs which would entitle us to terminate the Franchise Agreement (see Item 17 of this Disclosure Document), then, whether or not we exercise that right of termination, we would be entitled to grant a franchise for another Red Boy within your Designated Area. This will not affect your other rights under the Franchise Agreement.
2. If a shopping center or strip mall is constructed within your Designated Area, or the demographics within your Designated Area changes such that we reasonably determine that the area surrounding your Red Boy can support an additional Red Boy(s), we may redefine the Designated Area. This may result in additional Red Boys being located in the vicinity of your Red Boy. If this happens, and you have the existing Red Boy nearest to the proposed Red Boy, you will be given a right of first refusal for any new Red Boy that may be offered for that location. However (a) you must have demonstrated to our reasonable satisfaction that you are able to successfully operate a Red Boy, (b) you have a qualified manager or managers who are acceptable to us, to operate the new Red Boy location(s), and (c) you are not permitted to own an interest in or operate more than three Red Boy restaurants at any one time. Disputes regarding redefinition of the Designated Area are subject to binding arbitration.

No Other Prohibitions or Restrictions

Other than as described above, there are no other conditions for the maintenance of territorial rights or other circumstances or contingencies under which we may modify territorial rights granted to you. You and other franchisees are not restricted in any manner from soliciting retail sales or accepting orders or delivering to customers within or outside the Designated Area described in Exhibit 1 to the Franchise Agreement.

Similar Businesses

We do not presently franchise the operation of, nor have any presently formulated plans or policies to franchise the operation of, any business selling goods or services under trade names or trademarks different from those to be granted to you within your Designated Area and similar to or competitive with those to be offered by you at your Red Boy.

ITEM 13 TRADEMARKS

You are licensed to use during the term of the Franchise Agreement in the operation of your Red Boy, the proprietary service marks "Red Boy Pizza®" and the design as reproduced on the cover page of this Disclosure Document, and such other tradenames, service marks, trademarks, logos and other signs or symbols as we may designate as part of our business system (the "marks" or "mark")

The following marks are registered on the Principal Register with the United States Patent and Trademark Office

Service Marks	Registration Date	Registration Number
Red Boy Pizza®	February 17, 1998	2,137,172
Logo – circle with boy inside	October 5, 2010	3,856,181

Other than as listed above, there are no currently effective determinations of the patent office or the Trademark Administrator of this state, or of any court, nor any pending interference, opposition or cancellation proceeding or material litigation involving the above marks which may be relevant to its use in this state or in any other state

Our right to use, and license others to use, the above marks were derived from a license agreement between us and Red Boy Pizza, Inc (a former affiliate) The rights to the marks have since been assigned to us We will take all steps reasonably necessary to preserve and protect the use, ownership and validity of the marks as if the marks were originally registered by us

Our license of the above marks to a franchisee is limited to the operation of a single Red Boy pursuant to the Franchise Agreement and all applicable standards, specifications and operating procedures pursuant to the Franchise Agreement, and all applicable standards, specifications, and operating procedures prescribed by us in our Confidential Operating Manual from time to time during the term of the franchise All use of the marks by you, including any goodwill established by its use, shall be to our exclusive benefit We do not allow you to use the proprietary marks as part of your corporate or other legal name

There are no potentially infringing uses actually known to us that could materially affect your use of the marks in this state or elsewhere in the United States The Franchise Agreement requires you to notify us in the event you are aware of any unauthorized use of the marks or a colorable imitation of the marks, or if litigation involving the marks is instituted or threatened against you and you are required to cooperate fully with us in this regard

The Franchise Agreement requires that we take all steps reasonably necessary to preserve and protect the ownership and validity of the marks However, we are not specifically obligated by the Franchise Agreement otherwise to protect any rights granted to you to use the mark, or to protect you against any claim of infringement or unfair competition Nonetheless, it is in our best interest, and we intend to protect any and all rights which we and you have to use the marks We will have the right to control any litigation or administrative proceeding involving the marks If it becomes advisable at any time, in our sole discretion, for you to modify, substitute or discontinue use of any marks, you are obligated to comply within a reasonable period of time

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights

We do not own any rights in or to any issued patents which are material to the Red Boy franchise. We assert trade secret and unpublished copyright protection for our Confidential Operating Manual. We do not, as of the date of this Disclosure Document, have any copyrights pending, or registered with the Copyrights Office (Library of Congress).

Trade Secrets

The Franchise Agreement describes certain proprietary and trade secret know-how developed by us (and referred to as the "Red Boy System" or "System") which is licensed to you. Pursuant to the Franchise Agreement you (i) will not acquire any interest in the Red Boy System, other than the right to utilize it in the operation of a franchised Red Boy Pizza® restaurant during the term of the franchise, (ii) will agree not to use the System in any business or capacity other than the development and operation of a Red Boy, (iii) will agree to treat the Confidential Operating Manual, including supplements, amendments or addenda to it, as trade secrets, (iv) will agree not to make any unauthorized copies of any Manual or any other information supplied and designated by us as confidential, and (v) will agree to maintain the confidentiality of the Red Boy System during, and after the term of the franchise. There are no infringing uses known to us which would materially affect your use of any proprietary materials.

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

Unless you make other arrangements with us, we require direct, on-premises participation by you in your Red Boy during the first full year of operations. After that year, you may devote no less than 60% of full working time to the Red Boy, provided that you employ one or more competent managers who devote to your Red Boy at least the amount of working time you do not devote to it. If you own more than one Red Boy location, you may aggregate your 60% of full working time among your multiple restaurants, provided that you employ enough competent, trained managers to ensure full working time by such a manager at each location.

Any manager(s) must be approved by us and will be required to complete our customary employee training program (as outlined in our Confidential Operations Manual) to our reasonable satisfaction. As of the date of this Disclosure Document, there is no requirement that any of your managers have an equity or ownership interest in your Red Boy.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

The Franchise Agreement requires you to offer and sell only those food, beverage and other products that are approved by us in writing. This requirement applies under all conditions and is not conditioned on meeting defined sales efforts or results. We have the right to change the type of authorized goods and services, and there are no limits on our right to make changes.

You are also required to provide all food and beverage products which we authorize or require to be provided as part of the Red Boy System, and you are required to discontinue offering or selling any food or beverage product or service that we disapprove of from time to time. This requirement applies under all conditions and is not based on your meeting defined sales efforts or results.

You will be required to comply with our system-wide guarantees for delivery times and, absent good cause, you will not be permitted to disclaim these guarantees.

There are no restrictions or conditions imposed by us, either by the Franchise Agreement, or other agreement, or any device or practice, regarding the customers to whom you may sell goods or services.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

	PROVISION	SECTION IN AGREEMENT	SUMMARY
a	Length of the Franchise term	2	10 years
b	Renewal or extension of the term	2	Can be renewed for a term of 10 years (See Note 1)
c	Requirements for you to renew or extend	2	Notice, compliance with Franchise Agreement, execute new Franchise Agreement and Release, provide copies of lease, etc (See Note 1)
d	Termination by you	5	If we are in default of any agreement (See Note 1 and 11)
e	Termination by the Franchisor without cause	None	(See Note 1 and 11)
f	Termination by the Franchisor with cause	5	Abandonment, insolvency, judgments, incurred or repeated defaults, etc (See Note 1 and 11)
g	"Cause" - defined defaults which can be cured	5	Breach of Franchise Agreement, etc (See Note 1 and 11)
h	"Cause" - defined defaults which cannot be cured	5	Repeated defaults, abandonment, insolvency, etc (See Note 1 and 11)
i	Your obligations on termination or nonrenewal	5	Cancel assumed name, pay all creditors, return manuals, etc (See Note 1 and 11)

	PROVISION	SECTION IN AGREEMENT	SUMMARY
j	Assignment of contract by the Franchisor	6	No restrictions on right to assign
k	"Transfer" by you – definition	6	Includes transfer of interest in Franchise Agreement, the store, or all or any part of your ownership, i e , voting stock, securities, etc
l	The Franchisor's approval of transfer by you	6	We must approve all transfers except to a franchisee entity
m	Conditions for the Franchisor's approval of transfer	6	Transferee must meet qualifications, have no uncured defaults, transfer fee paid, etc
n	The Franchisor's right of first refusal to acquire your business	6	We have the right to match any offer within 30 days after receipt of copy of offer, etc
o	The Franchisor's option to purchase your business	5	Upon termination or expiration, we can purchase certain assets (See Note i and ii)
p	Your death or disability	6	Your interest must be transferred within 6 months
q	Non-competition covenants during the term of the franchise	3	You may not operate, directly or indirectly, any competing business during the term
r	Non-competition covenants after the franchise is terminated or expires	5	For 1 year, you will not compete within a 2-mile radius of your former Red Boy location (See Note iii)
s	Modification of the Franchise Agreement	7	In writing and executed by both parties
t	Integration/merger clauses	None	
u	Dispute resolution by arbitration or mediation	7	Arbitration of all disputes (See Note iv)
v	Choice of forum	7	California (See Note v)
w	Choice of law	7	California (See Note v)

Notes

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

- ii The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
- iii The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- iv The franchise agreement requires binding arbitration. The arbitration will occur in the County of Alameda in accordance with the Commercial Arbitration Rules, as then in effect, of the American Arbitration Association, with costs being born by the non-prevailing party. The prevailing party shall be entitled to recover its costs and expenses, including reasonable accounting and legal fees. 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.
- v The franchise agreement requires application of the laws of the State of California. This provision may not be enforceable under California law.

ITEM 18 PUBLIC FIGURES

There is no compensation or other benefit promised or given to any public figure arising from the use of a public figure in the name or symbol of the franchised business, or for the endorsement or recommendation of the franchise by a public figure in advertisements to prospective franchisees. There are no public figures involved in our actual management or control.

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.

The average gross revenue of our affiliate JJR Investments Group Inc.'s two Red Boy Pizza restaurants was \$808,000 (rounded to the nearest thousand) in 2016 (One location was only company owned for 8.5 months) (\$905,000 including 12 months of sales from sold store). One restaurant exceeded this average and the other was below it. This average is only for our company-owned outlets and does not include the revenues of any of the five franchised units in our system (six as of 8/2016). Both of our company-owned restaurants are sit-down restaurants that have been open and operating more than four years and both are located in Oakland, California (One as of 8/2016).

The average gross revenue of our five (5) franchisee-owned Red Boy Pizza restaurants was \$789,000 (rounded to the nearest thousand) in 2016. One of the five restaurants met or exceeded this average. This location is a sit-down restaurant that has been open and operating more than four years and has increased seating capacity by ~50%.

Your results may vary substantially from these revenue figures. Factors include your location, advertising, the economy, your experience as a restaurateur, and many other factors. There is no assurance you will do as well as these figures. If you rely upon our figures, you must accept the risk that you will not do as well.

ITEM 20 SYSTEM OUTLET SUMMARY

**Table No. 1
For Years 2014 to 2016**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2014	5	6	1
	2015	6	5	-1
	2016	5	6	1
Company- Owned	2014	2	2	0
	2015	2	2	0
	2016	2	1	-1
Totals	2014	7	8	1
	2015	8	7	-1
	2016	7	7	0

**Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2014 to 2016**

State	Year	Number of Transfers
California	2014	1
	2015	0
	2016	1
Totals	2014	1
	2015	0
	2016	1

**Table No. 3
Status of Franchised Outlets
For Years 2014 to 2016**

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
CA	2014	5	1	0	0	0	0	6
	2015	6	0	0	0	0	1	5
	2016	5	1	0	0	0	0	6
Totals	2014	5	1	0	0	0	0	6
	2015	6	0	0	0	0	1	5
	2016	5	1	0	0	0	0	6

A list of all active franchised outlets as of October 31, 2016, is attached to the Disclosure Document as Exhibit H-1. As of October 31, 2016, one franchised unit was transferred, not renewed, reacquired, or otherwise left the system or has failed to communicate with the franchisor during the 10 week period prior to the filing of the application date. A list of all franchisees who have left the system as of October 31, 2016 is attached as Exhibit H-3.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

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

Table No. 4
Status of Company-Owned Outlets
For Years 2014 to 2016

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
California	2014	2	0	0	0	0	2
	2015	2	0	0	0	0	2
	2016	2	0	0	0	1	1
Totals	2014	2	0	0	0	0	2
	2015	2	0	0	0	0	2
	2016	2	0	0	0	1	1

The stores in the above table are owned and operated by the Affiliate.

Note: The addresses and telephone numbers of the company-owned outlets listed above are in Exhibit H-2.

Table No. 5
Projected Openings As of October 31, 2017

State	Franchise Agreements Signed But Outlet Not Opened as of October 31, 2016	Projected New Franchised Outlet in the Next Fiscal Year (2017)	Projected New Company-Owned Outlet in the Next Fiscal Year (2017)
2014 California	0	1	0
2015 California	0	1	0
2016 California	0	0	0

ITEM 21 FINANCIAL STATEMENTS

The financial statements listed below are attached to this Item in the following order as Exhibit "B":

- 1 Audited balance sheet of the Red Boy Pizza Franchising Corp as of October 31, 2016 and related statements of operations, shareholders equity and cash flows for the year then ended
- 2 Audited balance sheet of the Red Boy Pizza Franchising Corp as of October 31, 2015 and related statements operations, shareholders equity and cash flows for the year then ended
- 3 Audited balance sheet of the Red Boy Pizza Franchising Corp as of October 31, 2014 and related statements of operations, shareholders equity and cash flows for the years then ended

**ITEM 22
CONTRACTS**

Attached to this Disclosure Document is one copy each of the Franchise Agreement (Exhibit "A"), the Reservation Deposit Agreement (Exhibit "C"), and the Guaranty and Assumption of Franchisee's Obligations (Exhibit "E")

**ITEM 23
RECEIPT**

Two copies of an acknowledgment of your receipt of this Disclosure Document appear as Exhibit I. Please sign and date one copy and return it to us. Retain the other copy for your records.

CALIFORNIA APPENDIX

TO RED BOY PIZZA FRANCHISING CORP 'S DISCLOSURE DOCUMENT

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

CALIFORNIA BUSINESS AND PROFESSIONS CODE SECTION 20000 THROUGH 20043 PROVIDE RIGHTS TO THE FRANCHISEE CONCERNING TERMINATION OR NONRENEWAL OF A FRANCHISE IF THE FRANCHISE AGREEMENT CONTAINS A PROVISION THAT IS INCONSISTENT WITH THE LAW, THE LAW WILL CONTROL

THE FRANCHISE AGREEMENT PROVIDES FOR TERMINATION UPON BANKRUPTCY THIS PROVISION MAY NOT BE ENFORCEABLE UNDER FEDERAL BANKRUPTCY LAW (11 USCA SEC 101 ET SEQ)

THE FRANCHISE AGREEMENT CONTAINS A COVENANT NOT TO COMPETE THAT EXTENDS BEYOND THE TERMINATION OF THE FRANCHISE THIS PROVISION MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW

NEITHER THE FRANCHISOR NOR ANY PERSON DESCRIBED IN ITEM 2 OF THE DISCLOSURE DOCUMENT IS SUBJECT TO ANY CURRENTLY EFFECTIVE ORDER OF ANY NATIONAL SECURITIES EXCHANGE AS DEFINED IN THE SECURITIES EXCHANGE ACT OF 1934 15 USCA 78a ET SEQ, SUSPENDING OR EXPELLING SUCH PERSONS FROM MEMBERSHIP IN SUCH ASSOCIATION OR EXCHANGE

OUR URL IS [www redboypizza com](http://www.redboypizza.com) OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT [www dbo ca gov](http://www.dbo.ca.gov)

EXHIBIT A
FRANCHISE AGREEMENT

RED BOY PIZZA FRANCHISING CORP
Red Boy Pizza Franchise Agreement

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RED BOY PIZZA FRANCHISING CORP.
Red Boy Pizza Franchise Agreement

THIS AGREEMENT between Red Boy Pizza Franchising Corp , hereinafter referred to as "Red Boy", and _____, hereinafter referred to as "Franchisee", is made on the basis of the following understandings and recitals and in consideration of the following promises, and the parties hereto, intending to be legally bound, agree as follows

ARTICLE 1

RECITALS

1 1 The Red Boy Business System As the result of the expenditure of time, effort and money in research and development, Red Boy has developed and has the right to license a method and system (hereinafter referred to as the "Red Boy System" or "System") for the development and operation of a retail food establishment (hereinafter referred to as a "Red Boy Restaurant" or "Restaurant") offering pizza and a limited number of other food products made in accordance with recipes or specifications furnished by Red Boy, in a specially designed and decorated building with distinctive fixtures, accessories, and motif Red Boy is in the process of developing a network (hereinafter referred to as the "Red Boy Network" or "Network") of Restaurants to use the Red Boy System on a mutually cooperative and interrelated basis

1 2 Proprietary Marks Red Boy franchises Restaurants under the proprietary service mark "Red Boy Pizza" and its associated distinctive logo reproduced on the cover page of this Agreement (herein collectively referred to as the "Marks") Red Boy continues to develop, use and control the Marks so that consumer recognition thereof will continue, and Franchisee agrees to represent the System's high standards of service, quality and appearance

1 3 Operating Standards Franchisee acknowledges reading this Agreement and Red Boy's Franchise Disclosure Document and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonable and necessary to maintain Red Boy's high standards of service, quality and appearance, as well as the consistency of these standards at all franchised Red Boy Restaurants, in order to protect and preserve the goodwill of the Marks Franchisee therefore agrees to operate the franchised Restaurant as an integral part of the Red Boy Network and System as they may be changed, approved and developed from time to time, and in this operation adhere to the uniform standards, procedures and policies set forth below

1 4 Franchisee Desires A License Franchisee desires to establish a Red Boy Restaurant under the System, in the general area as designated in Section 2 1 below, and to use in connection therewith, the Red Boy Marks and System, and provide the food and related products and services authorized for the Restaurant as an integral part of the Red Boy Network, and to derive the benefits of Red Boy's reputation, advice, experience, guidance and know-how

1 5 Granting of Franchises Red Boy grants to franchisees, for considerations, the right to conduct business utilizing the Red Boy System, as part of the Red Boy Network, offering pizza and related food products and services approved by Red Boy, and utilizing its formats, methods, specifications, standards, operating procedures, guidance and Marks

1 6 Investigation of Franchise Franchisee acknowledges having investigated Red Boy and the competitive retail food market thereof and recognizes that the business contemplated by this Agreement involves business risks which make the success of the venture subject to many variables, including, but not limited to, the business abilities, skills and efforts of Franchisee Franchisee further acknowledges having obtained independent legal advice prior to the signing of this Agreement

1 7 No Earnings Claims, No Misrepresentations Red Boy expressly disclaims the making of, and Franchisee acknowledges not having received or relied upon any warranty or guaranty, express or implied, oral or written, regarding the potential revenue, profits or success of the Restaurant business contemplated by this Agreement Franchisee further acknowledges not having received any representation by Red Boy or its officers, employees or agents that is contrary to the information contained in Red Boy's Franchise Disclosure Document or the terms herein, and further represents to Red Boy, as an inducement to its entry into this Agreement, that Franchisee has made no misrepresentations in obtaining this franchise

1 8 Receipt of Disclosure Document, Completed Contract(s) Franchisee acknowledges having reviewed the Red Boy Franchise Disclosure Document and all Exhibits attached thereto for at least ten (10) business days prior to the signing of any contract with Red Boy or the payment of any money or other consideration relating to the franchise herein Franchisee further acknowledges having received a separate copy of each contract signed by Franchisee in completed form (i e in form for execution with no blanks or open terms, excepting only signatures) at least five (5) business days prior to signing this Agreement with Red Boy, or payment of any money or other consideration relating to the franchise herein

ARTICLE 2

GRANT OF FRANCHISE

2 1 Grant of Franchise

(a) Grant of Franchise Subject to and upon all of the terms and conditions set forth in this Agreement, Red Boy grants to Franchisee the right and license, and

Franchisee undertakes the obligation to establish and operate a Red Boy Restaurant under the System and the Marks as Red Boy directs, and to use the Marks in connection with the various food products and services to be supplied in the operation of the Restaurant (such operation and all of Franchisee's business and activities in connection therewith are herein referred to as a Restaurant" or "Red Boy Restaurant") at a single specific location (herein referred to as the "Premises") located within the area described in Exhibit 1 attached hereto and made a part hereof

(b) Exclusive Area, Loss of Rights Subject to the following exceptions and to densely populated areas where no exclusive areas are granted, Red Boy will not, while this Agreement is in effect, operate, nor will it grant others a license to operate, a Red Boy Restaurant under its System at any location within the area (herein referred to as the 'Designated Area' or "Area') which shall be defined in Exhibit 1 as a specified radius around the Premises. Notwithstanding the above, upon the occurrence of any of the following, Red Boy may itself operate, or grant a license to another franchisee to operate a Red Boy Restaurant within the Designated Area

(i) Upon the occurrence of any event or events as the result of which Red Boy has the right to terminate this Agreement as provided in Article 5 below, Red Boy may, whether or not it elects to exercise its right of termination, grant to another franchisee or franchisees the right and license to operate a Red Boy Restaurant under the System and Marks at another location within the Area, and this action by Red Boy shall not affect any other rights and obligations hereunder unless and until Red Boy exercises its right of termination as provided in Article 5, or

(ii) In the event a shopping center or strip mall is constructed within the Designated Area, or the business count within the Area increases to where Red Boy reasonably determines that the Area can support another Restaurant(s), Red Boy may redefine the Area in a manner conducive to the addition of one or more Restaurants. Any redefinition shall be done only after giving full consideration to Franchisee's Restaurant, the compatibility of an additional Restaurant(s), marketing and future growth potential. In the event Franchisee disagrees with the determination provided for in this subparagraph (ii), Franchisee shall deliver to Red Boy a written demand for arbitration pursuant to the provisions of Section 7.5 hereof within 30 days after receiving written notice of redefinition. If Red Boy redefines the Area, Franchisee shall be granted a right of first refusal for any new Restaurant(s) offered as a result, exercisable within 30 days after receiving a final determination of redefinition, provided Franchisee complies with each of the following

(1) Demonstrates, to the reasonable satisfaction of Red Boy, an ability and aptitude to successfully operate a Red Boy Restaurant. This determination shall be based on Franchisee's past and current performance, including but not limited to, compliance with reporting procedures, satisfactory scores on field inspections, overall financial performance and other criteria judged by Franchisor to be relevant, and

(2) Provides Red Boy with evidence that Franchisee has one or more competent and trained managers, who are acceptable to Red Boy, to assume management of the Restaurant(s) offered as a result of the redefinition

2.2 Further Rights & Privileges Subject to and upon all of the terms and conditions set forth in this Agreement, Red Boy further grants to Franchisee the following rights and privileges

(a) Marks Use of the Marks as Red Boy directs, but only at the specific Restaurant described in Section 2.1(a) and only in connection with authorized food products and related services,

(b) System Use of the Red Boy System, which term as herein used refers to the System as presently existing and as it may be developed, changed and improved during the term of this Agreement, in marketing and providing food products and services, and generally in conducting and operating the Restaurant,

(c) Supply To purchase or acquire the right to use, from Red Boy and its approved sources of supply, all products, supplies, equipment and services offered by Red Boy and required or permitted in the operation of the Restaurant

2.3 Term

(a) Term This Agreement and the appointment of Franchisee hereunder shall commence on the date this Agreement is executed and, unless previously terminated as herein provided, shall expire on the tenth (10th) anniversary of the date on which this Agreement was executed

(b) Renewal Option The term of this Agreement and the appointment hereunder may be extended for one additional term of ten (10) years exercisable by written notice from Franchisee to Red Boy, at least 180 days prior to the expiration of the initial term, provided that at the end of the initial term

(i) Franchisee is not at the time of the exercise or at the commencement of the extension term, in default of the performance of any of Franchisee's obligations hereunder, and

(ii) Franchisee is not at the time of the exercise or at the commencement of the extension term, in default of the performance of any provision of the lease or sublease of the Premises, and

(iii) All monetary obligations owed by Franchisee to Red Boy have been fully satisfied prior to the commencement of the extension term, and

(iv) At the option of Red Boy, Franchisee shall execute Red Boy's then-current form of Franchise Agreement which shall waive any initial franchise fee and provide for the then-current royalty fees and network fund contributions, and

(v) Franchisee shall execute a general release, in a form prescribed by Red Boy, of any and all claims against Red Boy, and its affiliates, officers, directors, agents and employees, arising out of or relating to this Agreement, and

(vi) Franchisee provides Red Boy with a copy of the lease for the Premises indicating that possession by Franchisee is assured for the renewal term, and

(vii) Franchisee has made such alterations and improvements, if any, to the Premises as necessary to comply with Red Boy then-current decor standards

ARTICLE 3

FRANCHISEE'S OBLIGATIONS & DUTIES

3.1 Initial Franchise Fee

(a) Initial Franchise Fee In consideration of the grant of franchise, and of the rights and privileges relating thereto, hereinabove made, Franchisee shall pay to Red Boy a franchise fee in the amount of Fifteen Thousand Dollars (\$15,000). This fee is payable in two (2) installments: fifty percent (50%) at the execution of this Agreement, and the remaining fifty percent (50%) thirty (30) days later. This fee shall be paid solely for the grant of franchise rights and privileges, shall be fully earned upon execution of this Agreement, and shall be in addition to all other fees, royalties, costs and other expenditures of any kind required of Franchisee under the terms hereof, or any sums otherwise becoming due from Franchisee for any reason. The franchise fee shall not be refundable under any circumstances.

(b) Pre-Opening Services Fee In consideration of the consulting services of Red Boy in connection with location selection advice, training and other services to be provided by Red Boy prior to the opening of Franchisee's Restaurant, Franchisee shall pay to Red Boy the sum of Ten Thousand Dollars (\$10,000) concurrently with the execution by Franchisee of the lease of the Restaurant Premises, or upon commencement of Franchisee's training session, whichever occurs first. The pre-opening services fee, except as provided in subparagraph (i) "Failure to Complete Training" below, shall not be refundable under any circumstances.

(i) Failure to Complete Training In the event Franchisee is unable to complete the Red Boy training program to the satisfaction of Red Boy, the pre-opening services fee is refundable. Franchisee agrees and acknowledges that Red Boy shall have sole discretion in determining whether Franchisee has satisfactorily completed the training program and Franchisee expressly waives any right to institute any action or seek any relief to reverse or set aside the decision made by Red Boy. Upon refund, this Agreement shall be deemed null and void.

(c) Subsequent Franchises In the event Red Boy subsequently offers any additional Restaurant franchises to Franchisee, the initial franchise fee for each additional franchise shall be Ten Thousand Dollars (\$10,000), payable in full upon the signing of the applicable franchise agreement.

(d) Maximum Number of Stores At no time shall you or any other franchisee be permitted to open, operate or own any interest in more than three (3) Red Boys at any one time. We reserve the right to alter or modify this restriction upon prior written notice to all franchisees.

3 2 Royalties In further consideration of the grant of franchise and related rights and privileges hereunder, and in consideration of the services to be rendered by Red Boy to Franchisee in support of Franchisee's operations as below provided, Franchisee shall pay to Red Boy throughout the term of this Agreement weekly royalties of five percent (5%) of Gross Revenue (as defined in Section 3 3) derived from the Restaurant, payable on or before each Friday for the preceding week's gross revenue. As used herein, a week is a seven (7) day period that begins on a Tuesday and ends on the following Monday.

3 3 Gross Revenue As used herein the term "Gross Revenue" includes the aggregate amount of all charges (defined in accordance with accounting practices and procedures as determined by Red Boy) for goods sold or services rendered to customers in the operation of the Restaurant, regardless of the nature and location of the giving and receiving of orders for, and of the rendition and delivery of goods and services, and whether or not payment is received, and in cases where payment is made by exchange of other services and goods provided by a customer, calculated on the basis of usual and ordinary charges for the services or goods rendered or supplied by the Franchisee in the exchange, and all other receipts of any kind of Franchisee derived directly or indirectly from the Restaurant, the operation thereof, and activities in connection therewith, including, but not limited to, proceeds from business interruption insurance, but exclusive of the amount of all sales, use, gross receipts, and other taxes specifically added to sales prices and collected from customers.

3 4 Advertising, Public Relations and Marketing Recognizing the value of Network advertising, public relations and marketing programs, and the importance of the standardization of these programs to promote and further the goodwill and public image of the Red Boy System and Marks, Franchisee agrees as follows:

(a) Local Advertising, Network Marketing Fund Franchisee agrees to spend on advertising and promotional activities related to Franchisee's Restaurant, and to furnish Red Boy with a report of same as detailed in Section 3 6, for each calendar quarter beginning upon commencement of operation of Franchisee's Restaurant, an amount equal to one percent (1%) of the fiscal quarter's Gross Revenue (as defined by Red Boy). Upon written notification from Red Boy, when Red Boy reasonably determines that a local, regional or national Network Marketing Fund shall be implemented, Franchisee shall, in addition to the one percent (1%) of Gross Revenue spent on local advertising, make weekly contributions of one percent (1%) of the preceding week's Gross Revenue, payable together with the royalty payments referred to in Section 3 2, to a collective Network Marketing Fund (hereinafter "Network Fund"). This Network Fund shall be used by Red Boy solely for advertising, promotion and marketing in accordance with the provisions of subparagraphs (i) and (ii) below.

(i) Administration of Network Fund Franchisee agrees that Red Boy shall have the right to direct all local, regional and national advertising, public relations and marketing programs for the System, to use in these programs the Network Marketing Fund payments described in subparagraph (a) above, and that Red Boy shall have the sole discretion over the creative concepts, materials and media used and the placement and allocation thereof. Franchisee agrees and acknowledges that one of the primary intentions of the Network Fund is to maximize public recognition and acceptance of Red Boy Marks and

that Red Boy undertakes no obligation in administering the Network Fund to make expenditures for Franchisee's Area which are equivalent or proportionate to Franchisee's contribution, or to ensure that any particular franchisee benefits directly or pro rata from these programs

(11) Network Fund Expenditures Franchisee agrees that the Network Fund may be used to meet any and all costs of maintaining, administering, directing and preparing Network programs, including, without limitation, the cost of preparing and conducting television, radio, magazine, newspaper, direct mail and other types of advertising campaigns, public relations activities, including, without limitation, the cost of hiring agencies and Red Boy personnel to engage in public relations work, and employing advertising and public relations agencies and personnel to assist therein. Advertising and public relations agencies and personnel may be composed of employees of Red Boy or may be entities owned by or affiliated with Red Boy if use of in-house agencies is deemed best by Red Boy, in which event the methods for determining the value of services rendered by the in-house agency shall be set forth in writing and may be charged to the Network Fund. No sums paid by Franchisee to the Network Fund shall be used to defray any of Red Boy's general operating expenses, except for reasonable administrative costs and overhead, if any, as Red Boy may incur in activities reasonably related to the administration or direction of the Network Fund and promotional programs, including, without limitation, conducting marketing research, preparing marketing and advertising materials and collecting and accounting for assessments for the Network Fund. An accounting of the operation of the Network Fund shall be prepared annually and made available to Franchisee upon request.

(b) This section intentionally left blank

(c) Grand Opening Advertising In addition to the amounts spent pursuant to subparagraphs (a) and (b) above, Franchisee agrees to spend a minimum of One Thousand Dollars (\$1,000) on advertising and promotion activities related to Franchisee's Restaurant concurrently with the opening of the Restaurant and to furnish Red Boy with evidence thereof within 45 days after the Grand Opening of Franchisee's Restaurant. This advertising may include direct-mail campaigns, posters, newspaper advertising and other types of advertising and public relations activities. Franchisee, subject to the provisions of subparagraph (d) below, shall have sole discretion over the creative concepts, materials and media used in this advertising and the placement and allocation thereof.

(d) Advertising Standards All advertising by Franchisee shall be completely factual and shall conform to the highest standards of ethical advertising. Franchisee agrees to refrain from any business or advertising practice which may be injurious to the Red Boy System or the goodwill associated with the Marks. Without limiting the foregoing, Franchisee agrees that all advertising and promotions by Franchisee in any form and in any medium shall be conducted in a dignified manner and shall conform to such standards and requirements as Red Boy may from time to time designate in writing. Franchisee shall submit to Red Boy (by mail, return receipt requested), for prior written approval, samples of all advertising and promotional plans and materials that Franchisee desires to use and that have not been prepared or previously approved by Red Boy. If written

approval thereof is not received by Franchisee, Red Boy shall be deemed not to have given the required approval

3 5 Other Payments Items of inventory, equipment, supplies, products, material and services offered by Red Boy to and accepted by Franchisee shall be paid for at the prices currently charged by Red Boy and its affiliates or suppliers at the time of sale with payment for such items to be made by Franchisee in accordance with the terms and policies as specified by Red Boy in its Manuals or otherwise

3 6 Reports, Payment Method, and Payment Schedule Franchisee shall submit to Red Boy, at Franchisee's expense, and in such form and detail as Red Boy may require, complete and accurate reports and payments throughout the term of this Agreement, as follows

(a) All payments must be made to Red Boy by electronic funds transfer (ACH) Red Boy will draw payments automatically within three (3) business days of the following dates

(b) Unless otherwise required by Red Boy, Franchisee must remit a report of all Gross Revenue of the Restaurant for the preceding week on or before Friday of each calendar week (as defined in Section 3 2),

(c) Franchisee must remit a report of all costs and expenses paid and incurred in the operation of the Restaurant for the preceding calendar month on or before the 15th day of each calendar month,

(d) Franchisee must remit a report of local advertising expenditures for the preceding calendar quarter as required by Section 3 4(a) on or before the 10th day after the end of each calendar quarter,

(e) When the Network Fund is implemented by Red Boy, Red Boy will withdraw payment of the Network Fund contribution as required by Section 3 4(a) on or before Friday of each calendar week (as defined in Section 3 2)

3 7 (a) Late Payments Any payment not actually received by Red Boy as required by this Agreement shall be deemed overdue If any payment is overdue, Franchisee shall pay Red Boy, in addition to the overdue amount, interest at the rate of ten percent (10%) per annum (or the maximum rate permitted by law) on that amount for each month or portion thereof from the date it was due until paid

(b) No Waiver Franchisee acknowledges that this Section 3 7 shall not constitute an agreement by Red Boy to accept any payments after they are due or a commitment by Red Boy to extend credit to, or otherwise finance, Franchisee's Restaurant Further, Franchisee acknowledges that failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided in Section 5 2, notwithstanding the provisions of this Section

3 8 Selection and Lease of Premises Within six (6) months of the date of signing of this Agreement, the Premises shall be selected and a lease signed by Franchisee. No site proposed by Franchisee may be developed unless approved by Red Boy. The lease of the Premises must contain the following:

- (i) a provision granting Franchisee the right to assign the lease without penalty to Red Boy;
- (ii) a provision that the lessor will notify Red Boy of any breach of the lease and allow Red Boy a reasonable cure period;
- (iii) a provision granting Red Boy the right to exercise any option to renew the lease of the Premises, if an option exists and Franchisee fails to exercise this option.

Franchisee shall, at all times, perform and comply with the obligations, limitations and requirements on the part of Franchisee to be performed and complied with under the terms of the lease. In the event Franchisee's lease expires or is otherwise terminated prior to the end of the initial term of this Agreement, or extension thereof, and this termination is not caused by a default on the part of Franchisee, Franchisee shall select another suitable place of business within the Area, or if a location is not available in the Area then outside the Area, subject in all cases to the prior written approval of Red Boy which shall not be unreasonably withheld.

3 9 Improvement and Maintenance of Premises, Minimum Expenditures

(a) Franchisee shall, at no cost to Red Boy, cause to be constructed all improvements to the premises and outfit them with all furniture, fixtures and equipment, required to prepare for operation of the Business, all in accordance with the advice and approval of Red Boy.

(b) Franchisee agrees to maintain all furniture, fixtures, equipment and leasehold improvements located on the Premises in good and safe working order and to replace, at Franchisee's expense, all worn, damaged, or unsafe furniture, fixtures, equipment and improvements with new replacement items of equal or better quality. Further, Franchisee shall spend a minimum of Two Thousand Dollars (\$2,000) per year to maintain the Premises in good, clean, fresh appearance and order, including paint, tile, furniture, signage, kitchenwares and the like, and shall report to Franchisor at the end of year fiscal year the improvements it has made and dollars expended. If the Premises is in good condition, Franchisor shall not unreasonably require Franchisee to spend this minimum expenditure. Franchisee shall refrain from installing or permitting to be installed on or about the Premises, any improvements or other equipment not previously approved by Red Boy in writing as meeting its standards and specifications.

3 10 Operation of Business Promptly following completion of improvements and installation of equipment in the Premises, and in any event within 12 months of the date of signing this Agreement, Franchisee shall commence operation of the Restaurant and shall thereafter, subject only to interruption resulting from acts of God or other causes beyond the control of Franchisee and not relating to the availability of funds to Franchisee, continuously

operate the Restaurant, devoting Franchisee's full time, except as below specifically provided in subparagraph 3 10(e), and Franchisee's best efforts, skills, and diligence to the conduct of the business of selling and providing products and services (hereinafter "Business Products") authorized or required to be provided as part of the Red Boy System as set forth in Red Boy's Confidential Operating Manuals and all supplements, addenda and amendments thereto (herein collectively called the "Manuals"), and Franchisee shall not sell or provide other products or services except ones which Red Boy, in its sole and absolute discretion, shall approve as being compatible and not interfering with the Red Boy System or Network. Specifically and without limiting the foregoing, Franchisee agrees

(a) Follow Manuals and Standards Franchisee shall operate the Restaurant in all respects in accordance with all reasonable requirements of Red Boy from time to time in effect, as set forth in the Manuals and in other communications from Red Boy, maintaining the highest business standards of quality and ethical conduct, and not otherwise so that the Restaurant shall be established and at all times operated as and constitute a business of the highest quality and appearance. With respect to the Manuals, Franchisee specifically agrees as follows

(i) Franchisee shall treat the Manuals and other manuals created and approved for use in the operation of franchised Restaurants, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain this information as secret and confidential,

(ii) Franchisee agrees that the Manuals shall remain the sole property of Red Boy, that Red Boy may, from time to time, revise the contents of the Manuals, and Franchisee agrees to comply with each new or changed provision thereof,

(iii) Franchisee agrees that the master copy of each Manual maintained by Red Boy at its principal office shall be controlling in the event of a dispute relative to the content of any Manual

(b) Approved Products and Services Franchisee shall maintain at sufficient inventory levels, and sell only products and services that meet Red Boy's standards of quality and have been expressly approved by Red Boy in writing for offer or sale by Franchisee. Franchisee shall refrain from any deviation from Red Boy standards and specifications for selling products and services without Red Boy prior written consent and shall discontinue offering and selling any products and services that Red Boy may disapprove in writing from time to time, in its sole discretion. Notwithstanding the above, the provisions of this section shall not apply to the offer or sale of beer and wine alcoholic beverages

(c) Approved Suppliers, Testing Franchisee shall purchase all non-proprietary equipment, products and materials required for operation of the Restaurant solely from suppliers who demonstrate to the continuing reasonable satisfaction of Red Boy, the ability to meet Red Boy standards and specifications for same, who possess adequate quality controls and ability to supply Franchisee's needs promptly and reliably, and who have been approved in writing by Red Boy and not thereafter disapproved. If Franchisee desires to purchase any item or service from an unapproved supplier, or to sell products or services not

previously approved by Red Boy, Franchisee shall submit a written request for approval to Red Boy. Red Boy shall have the right to require that its representatives be permitted to inspect the supplier's facilities, or that samples of unapproved products or services be delivered, at Red Boy's option and without charge to Red Boy, either to Red Boy or its designee for testing. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test shall be paid to Red Boy by Franchisee. Red Boy reserves the right, at its option, to reinspect the facilities and products of any approved supplier and revoke its approval, if any has been granted, if the supplier fails to meet any of Red Boy's then-current criteria.

(d) Non-Disclosure Franchisee shall not at any time, either during or after the term of this Agreement, copy or duplicate, or permit the copying or duplication, nor publish, disclose or in any manner reveal, or permit the publication, disclosure or revelation in any manner, to any person or entity, except employees of Franchisee (and then only after obtaining a written employment agreement of such employees, in a form acceptable to Red Boy, made for the benefit of and enforceable by Red Boy as well as of and by Franchisee, to be bound by this commitment of nondisclosure), any portion of the Manuals, supplements, addenda or amendments thereto, or any other information or material supplied by Red Boy to Franchisee and designated as confidential information. Franchisee hereby recognizes and agrees that these materials and information are proprietary trade secrets of Red Boy and will be disclosed to Franchisee in strict confidence solely for use in the development and operation of the Restaurant during the term of this Agreement and on the condition that Franchisee will not use these trade secrets in any other business or capacity. Franchisee acknowledges and agrees that Franchisee will not acquire any interest in the trade secrets, other than the right to utilize them in the operation of the Restaurant during the term of this franchise and that Franchisee will maintain the confidentiality of these trade secrets during and after the term of this Agreement.

(e) Devote Adequate Working Time to Business Unless agreed otherwise in writing by Red Boy, Franchisee shall devote full working time to the franchised Restaurant during the first year of operations. Thereafter, Franchisee agrees to devote a minimum of 60% of full working time to the operation of the Restaurant, provided, that Franchisee may devote less than full working time to the operation of the Restaurant only if Franchisee employs one or more competent and trained individuals approved by Red Boy, who devotes or devote to the management of the operation at least the equivalent of the working time not devoted by Franchisee and provided further, that if Franchisees at any time, by reason of sickness, disability or other cause beyond Franchisee's control, rendered unable to devote full working time to the operation, Franchisee will employ one or more substitutes, all to the end that there shall be devoted to the management of the Restaurant at all times at least the full working time of one competent and trained individual. If Franchisee owns more than one Restaurant, Franchisee must devote a minimum of 60% of full working time to management of all Restaurants collectively, and employ competent and trained individuals as provided in this paragraph to operate the Restaurants at all other times. In no event shall Franchisee conduct or operate, directly or indirectly, or be employed by or associated in any way with any business which is competitive with the operation of the Restaurant, or any portion thereof.

(f) Attend and Satisfactorily Complete Training Franchisee shall, at Franchisee's sole expense, attend and satisfactorily complete the initial training course provided by Red Boy. Franchisee shall ensure that employee training as provided for in Section 4.1(b) hereof is completed prior to the grand opening of Franchisee's Restaurant and Franchisee shall provide and carry out a training program for Franchisee's other employees, in compliance with all requirements of the training and the Manuals. Any designated representative(s) attending the training courses and meetings shall first have entered into a nondisclosure agreement as provided in subparagraph (d) hereof. Franchisee agrees to attend or cause Franchisee's designated manager(s) to attend, all subsequent and repeat management training courses as provided for in Section 4.2 hereof.

(g) Marketing Efforts Franchisee shall vigorously pursue and promote sales and activities leading to sales by the Restaurant, and shall cooperate with Red Boy and other franchisees in the Red Boy Network in promoting and enhancing the Red Boy System and Network. Franchisee shall participate in meeting customer service requirements including guaranteed delivery times.

(h) Attend Quarterly Meetings Franchisee and Franchisee's designated manager(s) shall attend quarterly franchise meetings organized by Red Boy. Attendance is mandatory, and, after the first missed meeting which is waived if Franchisee provides at least forty-eight (48) hours prior notice, the following penalties will be assessed:

1 st missed meeting	\$150.00
2 nd missed meeting	\$150.00
3 rd missed meeting	\$200.00
4 th missed meeting	\$300.00

After the fourth (4th) missed meeting, any further missed meeting shall be deemed a material default, in addition to a \$500.00 penalty.

3.11 Use of Commercial Symbols Franchisee acknowledges that Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the operation of a Restaurant pursuant to and in compliance with this Agreement and all applicable specifications, standards and operating procedures prescribed by Red Boy in its Manuals from time to time during the term of this Agreement. Specifically and without limiting the foregoing, Franchisee agrees:

(a) This Agreement does not confer any goodwill or interests in the Marks upon Franchisee.

(b) Franchisee shall use only the Marks authorized by Red Boy in its Manuals, and shall use the Marks only in the manner authorized and permitted by Red Boy.

(c) Franchisee shall use the Marks only in connection with the operation of the Restaurant licensed hereunder and, unless agreed otherwise in writing by Red Boy, only at the location referred to in Section 2.1 of this Agreement.

(d) Any and all goodwill arising from Franchisee's use of the Marks under the Red Boy System shall inure solely and exclusively to the benefit of Red Boy, and upon

expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned to any goodwill associated with Franchisee's use of the Red Boy System or Marks

(e) The Marks are valid and serve to identify Red Boy, the Red Boy System and those licensed under the System. Franchisee agrees not to directly or indirectly contest the validity or ownership of the Marks. Throughout the term of this Agreement, including any extensions thereof, Franchisee shall identify himself or herself as a franchisee of Red Boy in conjunction with any use of the Marks, displaying the Marks in all appropriate places at the Restaurant, on stationery and merchandise, and otherwise in the operation of the Restaurant, as Red Boy may specify from time to time.

(f) Franchisee agrees not to use any Mark licensed under this Agreement in connection with the sale of any unauthorized product or service or in any other manner not expressly approved in writing by Red Boy.

(g) If it becomes advisable at any time, in Red Boy's sole discretion, for Red Boy or Franchisee to modify or discontinue use of any Mark or use one or more additional or substitute Marks or commercial symbols, Franchisee agrees to comply therewith within a reasonable time after notice by Red Boy.

(h) Franchisee shall comply with Red Boy's instructions in filing and maintaining fictitious or trade name registrations, and shall execute any documents deemed necessary by Red Boy to protect and maintain the continued validity of the Marks.

(i) In the event that Franchisee is aware of any use of the Marks or colorable imitation thereof which falsely suggests or represents an association or connection with Red Boy or any of its Marks, or litigation involving the Marks is instituted or threatened against Franchisee, Franchisee shall promptly notify Red Boy and cooperate fully with Red Boy in connection therewith. Franchisee agrees that Red Boy will have the right to control any litigation with respect to the Marks.

3.12 System Improvements Franchisee acknowledges and agrees that Red Boy may supplement, improve or otherwise alter the System and the methods, procedures and techniques which Franchisee is authorized and required hereunder to utilize in the operation of the Restaurant, including addition to or elimination from the System of products or services or other activities constituting elements thereof. Franchisee acknowledges and agrees that Red Boy shall have sole control and discretion over all supplements, improvements, alterations and development of the System, and the products and Services offered thereunder, that this control and discretion is in the best interests of the Red Boy System, and that Franchisee will comply with all Red Boy requirements concerning the System and improvements thereto. Franchisee shall seek, in its operation of the Restaurant to develop and conceive such supplements, improvements and alterations, and upon doing so shall in each case promptly and fully advise Red Boy thereof. Red Boy shall have the right, but not the obligation, to make use of all supplements, improvements and alterations so conceived or developed by Franchisee, including the right to disseminate the same to all Restaurant franchisees for their

use, all without payment of royalties, fees or other compensation by Red Boy or other franchisees

3 13 Uniform Network Franchisee understands and acknowledges that the Restaurant and the business carried on there will benefit from being an integral part of a network of similar Restaurants in a variety of locations, utilizing the Red Boy System in a uniform manner, providing uniform products and services with uniform equipment and with personnel of uniform skill and training, hence capable of mutual complementation and interrelation in providing products and services of maximum scope and efficiency to their customers, particularly in the types and quality of pizza and other pasta products offered Accordingly, Franchisee agrees, specifically and without limiting any other obligations of Franchisee expressed in this Agreement, that the interests of the Red Boy System and Network are vital to the success of each franchisee, and that each franchisee has an obligation to promote and further the Red Boy System and Network to the fullest extent possible Therefore, Franchisee agrees to adhere to Red Boy standards, specifications and requirements concerning the Marks, the Red Boy System and the Red Boy Network as specified by Red Boy from time to time in its Manuals including, without limitation, the offering of any new Business Products, the elimination of any previously specified Business Products, and the operation of the Restaurant as an integral part of the Red Boy Network, cooperating and complementing other Restaurants thereof

3 14 Responsibility for Costs and Expenses Franchisee will be solely responsible for and shall pay, promptly when due, all costs, expenses, obligations and indebtedness of or in any way rising out of or in connection with the Restaurant and the establishment and operation thereof, including all taxes, assessments and other levies, charges and impositions of any kind of any governmental or regulatory body, federal, state or local All payments due under this Agreement may be drawn, when due, by Red Boy via ACH

3 15 Compliance with Law Franchisee shall, in the establishment and operation of the Restaurant, comply, at Franchisee's sole expense, with all applicable statutes, ordinances, regulations, orders and other enactments or requirements of all governmental or regulatory bodies including obtaining any licenses, permits or other entitlement required by any law or laws

3 16 Indemnification Franchisee shall indemnify Red Boy and its officers, directors and employees and hold them harmless from and against any liability or responsibility for any matter for which Franchisee is responsible under this Section 3 16 or otherwise under this Agreement, and from and against any loss, liability, claims, demands, damages, charges, costs or expenses of any kind whatsoever, including attorneys' fees, arising directly or indirectly out of or in connection with any such liability or responsibility, or otherwise out of or in connection with the establishment and operation by Franchisee of the Restaurant, including but not limited to any such matters arising directly or indirectly out of or in connection with any injury to or death of persons or damage to or loss of property

3 17 Insurance In addition to any insurance required of Franchisee by the lease of the Premises, and without limiting its obligations under Section 3 16, Franchisee shall procure and maintain in effect throughout the term of this Agreement insurance coverage issued by

companies licensed to do business in the state where Franchisee is located and approved by Red Boy. Such policy or policies shall include the following:

(a) Comprehensive general liability insurance, including products and liquor law liability, and comprehensive automobile liability insurance including employees driving owned, non-owned and hired vehicles, with minimum limits of liability for each type of insurance being a combined single limit of at least \$1,000,000.00 for each occurrence for bodily injury and property damage.

(b) "All Risk" (special form naming exclusions, not perils) insurance insuring the full replacement cost of all improvements, furnishings, equipment and inventory contained in the Restaurant.

(c) Business interruption insurance with coverage of actual loss sustained for up to twelve (12) months with no dollar limit.

(d) Such other insurance as may be required by any laws, including but not limited to worker's compensation insurance with statutory limits and employers liability insurance with a limit of \$1,000,000.00.

(e) Such insurance shall, with respect to the coverage described in (a) above, name Red Boy Pizza Franchising Corp. as an additional insured, and Franchisee shall supply Red Boy with certificates of insurance currently in force, which shall reflect at least the above coverage and shall provide that the insurance shall not be cancelled or reduced in coverage except after at least thirty (30) days written notice by the insurer to Franchisee and Red Boy. All certificates of insurance shall be renewed annually and Franchisee shall furnish Red Boy with a certificate indicating renewal at least thirty (30) days prior to expiration of each certificate. In the event Franchisee fails to furnish these certificates, Red Boy may (but shall not be obligated to) obtain such insurance and Franchisee shall reimburse Red Boy for the cost thereof upon demand.

(f) Franchisee understands and acknowledges that Red Boy may, in its sole discretion, raise, lower or change the amounts and types of insurance required under this Section and Franchisee agrees to follow Red Boy directions in this regard as detailed from time to time in its Manuals.

3.18 Encumbrances During the term of this Agreement, except with the written consent of Red Boy, Franchisee shall not mortgage, pledge or otherwise assign as security, this Franchise Agreement, the Restaurant or any part thereof, or any equipment, inventory, furnishings or fixtures located thereon, or any interest which the Franchisee may have in any part thereof.

3.19 Recordkeeping

(a) Recordkeeping Franchisee shall throughout the term hereof, maintain and preserve at the Premises full, complete and accurate books, records and accounts of the Restaurant, and supporting data, all in accordance with generally accepted accounting

principles and utilizing accounting records and systems as may, from time to time, approved by Red Boy

(b) Annual Report Franchisee shall annually, within sixty (60) days following the end of Franchisee's fiscal year, furnish to Red Boy, on forms supplied by Red Boy for this purpose, a full and complete statement of Franchisee's gross receipts, expenses and balance sheet as of the end of such year, certified by Franchisee and signed by Franchisee's accountant

(c) Audit Red Boy shall have the right at any time during business hours, and without prior notice to Franchisee to have the books, records and financial statements of Franchisee audited by a certified public accountant of Red Boy's choice at Red Boy's sole cost and expense except that if any audit shall disclose an understatement of Gross Revenue in any statements or reports submitted by Franchisee by five percent (5%) or more, then the cost of the audit, including without limitation the charges for any certified public accountant(s) and the travel expenses, room, board and compensation of Red Boy employees connected with the audit shall be borne by Franchisee and the deficiency shall become immediately due and payable with interest payable as provided in Section 3 7 (a) above The foregoing remedy shall be in addition to any other rights Red Boy may have including, but not limited to, the right to terminate this Agreement An understatement of Gross Revenue in any report submitted by Franchisee to Red Boy by five percent (5%) or more shall be grounds for immediate termination of this Agreement

(d) Surveys and Studies The continuing development, improvement and success of the Red Boy Network, and of each Restaurant, requires meaningful, timely and accurate information concerning all functions and aspects of the business In order that the Red Boy System can be fully evaluated and improved and benefit all franchisees thereof, Franchisee agrees to prepare and forward to Red Boy, at times specified and on forms supplied by Red Boy, information that Red Boy may require for its use in preparing studies and surveys relating to the Restaurants, the System and the Network

3 20 Right of Entry Franchisee shall permit Red Boy and its agents the right to enter upon the Premises at all times during regular business hours for the purpose of examining the books, records and financial statements, as well as otherwise conducting inspections or on-site market surveys or studies, shall cooperate with Red Boy's representatives in these examinations and inspections, and, upon notice from Red Boy or its agents, and without limiting Red Boy's other rights under this Agreement, shall take all necessary steps to promptly correct any deficiency detected during the inspection, including, without limitation, immediately desisting from offering and selling any disapproved product or service, or using advertising materials that do not conform with Red Boy's then-current specifications or standards

ARTICLE 4

RED BOY'S OBLIGATIONS

4.1 Pre-Opening Services Red Boy shall assist Franchisee and perform activities in connection with the establishment of the Restaurant as follows

(a) Site Selection Advice, Premises Specification Red Boy will advise and consult with Franchisee in selecting an appropriate location for the Restaurant and will provide a non-structural floor plan for the planning, designing and construction of improvements to the Premises, as provided in Section 3.9. Red Boy makes no representations, guarantees or warranties, either express or implied, regarding the profitable operation of Franchisee's Restaurant as a result of any site selection advice.

(b) Initial Training Red Boy shall provide in connection with the establishment, management and operation of the Restaurant a formal training course, conducted at locations operated by Red Boy as Red Boy shall designate, of up to one (1) week's duration depending on Franchisee's prior background and experience. The training course shall be attended by Franchisee and, at Franchisee's option, one additional person designated by Franchisee. Franchisee shall pay all expenses of travel, room, board and wages incurred by its trainee(s). If at any time new persons assume management of the Restaurant pursuant to Section 3.10(e), the new manager(s) must undertake and successfully complete the Manager Training Course as outlined in the Manuals. In any event, Franchisee shall commence operation of the Restaurant only upon successful completion of the training course.

(i) Employee Training For standard Red Boy Restaurants, Red Boy will train a maximum of ten (10) employees of Franchisee for a period of up to 1 week at an existing Red Boy Restaurant prior to the grand opening of Franchisee's Restaurant. For take-out Red Boy Restaurants, Red Boy will train a maximum of six (6) employees of Franchisee for a period of up to one (1) week at an existing Red Boy Restaurant prior to the grand opening of Franchisee's Restaurant. Red Boy Franchisee shall be responsible for paying all expenses of travel, room, board and wages incurred by its employees during this training.

(c) Confidential Operations Manual Red Boy shall loan to Franchisee promptly following the completion of Franchisee's initial education and training, one (1) complete copy each of Red Boy's Confidential Operating Manuals, which shall at all times remain the property of Red Boy and be handled as herein provided.

(d) Initial Forms Red Boy will provide Franchisee with copies of initial reporting and other standard forms as detailed by Red Boy in its Manuals.

4.2 Support for Restaurant Operations Throughout the term of this Agreement, Red Boy shall supply to Franchisee, in support and assistance of Franchisee's operations, the following:

(a) On-Site Assistance During a continuous period of up to one (1) week following the opening of Franchisee's Restaurant, Red Boy will furnish a representative(s) to

aid Franchisee in learning operations, in the hiring of personnel, and to assist in the establishment of standard operating procedures

(b) Field Visits Red Boy will provide, at reasonable times and frequency as determined by Red Boy in its sole discretion, periodic visits to the Restaurant by a representative of Red Boy to provide consultation, advice, and information concerning the operation and growth of Franchisee's Restaurant

(c) Continuing Management Training Red Boy will provide quarterly seminars for updates on new management techniques and other topics of interest to Franchisees of the Red Boy Network. Although there will be no training charge for these seminars, attendance is mandatory and in all cases it will be the Franchisee's responsibility to pay all travel, room, board and other expenses incurred by Franchisee or its manager(s) while attending these seminars. Non-attendance shall subject Franchisee to penalties listed in Section 3 10(g) and potential default

(d) Consultation Red Boy will make available, at its corporate offices, personnel for consultation, in person or by written or telephone communication, concerning problems and questions arising in the day-to-day operation of Franchisee's Restaurant

(e) Updates Red Boy will disseminate periodic supplements and amendments to its Confidential Operations Manual as well as bulletins and other information of general interest to all Franchisees

(f) Advertising When implemented, Red Boy will supervise the development of advertising, promotional, direct mail and other programs pursuant to the terms of Section 3 4 hereof

4 3 Protection of Marks Red Boy has taken and will continue to take all steps reasonably necessary to preserve and protect the ownership and validity of the Marks Red Boy will use, and permit Franchisee and other franchisees to use, the Marks only in accordance with the Red Boy System and the standards and specifications attendant thereto which underlie the goodwill associated with and symbolized by the Marks

ARTICLE 5

TERMINATION

5 1 Termination by Franchisee, Opportunity to Cure Franchisee shall have the right, at its option, to terminate this Agreement by giving written notice to Red Boy by registered or certified mail, addressed as provided in Section 7 6, in the event Red Boy defaults in the performance of any agreement on its part to be performed hereunder, and the default is not remedied within thirty (30) days after written notice from Franchisee to Red Boy of the default setting forth the nature thereof

5 2 Immediate Termination by Red Boy Red Boy shall have the right, at its option, to terminate this Agreement and all rights granted Franchisee hereunder, without affording Franchisee any opportunity to cure the default, effective upon receipt of notice by

Franchisee, addressed as provided in Section 7 6, upon the occurrence of any of the following events, which Franchisee acknowledges are detrimental to, and reflect unfavorably upon, the operation and reputation of the Red Boy System, the Marks, the Network, and goodwill thereof

(a) Abandonment If Franchisee ceases to operate the Restaurant or otherwise abandons the Restaurant for a period of five (5) consecutive days, or any shorter period that indicates an intent by Franchisee to discontinue operation of the Restaurant, unless and only to the extent that full operation of the Restaurant is suspended or terminated due to fire, flood, earthquake or other similar causes beyond Franchisee's control

(b) Insolvency, Assignments If Franchisee becomes insolvent or is adjudicated a bankrupt, or any action is taken by Franchisee, or by others against Franchisee under any insolvency, bankruptcy or reorganization act, and not fully dismissed within thirty (30) days after the institution thereof, or if Franchisee makes an assignment for the benefit of creditors, or a receiver is appointed for Franchisee,

(c) Unsatisfied Judgments, Levy, Foreclosure If any judgment is obtained against Franchisee which remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas or other appeal bond has been filed), or if execution is levied against Franchisee's Restaurant or any of the property used in the Restaurant and is not discharged within five (5) days, or if the real or personal property of Franchisee's Restaurant shall be sold after levy thereupon by any sheriff, marshal or constable,

(d) Criminal Conviction If Franchisee is convicted of a felony, a crime involving moral turpitude, or any crime or offense that is reasonably likely, in the sole opinion of Red Boy, to materially and unfavorably affect the Red Boy System, Marks, Network, goodwill or reputation thereof,

(e) Misuse of Marks, Unauthorized Disclosure If Franchisee fails to comply with the covenants contained in Section 3 11, or Franchisee knowingly discloses to any unauthorized person the contents of any part of Red Boy's Confidential Operating Manuals or any other trade secrets or confidential information provided to Franchisee by Red Boy and designated as such,

(f) Uncured Defaults or Repeated Defaults If Franchisee defaults in the performance of any agreement made herein, and the default is not remedied to Red Boy satisfaction within thirty (30) days after written notice thereof from Red Boy to Franchisee, if Franchisee fails to attend five (5) or more mandatory franchise meetings, or Franchisee, after curing a default engages in the same default on two (2) other occasions within any twelve (12) month period whether or not these defaults have been corrected after notice, or Franchisee, within any twenty-four (24) month period engages in six (6) separate defaults, whether or not these defaults are cured after notice Defaults shall include, for example, without limitation, the occurrence of any of the following

(i) Failure to Maintain Standards Franchisee fails to maintain the operating procedures and standards established by Red Boy for the Restaurant and System as detailed in its Confidential Operating Manuals,

(ii) Failure to Submit Reports Franchisee refuses or neglects to submit financial or other information on a timely basis as required by this Agreement,

(iii) Failure to Obtain Consent Franchisee fails, refuses or neglects to obtain Red Boy's prior written approval or consent as required by this Agreement

(g) Failure to Make Payments If Franchisee fails to pay any royalty payment, network fund contribution or other amounts due Red Boy or its affiliates within five (5) days after receiving notice that such fees or amounts are overdue

5.3 Rights and Duties on Termination In the event of any termination of this Agreement, whether by reason of action by Franchisee or Red Boy as above provided, or as elsewhere provided in this Agreement, or by the expiration of the term hereof, the parties shall have the following rights and duties

(a) Cease Operation of Business under System and Marks All rights and privileges herein granted to Franchisee shall immediately terminate and revert to Red Boy, with all rights and goodwill of the Restaurant pertaining thereto and Franchisee shall surrender all such rights and privileges, shall cease operation of the Restaurant using the Red Boy System and Marks in all connections, including any colorable imitation thereof or in any manner or for any purpose, or utilize for any purpose any trade name, trademark, service mark, logo or other insignia which is likely to cause confusion, mistake or deception or that falsely suggests or indicates a connection or association with Red Boy Franchisee shall take all action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to Franchisee's use of any Mark

(b) Pay Creditors and Return Manuals Franchisee shall immediately pay all creditors of the Restaurant, including all sums then owing by Franchisee to Red Boy or its affiliates and shall return without delay all Manuals and all other material described therein as property of Red Boy, and all forms, advertising matter, and all other materials received by Franchisee from Red Boy and in the possession of Franchisee

(c) Assign Lease, Offer to Repurchase, Determination of Value Unless termination results solely from the exercise by Franchisee of Franchisee's option as provided in Section 5.1 hereof, Red Boy shall have the option, exercisable by written notice to Franchisee at any time within thirty (30) days from the date of termination hereof, to require that Franchisee assign to Red Boy the leasehold interest of Franchisee in the Premises in consideration of Red Boy's assumption of the obligations thereunder If Red Boy exercises this option, Red Boy shall repurchase from Franchisee all furnishings, equipment, and inventory owned by Franchisee and used in the operation of the Restaurant at the lower of fair market value, or the price paid by Franchisee less depreciation taken Red Boy shall, in any

event, make purchases from Franchisee of inventory and supplies as may be required by applicable law

(d) Transfer Telephone Privileges, Remove Sign, Alterations Franchisee shall relinquish and take all steps necessary to transfer all right, title and interest in all telephone numbers, listings, and advertising privileges concurrent therewith, relating to the Restaurant to Red Boy Franchisee, in the event Red Boy does not exercise its option to require assignment of the leasehold interest as provided in subparagraph (c) above, shall also make removals or changes in signs, colors and decor as Red Boy shall reasonably request so to effectively distinguish the Premises from their former appearance and from any other franchised Red Boy Restaurants

(e) Red Boy's Rights Following Termination Following termination of this Agreement, unless termination results from the exercise by Franchisee of Franchisee's option as provided in Section 5.1 hereof, Red Boy shall be entitled either to continue to operate the Restaurant itself, with the use of all properties and assets, including goodwill reverting and transferred to it on termination as above provided, or to grant the franchise herein granted, and to sell all such properties and assets to others upon terms and conditions as Red Boy shall determine, and to retain all proceeds of the transaction, in either event, without obligation to Franchisee of any kind, subject, however, to the provisions of subparagraph (c) above and to any obligations as may be imposed by law on Red Boy to make purchases of inventory and supplies as above provided

(f) Rights Not Exclusive The foregoing rights of Red Boy upon termination by reason of breach or default hereunder shall not be exclusive, but shall be in addition to and not in lieu of any other rights available to Red Boy under the terms hereof or at law or in equity Termination of this Agreement under any circumstances shall not abrogate, impair, release, or extinguish any debt, obligation, or liability of Franchisee which may have accrued hereunder, including without limitation any debt, obligation, or liability which was the cause of termination All covenants and agreements of Franchisee which by their terms or by reasonable implication are to be performed, in whole or in part, after the termination of this Agreement, shall survive termination

(g) Activities Following Termination Franchisee acknowledges that the elements comprising the Red Boy System are unique, proprietary and distinctive and have been developed by Red Boy as the result of great expenditures of time, effort and money, that Franchisee has regular and continuing access to valuable trade secret and confidential information, and that Franchisee recognizes its obligation to keep this trade secret and confidential information in confidence pursuant to the provisions of this Agreement Franchisee therefore agrees as follows

(i) Nondisclosure If, prior to its expiration this Agreement is terminated by Red Boy in accordance with the provisions of this Agreement or by Franchisee without cause, or this Agreement expires pursuant to the terms hereof, Franchisee shall not thereafter use or disclose to any person or entity any trade secrets, know-how, improvements, marketing plans, formulas, processes or other elements constituting proprietary and confidential aspects of the Red Boy System

(ii) Competition Franchisee acknowledges that in addition to the license of the Marks hereunder, Red Boy has also licensed a large body of commercially valuable information including, but not limited to, operations, marketing, advertising and related materials and that the value of this information derives not only from the time, effort and money which went into its compilation but from the usage of same by all franchisees in the Red Boy Network to develop System goodwill. Franchisee therefore agrees that, unless this Agreement is terminated pursuant to Section 5.1 hereof, in order to foster System loyalty, promote interbrand competition and protect the ability of Red Boy to sell new franchise rights within the Area, Franchisee will not, for a period of one (1) year, commencing on the effective date of termination, or the date on which Franchisee ceases the business conducted pursuant to this Agreement, whichever is later, have any interest as an owner, investor, partner, director, officer, employee, consultant, representative or agent, in any business competitive with that theretofore constituting the operations of a Restaurant or any portion thereof, within two (2) miles of the location of the Premises (except ownership of securities that are traded on a stock exchange or on the over-the-counter market representing five percent (5%) or less of the equity or voting power of the issuer thereof). It is understood and agreed by Franchisee that the purpose of this covenant is not to deprive Franchisee of means of livelihood and will not do so, but is rather to protect the goodwill and interests of Red Boy, the Red Boy System and Network of franchised Red Boy Restaurants.

ARTICLE 6

TRANSFER AND ASSIGNMENT

6.1 Prior Offering and Consent, Conditions For Approval Franchisee understands and acknowledges that the rights and duties created by this Agreement are personal to Franchisee and that Red Boy has granted this franchise in reliance upon the individual character, skill, aptitude, attitude, business ability and financial capacity of Franchisee. Therefore, except as hereinafter provided at Section 6.4 with respect to assignment to a corporation or partnership, neither this Agreement or the Restaurant, or any part or all of the ownership of Franchisee therein (including, but not limited to voting stock, securities convertible thereto, partnership and sole proprietorship interests), may be voluntarily, involuntarily, directly or indirectly assigned, sold, issued or otherwise transferred by Franchisee or its owner(s) until this Agreement and the Restaurant have first been offered to Red Boy as provided in Section 6.3, and, if Red Boy does not accept this offer, without the prior written consent of Red Boy which shall not be unreasonably withheld, provided that the following conditions are met prior to, or concurrently with, the effective date of the assignment:

(a) The proposed transferee meets Red Boy uniform standards of qualification then applicable with respect to all applicants for a Restaurant franchise including, but not limited to financial strength, business experience, profile fit and other relevant business considerations, and

(b) As of the effective date of the transfer, all obligations of Franchisee under all written contracts and agreements between Franchisee and Red Boy are fully satisfied, and

(c) A transfer fee in the amount of Two Thousand Five Hundred Dollars (\$2,500) is paid to Red Boy at least thirty (30) days prior to the effective date of the transfer (this fee will be waived for persons who either directly or through an approved manager have substantial experience in the pizza industry), and

(d) The transferee shall have signed and agreed to be bound by the form of franchise agreement and other ancillary agreements as are then used by Red Boy in the grant of franchises for a Restaurant which shall waive the initial franchise fee and provide for a term equal to the remaining term hereof, provide for the same royalty fees and network fund contributions required in this Agreement and a training and other initial assistance fee equal to Five Thousand Dollars (\$5,000) (this fee will be waived for person who either directly or through an approved manager have demonstrated an ability to pass the Franchisor's training program), and

(e) The proposed transferee attends and satisfactorily completes the then-current training program provided by Red Boy, and

(f) Franchisee assigns to the transferee its leasehold interest in the Premises, and

(g) Except to the extent limited by applicable law, Franchisee and its owner(s) have executed a general release, in form satisfactory to Red Boy, of any and all claims against Red Boy and its affiliates, directors, officers, employees and agents, and

(h) Red Boy shall have approved the material terms and conditions of the assignment, which approval shall not be unreasonably withheld including, without limitation, a determination that the price and terms of payment are not so burdensome as to adversely affect the future operations of the Restaurant by the proposed transferee in compliance with the terms and conditions of the franchise agreement

6.2 Death or Disability Notwithstanding the provisions of Section 6.1, in the event of the death or permanent disability of Franchisee or of a principal owner of Franchisee, or if Franchisee is a corporation or partnership, of the owner of a majority interest therein, the executor, administrator, conservator or other personal representative of such person shall transfer his interest within a reasonable time, not to exceed six (6) months from the date of death or permanent disability, to a third party approved by Red Boy. This transfer, including, without limitation, transfers by devise or inheritance, shall be subject to all of the terms and conditions contained in Section 6.1 hereof, and the following

(a) Appointment of Manager If, after the death or permanent disability of Franchisee, Franchisee's Restaurant is not being managed by a competent and trained manager, Red Boy is authorized, but is not obligated, to immediately appoint a manager for Franchisee's Restaurant until an approved transferee can assume the management of Franchisee's Restaurant. All revenues from the operation of Franchisee's Restaurant during the period of management by a Red Boy appointed manager shall be kept in a separate fund and this fund may be used to meet any and all expenses of Franchisee's Restaurant, including, without limitation, compensation, travel and living expenses of the Red Boy manager

(b) Best Efforts Only Operation of Franchisee's Restaurant during any period of management by Red Boy as contemplated by subparagraph (a) hereof shall be for and on behalf of Franchisee, provided that Red Boy shall only have a duty to utilize its best efforts and shall not be liable to Franchisee or its owner(s) for any debts, obligations or losses incurred by Franchisee's Restaurant during any period in which it is managed by a Red Boy manager

6.3 (a) Right of First Refusal In the event Franchisee desires to make any sale, assignment or other transfer referred to in Section 6.1, Franchisee shall first obtain a bona fide, executed written offer from responsible and fully disclosed purchaser(s) and submit an exact copy of this offer to Red Boy. Red Boy shall have the right, exercisable by written notice delivered to Franchisee, to accept this offer on equal terms and price at any time within thirty (30) days following receipt by Red Boy of the exact copy of Franchisee's offer. If Red Boy does not exercise its right of first refusal, Franchisee may complete the proposed sale, assignment or other transfer pursuant to and on the terms of the offer, and in compliance with all provisions of Section 6.1. In the event the sale, assignment or other transfer is not

completed within sixty (60) days after delivery of the offer to Red Boy or there is a material change in the terms of the sale, assignment or other transfer, Red Boy shall again have a right of first refusal herein provided

(b) Transfer of Major Interest In the event Franchisee desires to make any sale, assignment or other transfer of more than 50% of the capital stock or of the partnership interest of a corporation or partnership organized and wholly owned by Franchisee to which this Agreement has been assigned pursuant to Section 6 4, then Red Boy shall also have the option to purchase not only the interest being transferred but also the remaining interest so that Red Boy shall have a right of first refusal, pursuant to subparagraph (a), to purchase 100% of the interest being transferred. The value of this 100% interest shall be determined on a basis proportionate to the price of the interest initially offered. For example, if a 60% interest is being sold by Franchisee for \$100,000 then the value of the 100% interest would be \$166,666

6 4 Assignment to Franchisee Entity Notwithstanding Section 6 3, it is understood that Franchisee may assign and delegate this Agreement and Franchisee's rights and obligations hereunder to a corporation or partnership organized by Franchisee for that purpose in which Franchisee owns and controls a majority of the equity and voting power of all issued and outstanding stock or of the general partnership interest provided that

(a) There are no more than 4 shareholders (or partnership partners) all of whom are members of Franchisee's immediate family and all of whom are identified to and approved by Red Boy, and

(b) The articles of incorporation, articles of partnership, partnership agreement, bylaws or other organizational documents of the corporation or partnership shall recite that the issuance and assignment of any interest therein is restricted by the terms of Sections 6 1 and 6 3 of this Agreement, and in the case of a corporation all issued and outstanding stock certificates of the corporation shall bear a legend reflecting or referring to the restrictions of Sections 6 1 and 6 3 in a form satisfactory to counsel for Red Boy,

(c) Each shareholder, officer, director or partner of Franchisee shall execute an agreement in form attached to this Agreement as Exhibit 2 undertaking to be bound jointly and severally by the provisions of this Agreement, and

(d) Franchisee shall furnish to Red Boy at any time upon request, in form as Red Boy may require, a list of all shareholders, directors, officers or partners of Franchisee reflecting their respective interests in and positions with Franchisee, and

(e) The corporation or partnership shall at no time engage, directly or indirectly, in any similar business activity other than those directly related to the operation of Franchisee's Restaurant, pursuant to all terms and conditions of this Agreement, and

(f) Red Boy shall be given written notice of the assignment and delegation, and upon compliance with the foregoing, the corporation or partnership shall have all of said rights and obligations, and the term "Franchisee" as used herein shall refer to the corporation or partnership

6 5 Consent Does Not Constitute Waiver Red Boy consent to an assignment or transfer of any interest subject to the restrictions of this Article shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Red Boy right to demand exact compliance with any of the terms or conditions hereof by transferee

6 6 Transfer or Assignment By Red Boy This Agreement is fully assignable by Red Boy and shall inure to the benefit of any assignee or other legal successor to the interest of Red Boy herein

ARTICLE 7

ADDITIONAL LIMITATIONS AND PROVISIONS

7 1 Independent Status This Agreement and the activities pursuant hereto do not and will not be deemed to create any relationship between Red Boy and Franchisee or any other party of agency, partnership, joint venture or employment, or any other relationship except that of franchisor and franchisee Franchisee is and shall be solely an independent contractor and shall at no time act or represent itself to be acting in any other capacity Without limiting the foregoing, Franchisee shall not incur any obligation or indebtedness on behalf of Red Boy, shall only contract or otherwise incur any obligation or indebtedness only in Franchisee's own name, which, if Franchisee is a corporation or partnership, shall at no time include Red Boy's name or Marks or any part thereof, or be so similar thereto so as to be in any way misleading, and Franchisee shall otherwise comply with the provisions of Section 3 11 hereof

7 2 Whole Agreement Amendments This Agreement contains the entire understanding of the parties, except for such additional agreements and understandings as may, concurrently herewith or hereafter be set forth in written agreements executed by both parties hereto This Agreement shall be effective only when executed by a duly authorized representative of Red Boy, and no amendment or addition hereto shall be effective unless in writing, executed by a duly authorized representative of Red Boy and by Franchisee

7 3 No Representations or Warranties Franchisee specifically recognizes and acknowledges that the success of the business venture contemplated by this Agreement depends largely upon the abilities of Franchisee as an independent business person, as well as other factors, such as market and economic conditions beyond the control of Red Boy and Franchisee Franchisee acknowledges entering into this Agreement only after making a thorough, independent investigation of Red Boy's operations and program and the competitive market thereof, and not upon any representation, whether as to profits which Franchisee might expect to realize or otherwise Franchisee acknowledges that there has been no representation or warranty not expressly stated in this Agreement made by Red Boy or any representative thereof or any other person on its behalf, regarding the potential success of Franchisee's business, or otherwise

7 4 Severability, Additional Assurances Should any provision of this Agreement be for any reason held invalid, illegal or unenforceable, that provision shall be deemed

restricted in application to the extent required to render it valid and the remainder hereof shall in no way be affected and shall remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of the invalid illegal or unenforceable provision. If any of the provisions of this contract are inconsistent with applicable state law, then the state law shall apply. Each party agrees to execute and deliver to the other any further documents which may be reasonably required to fully effectuate the provisions hereof. To the extent that Section 5.3(g)(11) is deemed unenforceable by virtue of its scope of area, prohibited business activity or length of time, but may be made enforceable by reductions of any or all provisions thereof, Franchisee and Red Boy agree that Section 5.3(g)(11) shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. Although printed provisions of this Agreement were prepared by Red Boy, this Agreement shall not be construed either for or against Red Boy or Franchisee, but shall be construed in accord with the general tenor of the language to reach a fair and equitable result.

7.5 Remedies It is recognized that performance by Franchisee of Franchisee's obligations hereunder is of unique value, and that non-performance or breach thereof would result in irreparable damage to Red Boy. Accordingly, Franchisee agrees that in the event of any nonperformance or breach, Red Boy shall have the right to secure injunctive or other equitable relief, without bond, but upon due notice, to prevent same, and Franchisee consents to the granting of this relief, in addition, and without prejudice, to any other remedies available to Red Boy at law. Subject to this right on the part of Red Boy, and without prejudice thereto, and subject to any applicable provision of law to the contrary, it is agreed that any controversy or dispute arising out of or in connection with this Agreement and activities hereunder, including any termination or purported termination hereof, shall be settled by arbitration in accordance with the Commercial Arbitration Rules, as then in effect, of the American Arbitration Association, and judgment upon the award rendered by the Arbitrator(s) may be entered in any state or federal court having jurisdiction. It is the intent of the parties that no claim arbitrated hereunder shall be arbitrated on a class-wide basis. In the event that this Agreement is terminated by Red Boy on account of a claimed default hereunder by Franchisee, any objection or claim by Franchisee arising therefrom shall be deemed waived and released unless Franchisee shall deliver to Red Boy written demand for arbitration within twenty (20) days following the effective date of the termination, provided, however, that this waiver and release of claims shall not apply with respect to any claim arising under applicable state law. The failure of either party to object to, or exercise any remedy on account of, any failure or performance hereunder by the other party shall not constitute a waiver of any other failure of performance of the same or different nature.

7.6 Notices All notices required or permitted hereunder shall be in writing, shall be deemed to have been given when received, and shall be personally delivered to or sent by registered or certified mail, return receipt requested, addressed as follows:

To Franchisee

To Red Boy

Antoinette Radwan
RED BOY PIZZA FRANCHISING CORP
4308 Arden Place
Oakland, CA 94602

Either party may change the address for notices by written notice to the other in accordance with the foregoing

7 7 Costs and Attorneys' Fees In any legal action or arbitration proceeding between the parties arising out of or related to this Agreement, the prevailing party shall be entitled to recover its costs and expenses, including reasonable accounting and legal fees

7 8 Successors and Assigns Subject to the above provisions concerning assignments and transfers by Franchisee, this Agreement shall inure to the benefit of and be binding upon the successors, assigns and legal representatives of the parties hereto

7 9 Headings The subject headings of the paragraphs and subparagraphs of this Agreement are included for the purpose of convenience only, and shall not affect the construction or interpretation of any of its provisions

7 10 Governing Law, Jurisdiction Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U S C Sections 1051 et seq) or other applicable state law, this Agreement shall be construed in accordance with, and governed by, the laws of the State of California If a claim is asserted in any legal proceeding, or in arbitration, Franchisee irrevocably submits to jurisdiction of the Superior Court of the State of California and the Federal Court for the Northern District of California, and irrevocably agrees that venue for any such action or arbitration proceeding shall be in the County of Alameda, State of California Franchisee waives any objection to the jurisdiction of such courts or to venue in Alameda County

In Witness Whereof, the parties hereto have executed this Agreement as of this _____ day of _____, 20____

Red Boy Pizza Franchising Corp
("Red Boy")

Red Boy Pizza Restaurant Franchisee
("Franchisee")

By _____

By _____

Title _____

Print Name _____

EXHIBIT 1 TO RED BOY FRANCHISE AGREEMENT

The area within which to locate the Restaurant referred to in subparagraph (a) of Section 2.1 is

The Designated Area referred to in subparagraph (b) of Section 2.1 shall be (check one)

- ☐ there shall be no Designated Area due to population density
- ☐ a quarter-mile radius around the business address of the Restaurant
- ☐ a half-mile radius around the business address of the Restaurant
- ☐ a one mile radius around the business address of the Restaurant

Red Boy Pizza Franchising Corp ("Red Boy")

By _____

Title _____

Red Boy Restaurant Franchisee ("Franchisee")

By _____

Print Name _____

EXHIBIT 2 TO RED BOY FRANCHISE AGREEMENT

Guaranty and Assumption of Franchisee's Obligations

(To be completed only in the event of assignment to a corporation or partnership controlled by Franchisee)

In consideration of, and as required by Section 6 4(c) of the above Franchise Agreement (the "Agreement") each of the undersigned hereby personally and unconditionally

- (1) guarantees to Red Boy Pizza Franchising Corp ("Red Boy") and its successors and assigns, for the term of this Agreement including renewals thereof, that _____ ("Franchisee") 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 the following

- (1) acceptance and notice of acceptance by Red Boy of the foregoing undertakings,
- (2) notice of demand for payment of any indebtedness or 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 or she may have to require that an action be brought against Franchisee or any other person as a condition of liability, and
- (5) any and all other notices and legal or equitable defenses to which he or she may be entitled, including defenses arising by reason of California Civil Code Sections 2806 through 2855

Each of the undersigned consents and agrees that

- (1) his or her direct and immediate liability under this guaranty shall be joint and several,
- (2) he or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so,
- (3) such liability shall not be contingent or conditioned upon pursuit by Red Boy of any remedies against Franchisee 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 Red Boy may from time to time grant to Franchisee 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, including renewals thereof

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on this ____ day of _____, 20__

WITNESS

Signature _____
Print Name _____

GUARANTOR(S)

Signature _____
Print Name _____
Title _____

EXHIBIT C
RESERVATION DEPOSIT

RESERVATION DEPOSIT AGREEMENT

This Reservation Deposit Agreement is entered into this ____ day of _____, _____, by and between Red Boy Pizza Franchising Corp, hereinafter called "Red Boy" and _____ hereinafter called "Prospective Franchisee"

On the basis of the following understandings and recitals, and in consideration of the following promises, the parties hereto agree as follows

Recitals

Section 1 01 Prospective Franchisee's Interest Prospective Franchisee is interested in exploring the possibilities of developing a Red Boy Pizza franchise in accordance with the business system developed by Red Boy

Section 1 02 Receipt of Offering Circular Prospective Franchisee hereby acknowledges receipt of Red Boy's Uniform Franchise Offering Circular, dated _____, _____, and Prospective Franchisee has read and reviewed this circular for at least ten business days

Section 1 03 No Obligation to Grant Franchise Red Boy and Prospective Franchisee agree that the signing of this Reservation Deposit Agreement does not obligate Red Boy to grant a franchise to Prospective Franchisee

Agreement

Section 1 04 Territory Reservation Red Boy agrees to reserve the following area or location for a period of _____ ("reservation period") from the date of the signing of this agreement

Section 1 05 Payment by Prospective Franchisee Prospective Franchisee agrees to pay Red Boy the sum of FIVE THOUSAND DOLLARS (\$5,000 00) concurrently with the execution of this Agreement

Section 1 06 Mutual Covenants Red Boy agrees not to accept any other deposit for the territory described in Section 1 04 during the reservation period Prospective Franchisee agrees to actively and consistently progress toward becoming a member of the Red Boy franchise network during this time

Section 1 07 Application of Payment Proceeds In the event the parties hereto execute a Franchise Agreement within the reservation period referred to in Section 1 04 hereof, the entire sum referred to in Section 1 05 shall be applied by Red Boy towards payment of the initial franchise fee

Section 1 08 Nonrefundable Payment If the parties are unable to sign a Franchise Agreement within the reservation period, no portion of the payment referred to in Section 1 05 shall be refundable, the parties hereto agreeing that said payment shall represent liquidated damages and shall not be construed as a penalty, for the harm suffered by Red Boy in foregoing other business in the territory during the reservation period

IN WITNESS WHEREOF, the parties to this Agreement have executed same on the day and date above written

Red Boy Pizza Franchising Corp

Prospective Franchisee

By _____

By _____

Print Name _____

Print Name _____

Title _____

EXHIBIT D
ACH Authorization Form

ACH Authorization Form

Business to Debit/Credit Account

Red Boy Pizza Franchising Corp

Authorized Business Name

844 973 3269

Authorized Business Phone Number

4308 Arden Pl

Authorized Business Address

Oakland

City

CA

ST

94602

Zip

Account Holder Information

Account Holder Name

Account Holder Business Name (if business account)

Account Holder Phone

Account Holder Address

City

ST

Zip

Account Holder's Bank Information

Account Holder's Bank Name

Branch City

ST

Zip

Bank Routing Number (9 digits)

Bank Account Number

Account Type ☐ Business Checking

☐ Personal Checking

☐ Savings

1: 123456789 1: 1234567890123 11*

Bank Routing Code

Bank Account Number

How to find your Routing and Account Numbers on a check

Payment Information

Payment Type ☐ Debit ☐ Credit

Description/Goods Purchased/Services Rendered

Frequency ☐ One-Time

☐ Recurring

Payment Date

First Payment Date

Number of Payments

or ☐ Open Ended

Amount of Payment

\$ or ☐ Variable Amount

Amount per Payment

Frequency ☐ Weekly ☐ Bi weekly ☐ Monthly
☐ Quarterly ☐ Semi annually ☐ Annually

Authorization

☐ Single Use

I hereby authorize the above named Business to Debit or Credit the Bank Account referenced herein via the Automated Clearing House system according to the parameters specified herein. This authority will remain in effect until the payment(s) are completed as specified herein. If a payment is returned for any reason I acknowledge that I am subject to a rejected item fee of \$25 or the maximum amount allowed by law.

☐ Until Revoked

I hereby authorize the above named Business to Debit or Credit the Bank Account referenced herein via the Automated Clearing House system. This authority will remain in effect until revoked in writing by the undersigned account holder. If the payment is returned for any reason I acknowledge that I am subject to a rejected item fee of \$25 or the maximum amount allowed by law.

Signature of Account Holder

Print Name of Account Holder

Date

FIRST

EXHIBIT E
GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

Guaranty and Assumption of Franchisee's Obligations

(To be completed only in the event of assignment to a corporation or partnership controlled by Franchisee)

In consideration of, and as required by Section 6 4(c) of the above Franchise Agreement (the "Agreement") each of the undersigned hereby personally and unconditionally

(1) guarantees to Red Boy Pizza Franchising Corp ("Red Boy") and its successors and assigns, for the term of this Agreement including renewals thereof, that _____ ("Franchisee") 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 the following

(1) acceptance and notice of acceptance by Red Boy of the foregoing undertakings,

(2) notice of demand for payment of any indebtedness or 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 or she may have to require that an action be brought against Franchisee or any other person as a condition of liability, and

(5) any and all other notices and legal or equitable defenses to which he or she may be entitled, including defenses arising by reason of California Civil Code Sections 2806 through 2855

Each of the undersigned consents and agrees that

(1) his or her direct and immediate liability under this guaranty shall be joint and several,

(2) he or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so,

(3) such liability shall not be contingent or conditioned upon pursuit by Red Boy of any remedies against Franchisee 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 Red Boy may from time to time grant to Franchisee 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, including renewals thereof

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on this ____ day of _____, 20__

WITNESS

Signature _____
Print Name _____

GUARANTOR(S)

Signature _____
Print Name _____
Title _____

EXHIBIT F
STATE FRANCHISE ADMINISTRATORS

We intend to register this Disclosure Document as a “franchise” in some or all of the following states, in accordance with the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Commissioner of Business Oversight Department of Business Oversight 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 876-7500 Toll free (866) 275-2677	MICHIGAN Consumer Protection Div., Franchise Section Attn: Kathryn A. Barron 670 G. Mennen Williams Building Lansing, Michigan 48913 (517) 373-7117
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	MINNESOTA Commissioner of Commerce Department of Commerce 85 7 th Place East, Suite 500 St. Paul, Minnesota 55101 (651) 296-4026
ILLINOIS Robert Tingler, Esq. Chief, Franchise Division 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	NEW YORK Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, New York 10271 (212) 416-8211
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	NORTH DAKOTA North Dakota Securities Department 600 Boulevard Avenue, State Capitol Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	RHODE ISLAND Securities Division Department of Business Regulation John O. Pastore Center Bldg. 69, First Floor 1511 Pontiac Avenue Cranston, RI 02920 (401) 277-3048
SOUTH DAKOTA Director of Division of Securities 445 E. Capitol Avenue Pierre, South Dakota 57501-2017 (605) 773-4013	WASHINGTON Department of Financial Institutions General Administration Building Securities Division – 3rd Floor West 150 Israel Road S.W. Tumwater, Washington 98501 (360) 902-8760

VIRGINIA

Director, Securities and Retail Franchising Div
State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9051

WISCONSIN

Office of the Commissioner of Securities
345 West Washington Avenue, Fourth Floor
Madison, Wisconsin 53703
(608) 261-9555

AGENTS FOR SERVICE OF PROCESS

We intend to register this Disclosure Document as a "franchise" in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA Commissioner of Business Oversight Department of Business Oversight 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll free (866) 275-2677	MICHIGAN Dept. of Commerce, Corp'ns & Securities Bureau 670 Law Building 525 West Ottawa Lansing, Michigan 48913 (517) 373-7117
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	MINNESOTA Commissioner of Commerce 85 7 th Place East Suite 500 St. Paul, Minnesota 55101 (612) 296-4026
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	NEW YORK New York State Department of State Division of Corporations Second Floor 41 State Street Albany, New York 12231
INDIANA Indiana Secretary of State 201 State House Indianapolis, Indiana 46204 (317) 232-6681	NORTH DAKOTA North Dakota Securities Commissioner 600 Boulevard Avenue, State Capitol Fifth Floor Bismarck, North Dakota 58505-0510
MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	RHODE ISLAND Director of Department of Business Regulation John O. Pastore Center Bldg. 69, First Floor 1511 Pontiac Avenue, Cranston, RI 02920 (401) 277-3048
SOUTH DAKOTA Director of Division of Securities 445 E. Capitol Avenue Pierre, South Dakota 57501-2017 (605) 773-4013	WASHINGTON Director of Department of Financial Institutions General Administration Building Securities Division – 3rd Floor West 150 Israel Road S.W. Tumwater, Washington 98501 (360) 902-8760

VIRGINIA

Clerk of the State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9733

WISCONSIN

Commissioner of Securities
345 West Washington Avenue, Fourth Floor
Madison, Wisconsin 53703
(608) 261-9555

EXHIBIT G
SAMPLE OF REQUIRED COMPUTER SYSTEM

SAMPLE OF REQUIRED COMPUTER SYSTEM

QTY	DESCRIPTION	PRICE	EXT
1	Dell OptiPlex 780T Windows XP Touchscreen Manager Station Intel Processor, 2 GB RAM, 80 GB SATA HDD, Gigabit Ethernet, 16XDVD RW SATA Win XP-Pro, <u>15" LCD Flat Panel Touchscreen Monitor</u> Keyboard/Skin, 56K Fax Modem		
3	Dell OptiPlex 780s Windows XP Touchscreen Station Intel Processor 1 GB RAM, 80 GB SATA HDD, Gigabit Ethernet, Windows XP-Pro <u>15" LCD Flat Panel Touchscreen Monitor</u> Keyboard & Skin		
1	Network Kit - Windows with Broad Band Connection 900VA Uninterruptible Power Supply, Network Cables, 10/100Base-T Cable/DSL Router and PC Anywhere Software (Host Only)		
1	System Integration		
1	*** Customer Supplied *** Reports Printer		
1	Epson TM-U220 Auto-Cutting Kitchen Receipt Printer		
3	Epson TM-T88 IV Thermal, Auto-Cutting Receipt Printer		
1	Cash Drawer>Slotted<		
4	Magnetic Card Reader		
4	Blometric Fingerprint ID Module & Fingerprint Reader		
1	4 Line Caller-ID Interface Unit		
1	PrISM for Windows (tm) POS Software 4 - User License Manager, Touch POS Routing, Gift & House Accts, Makeline & Market Modules		
1	PrISM WebOrder Interface Setup & Initial Menu Changes (includes 4 hours of menu setup)		
1	PrISM WebOrder Monthly (Discounted from Monthly Charge \$100) (Charged automatically after initial 30 days RCF Required prior to initial setup)		
1	StoreNet (tm) Inter-Store Polling Client License		
1	Microsoft MapPoint with PrISM Interface		
1	AVG Anti-Virus plus Spyware Network Edition 3-5 User - 2 year subscription		
1	ACH Digitized Street Database with Sectors		
1	Quickbooks Interface Module and Setup>1		
1	PCCharge Payment Server & PrISM ICCM Access License W/Set-Up		
1	Merchant Information Setup Fee for Credit Card Validation Software		
1	Menu Interview & Programming / Transfer		
1	TOTAL		
1	Free (12) Months Technical Support from the date shipped (\$1,000 value)		
1	Red Boy Pizza Discount		
1	Shipping		
	GRAND TOTAL		

**EXHIBIT H-1
LIST OF ACTIVE FRANCHISED OUTLETS**

Marcelo Betti
459 Entrada Dr
Novato, CA 94930
(415) 382-7711

Luciano B Oliveira
2044 Fourth Street
San Rafael, CA 94901
(415) 258-0420

Frankie Tran
580 Magnolia Avenue
Larkspur, CA 94939
(415) 924-3131

Graciela Chavira
2404 Sir Francis Drake Blvd
Fairfax, CA 94930
(415) 453-3138

James Radwan*
RB Brands
401 Kenilworth Drive
Petaluma, CA 94952
(707) 765-1300

United Dmp Group
4100 Redwood Road, Suite 15
Oakland, CA 94619
(510) 531-3330

*This unit changed owners from Marcelo Betti to James Radwan on 11/24/2015

EXHIBIT H-2
LIST OF COMPANY-OWNED OUTLETS

JJR Investments Group Inc
1500 Leimert Blvd
Oakland, CA 94602
(510) 531-9999

EXHIBIT H-3
LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

Celso Miranda
2776 Desert Rose Lane
Santa Rosa, CA 95407
Telephone (415) 298-0829

Marcelo Betti*
940 Diablo Avenue
Novato, CA 94947
(415) 897-1180

*This franchisee still owns one unit in the system

EXHIBIT I
RECEIPTS

**RECEIPT
(YOUR COPY)**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you fourteen (14) calendar days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale except:

Under Iowa or Maine law, if applicable, we must provide this disclosure document to you at the earliest of:

- 1 The first personal meeting to discuss our franchise, or
- 2 Fourteen calendar days before signing of a binding agreement, or
- 3 Fourteen calendar days before payment to us.

If we offer you a franchise subject to the franchise laws of Indiana, Michigan, Washington, or Wisconsin, we must provide this disclosure document to you by the earliest of:

- 1 Ten business days before signing of a binding agreement, or
- 2 Ten business days before payment to us,
- 3 Fourteen calendar days before signing a binding agreement or making a payment to us.

If we offer you a franchise subject to the franchise laws of New York, Oklahoma, or South Dakota, we must provide this disclosure document to you by the earliest of:

- 1 The first personal meeting to discuss our franchise, or
- 2 Ten business days before signing of a binding agreement, or
- 3 Ten business days before payment to us,
- 4 Fourteen calendar days before signing a binding agreement or making a payment to us.

The name, principal address and telephone number of each franchise seller offering the franchise:

Issuance Date: February 9, 2017

The Franchisor authorizes the Agents for Service of Process listed in Exhibit F to receive service of process for the Franchisor.

I have received a Franchise Disclosure Document dated _____ that includes the following exhibits:

- A Red Boy Pizza Franchise Agreement (Exhibit "A")
- B Financial Statements (Exhibit "B")
- C Reservation Deposit Agreement (Exhibit "C")
- D Automatic Bank Draft Authorization Form (Exhibit "D")
- E Guaranty and Assumption of Franchisee's Obligations (Exhibit "E")
- F List of State Franchise Administrators
- G Sample of Required Computer System (Exhibit "G")
- H-1 Active Franchised Outlets (Exhibit "H-1")
- H-2 Company Owned Outlets (Exhibit "H-2")
- H-3 Franchisees Who Have Left the System (Exhibit "H-3")
- I Receipts (Exhibit "I")

_____ Date	_____ Signature	_____ Printed Name
_____ Date	_____ Signature	_____ Printed Name

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Date	Signature	Printed Name
Date	Signature	Printed Name

Please sign this copy of the receipt, date your signature, and return it to Antoinette Radwan or Farid Radwan, Red Boy Pizza Franchising Corp., 4308 Arden Place, Oakland, California 94602.