FRANCHISE DISCLOSURE DOCUMENT

RHB Franchising, LLC
a Delaware limited liability company
123 South White Street, Suite 203
Wake Forest, North Carolina 27587
(888) 509-7100 www.redhotandblue.com

RED HOT & BLUE® Restaurants are restaurants with distinctive décor, features and standards specializing in authentic smoked barbecue and ribs and Southern-style food. RED HOT & BLUE® Restaurants play blues, country, bluegrass and other music of the American South on their sound systems and display related music and other memorabilia on their walls.

The total estimated investment necessary to begin operation of a full-service RED HOT & BLUE® Restaurant ranges from $994,100 to $1,967.000. This includes $35,000 that must be paid to RHB Franchising, LLC.

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, RHB Franchising, LLC or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this Disclosure Document.**

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, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission ("FTC"). 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: April 30, 2023

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 franchises 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 franchise administrator listed in the State Agency Exhibit for information about RHB Franchising, LLC 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 LITIGATION ONLY IN NORTH CAROLINA. OUT-OF-STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT OF DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE OR LITIGATE WITH US IN NORTH CAROLINA THAN IN YOUR OWN STATE.

2. THE FRANCHISE AGREEMENT STATES THAT NORTH CAROLINA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: See next page for state effective dates

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	**Effective Date**
California	Not Registered
Hawaii	Not Registered
Illinois	Not Registered
Indiana	Not Registered
Maryland	Not Registered
Michigan	Not Registered
Minnesota	Not Registered
New York	Not Registered
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	Pending
Washington	Not Registered
Wisconsin	Not Registered

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

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APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT, AND MIGHT REQUIRE AN ADDENDUM TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES AND ADDENDA, IF ANY, APPEAR IN EXHIBIT C.

ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

Franchisor

RHB Franchising, LLC is the Franchisor, and is referred to in this Franchise Disclosure Document as "Red Hot & Blue," "Franchisor," "we" or "us." The restaurant franchise offered and sold by Red Hot & Blue is referred to in this Franchise Disclosure Document as the "RED HOT & BLUE® Restaurant" or the "Restaurant." "You" means the person or entity who buys the franchise from Red Hot & Blue. If the franchise is purchased by a corporation, limited liability company, partnership or other entity, then "you" may also mean the shareholders, members, partners or other owners of that entity.

RHB Franchising, LLC is a Delaware limited liability company formed in June, 2018 that does business under its entity name. The principal business address of Red Hot & Blue is 123 South White Street, Suite 203, Wake Forest, North Carolina 27587. Red Hot & Blue does not conduct any other business, and does not offer franchises for any other line or type of business, other than the franchises being offered in this Franchise Disclosure Document. The agents for service of process on Red Hot & Blue are listed in the State Agency Exhibit attached to this Franchise Disclosure Document.

Agents for Service of Process can be found in Exhibit D of this Franchise Disclosure Document.

Parents, Predecessors and Affiliates of Red Hot & Blue

RHB Franchising, LLC is a wholly-owned subsidiary of Red Hot & Blue, LLC, formerly known as RHB Acquisition, LLC. Red Hot & Blue, LLC is a Delaware limited liability company formed in February, 2018, then known as RHB Acquisition, LLC, and it currently maintains the same business address as RHB Franchising, LLC. Red Hot & Blue LLC has not and does not operate RED HOT & BLUE® Restaurants, or offer franchises for RED HOT & BLUE® Restaurants or franchises in any other line of business. Red Hot & Blue, LLC is a wholly owned subsidiary of RHB Holdco, LLC, a Delaware limited liability company formed in February, 2018 with the same business address as RHB Franchising, LLC, and which has not and does not operate RED HOT & BLUE® Restaurants, or offer franchises for RED HOT & BLUE Restaurants or franchises in any other line of business. AJB Capital, LLC, a North Carolina limited liability company, controls directly RHB Holdco, LLC, and is the indirect parent of RHB Franchising, LLC. AJB Capital, LLC is located at 123 South White Street, Wake Forest, North Carolina 27587.

On April 26, 2018, Red Hot & Blue, LLC, then known as RHB Acquisition, LLC, acquired the assets of Red Hot & Blue International, LLC, a predecessor franchisor of RED HOT & BLUE® Restaurants and a Delaware limited liability company. Red Hot & Blue, LLC, formerly known as RHB Acquisition, LLC, also acquired Red Hot & Blue System assets of various other companies and individuals previously affiliated with Red Hot & Blue International, LLC, including Dancing Pigs, LLC, a Delaware limited liability company. The principal office of Red Hot & Blue, LLC's predecessors, Red Hot & Blue International, LLC and Dancing Pigs, LLC, was 154 Charlois

Boulevard, Winston-Salem, North Carolina 27103. Currently there is one company-owned RED HOT & BLUE® Restaurant. Red Hot & Blue International, LLC granted franchises for RED HOT & BLUE® Restaurants from December, 2006 until April 26, 2018. RHB Franchising, LLC has been offering franchises since 2018. As of the date of this FDD there were 4 operating franchised RED HOT & BLUE® Restaurants (see Item 20 and Exhibit A), including one unit temporarily closed for remodeling. Neither Franchisor nor any affiliate offers franchises in any other line of business. Except as disclosed below in Item 8, Franchisor, its parents and its affiliates do not provide products or services to franchisees of Red Hot & Blue.

<u>Franchised Business</u>

Franchisor grants franchises for the operation of a RED HOT & BLUE® Restaurant, that includes an area of exclusivity of a three-mile radius around the RED HOT & BLUE® Restaurant known as a Protected Area. The Protected Area excludes: college or university campuses, military facilities, airports, entertainment parks, interstate service plazas, regional malls and shopping centers, stadiums and sporting arenas; packaged foods sold to customers, distributors and retailers in the Protected Area. The Protected Area also excludes other Restaurants previously existing in the Protected Area, or other previously existing rights to franchise, develop or acquire Restaurants; other restaurants under brands and trademarks other than RED HOT & BLUE®.

RED HOT & BLUE® Restaurants are full-service casual dining restaurants with table service specializing in authentic smoked barbecue and Southern-style food served on-site at the Restaurant. In future franchise offerings we may offer a fast casual counter-service approach with limited seating and no table service. Offsite catering and delivery can be offered only with the prior written approval of Red Hot & Blue and are subject to the standards and specifications established by Red Hot & Blue. Each Restaurant uses proprietary recipes and technology in smoking equipment, all under the service mark "RED HOT & BLUE®" and logo, and other trademarks, logos, emblems and indicia of origin ("Proprietary Marks") and in association with distinctive décor, features and standards. The dining area is typically decorated with authentic blues memorabilia and each Restaurant plays blues, country, bluegrass and other music of the American South on its sound system and displays related music and other memorabilia on its walls, and includes unique trade dress, color schemes, patters, designs, décor and furnishings ("Trade Dress"). Typically, RED HOT & BLUE Restaurants will offer alcoholic beverages.

As part of the RED HOT & BLUE franchised business, Franchisor also offers and is further developing an internet-based ordering system referred to as a Delivery Fulfillment Center through which each Franchisee shall forward or place all orders for food intended for off-site consumption, including catering, delivery and take-out orders. Food intended for off-site consumption are referred to as Special Orders. Franchisees may only service Special Orders through the Delivery Fulfillment Center. Franchisor has the sole discretion as to the assignment of Special Orders for fulfillment except for those within a franchisee's protected area, if any. Generally, Special Orders are awarded to franchisees based upon proximity to the place of delivery and any history of previous fulfillment by a franchisee unless an order is refused by a franchisee. The procedures and processes for the operation of the Delivery Fulfillment Center, or the amendment or termination of the Delivery Fulfillment Center will be further developed in the Manual.

The market for restaurants specializing in barbecue and ribs cuisine is developing. The restaurant business is highly competitive for pricing, service, restaurant location, and food quality, and is subject to changes in consumer taste, economic conditions, population and travel patterns. You will compete with locally-owned restaurants, including others that offer barbecue and ribs, as well as with national and regional restaurant chains. RED HOT & BLUE® Restaurants also compete for management personnel and kitchen staff, as well as for commercial real estate and lease sites suitable for restaurants. No officer of Red Hot & Blue owns any ownership interests in an entity that competes with RED HOT & BLUE® Restaurants.

Regulations Specific to the Restaurant Industry

The restaurant industry is heavily regulated. Many of the laws, rules and regulations that apply to businesses generally have particular applicability to restaurants. All RED HOT & BLUE® Restaurants must comply with federal, state and local laws applicable to the operation and licensing of restaurant businesses, including obtaining all applicable health permits and inspections and approvals by municipal, county or state health departments that regulate food and liquor service operations. Your RED HOT & BLUE® Restaurant must also meet applicable municipal, county, state and federal building codes and handicap access codes. You should consider these laws and regulations when evaluating your purchase of a franchise.

You must secure a liquor license to sell alcoholic beverages at your Restaurant. The difficulty and cost of obtaining a liquor license, and the steps for securing and maintaining the license, vary greatly from area to area. There is also wide variation in state and local laws and regulations that govern the sale of alcoholic beverages. In addition, state dram shop laws give rise to potential liability for injuries that are directly or indirectly related to the sale and consumption of alcohol.

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

The Federal Clean Air Act and various state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particles, including caps on emissions from commercial food preparation. Some state and local governments also regulate indoor air quality, including limiting the use of tobacco products in public places, such as restaurants.

ITEM 2

BUSINESS EXPERIENCE

Adam Bradley—Manager and Chief Executive Officer

Mr. Bradley has served as our Manager since February 14, 2019, and has served as our Chief Executive Officer since March 19, 2019. Mr. Bradley has served as Fund Manager and is the Manager of the investment firm AJB Capital located in Wake Forest, North Carolina since March, 2007.

George Piazza—Vice President of Operations

Mr. Piazza has served as our Vice President of Operations since July, 2021 to the present in Wake Forest, North Carolina, and our Director of Operations from March, 2019 to July, 2021 in Winston-Salem, North Carolina. From November, 2018 until March, 2019, Mr. Piazza was the owner and proprietor of True North, a marketing and consulting company in Winston-Salem, North Carolina, and provided services as an independent contractor for us.

George Westberry

Mr. Westberry has served as our Director of Marketing Initiatives from July, 2021 to the present in Wake Forest, North Carolina, and from July, 2018 until July 2021, Mr. Westberry served as our Director of Strategic Initiatives in Winston-Salem, North Carolina. From, June, 2015 to July, 2018, Mr. Westberry served as Director of Catering Sales, for Dancing Pigs, LLC, our predecessor in Winston-Salem, North Carolina.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

There is no bankruptcy required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Initial Fee

If you sign a Franchise Agreement for a single Restaurant, you must pay Red Hot & Blue a nonrefundable Initial Franchise Fee of $35,000. You must pay the Initial Franchise Fee in full when you sign the Franchise Agreement. The amount of the Initial Franchise Fee charged by Red Hot & Blue is uniform and is not refundable.

In 2022, we did not sell any franchisees and therefore did not receive any Initial Fees.

ITEM 6

OTHER FEES

Type of Fee	Amount	Date Due	Remarks (1)(2)
Weekly Royalty Fees	Five Percent (5%) of weekly Gross Sales (3)	Monday or other designated day of each week for the preceding one-week period ending on Wednesday	Payable for the entire term of the Franchise Agreement; Gross Sales include the total dollar sales for your Restaurant, but not sales, use or gross receipts taxes or gift card sales.
Additional Catering Fees	Nine Percent (9%) of weekly Gross Sales derived from catering sales and Special Orders(4)	Deducted from revenues directly collected by us, or if not collected by us, payable to us on Monday for the preceding one-week period	Payable for the entire term of the Franchise Agreement; Gross Sales include the total dollar sales for your Restaurant, but not sales, use or gross receipts taxes or gift card sales.
Weekly Contributions to the Marketing Development Fund	Up to 4% of weekly Gross Sales (5)	Monday or other designated day of each week for the preceding week ending on Wednesday	Credited to the Marketing Development Fund controlled by us.

Audit Fees	Amount incurred by us to audit your RED HOT & BLUE® Restaurant business, estimated to range from $2,000 to $5,000.	On demand	Payable only if an audit shows that you understated your Gross Sales by more than 5%.
Transfer Fee	$5,000	On or before the date of the transfer	You must obtain our approval for all transfers and assignments
Collection Costs	Amount incurred by us to collect unpaid fees	On demand	Includes attorneys' fees and costs.
Administrative Fee	$125 per delinquent payment	On demand	Applies to each past due payment payable to us.
Interest Charges	The lesser of 18% per annum or the maximum legal rate allowable by applicable law	On demand	Applies to past due payments payable to us.
Local Advertising	Up to 3% of Gross Sales	Payable to suppliers as incurred	Upon implementation of our local marketing program and requirements you will be required to spend up to 3% of Gross Sales for local marketing of your RED HOT & BLUE® Restaurant. We have discretion as to the percentage of local marketing you will be required to spend but the maximum mandatory percentage of local marketing shall not exceed 3% of Gross Sales.

Review of Unapproved Supplier	You must reimburse us for the expenses it incurs inspecting an unapproved supplier, estimated to range from $750 to $2,000.	Upon receipt of an invoice from us	Payable only if you request that we review and approve an unapproved supplier.

Footnotes:

(1) Each fee is uniformly imposed by and payable by electronic funds transfer ("EFT") to us. Your EFT authorizations will permit us to designate the amount to be withdrawn from your account, and to adjust such amount from time to time for all fees. If you fail at any time to provide the reports of your weekly revenues, then we will have the right, in our sole discretion, to estimate the amount of fees payable by you for that week, and to withdraw the amount of the estimated fees by EFT from your bank account. You will at all times maintain a balance in your account at your bank or financial institution sufficient to allow the appropriate amount to be withdrawn from your account and paid directly to us for all current fees payable by you. The Franchisee will be responsible for all fees imposed by its bank or financial institution in connection with the Franchisee's EFT payment of the fees.

(2) All fees are nonrefundable. Some franchisees may be grandfathered by existing agreements that permit them to pay amounts different from those disclosed in this disclosure document.

(3) Gross Sales "Gross Sales" shall include all revenue from the sale of all services and products related to the Franchised Business, of every type and nature, without limitation, including but not limited to sales from Special Orders, and other sales for catering, delivery and take-out for off-premises consumption, and delivered by third party services; and including services provided in connection with off-premise consumption, and including but not limited to, for example, services of franchisee-provided pit-master, bar services and other off-premises services, whether or not authorized, whether in connection with the Proprietary Marks or not, and whether for cash or credit and regardless of collection in the case of credit; provided, however, that "Gross Sales" shall not include any sales taxes or other taxes collected from customers by Franchisee for transmittal to the appropriate taxing authority.

(4) Additional Catering Fees are payable by you on Special Orders (1) that originate with Franchisor through the Delivery Fulfillment Center, whether or not the order is to be delivered or taken for consumption within or outside your Protected Area; and, (2) Special Orders that originate with you that are intended for delivery outside your Protected Area that we, in our discretion, assign to you. All revenue for Special Orders subject to the Additional Catering Fee shall be collected by us, from which the we will deduct the Additional Catering Fee; and upon collection by us, we will credit you for the remaining revenue collected from the Special Order. If for any reason you receive any revenue

arising from Special Orders, you will pay us the Additional Catering Fee together with the Weekly Royalty Fee you owe us on a weekly basis.

(5) The contribution rate to the Marketing Development Fund is 4% of Gross Sales but we may from time to time in our discretion decrease the percentage of Gross Sales you are required to pay into the Marketing Development Fund for a limited period of time, or until we set a new contribution rate. In 2022 the required contribution by franchisees was 1.75% of Gross Sales, but at all times we reserve the right to increase the percentage contribution to the Marketing Development Fund up to 4% of Gross Sales.

(6) The mandatory contribution rate you will have to the Marketing Development Fund will not exceed 4% of Gross Sales.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure (1)	**Estimated Low Amount**	**Estimated High Amount**	**Method of Payment**	**When Due**	**To Whom Payment Is To Be Made**
Initial Fee	$35,000	$35,000	Lump Sum	See Item 5 of this Franchise Disclosure Document	Franchisor Red Hot & Blue
Building, Landscaping and Improvements (2)(3)	$450,000	$750,000	As Arranged	As Incurred	Suppliers
Wages, Travel and Living Expenses for You and Your	$25,000	$60,000	As Incurred	During Training	Employees, Airlines, Hotels and Restaurants

Management Staff During Training (4)					
Furniture, Fixtures, Supplies, Décor and Equipment (5)	$215,000	$300,000	As Arranged	As Incurred	Supplier or Leasing Company
Architectural, Engineering and Impact Fees	$30,000	$115,000	As Arranged	Before Opening	Suppliers
Signage and Awning Package	$45,000	$60,000	As Arranged	As Incurred	Suppliers
Point-of-Sale and Computer Systems (6)	$19,000	$42,000	As Arranged	As Incurred	Suppliers
Liquor License Costs (7)	$100	$300,000	Lump Sum	Before Opening	Governmental Agencies and for Professional Services
Employee Salaries - 3 Months (8)	$100,000	$125,000	As Incurred	As Incurred	Employees
Miscellaneous (9)	$10,000	$50,000	As Incurred	Before Opening or as Otherwise Arranged	Landlord, Utilities, Government Agencies, Insurance Companies, Attorneys, Accountants and Other Professionals
Grand Opening (10)	$15,000	$30,000	As Arranged	Before Opening	Suppliers

Additional Funds - 3 Months [these figures have not been offset by operating revenues] (11)	$50,000	$100,000	As Incurred	As Incurred	Red Hot & Blue, Landlord, Suppliers and Utilities
Total	$994,100	$1,967,000			

Footnotes:

(1) Payments are not refundable unless otherwise noted. Red Hot & Blue does not offer direct or indirect financing.

(2) These costs include expenses for on-site contractor work, landscaping, masonry, site grading, utilities connections, building improvements, demolition, general contractor work, carpentry, roofing, plumbing, electrical, heating.

(3) RED HOT & BLUE® Restaurants may be located in in-line centers or free-standing buildings and require from 1,250 square feet to 3,000 square feet of floor space. A RED HOT & BLUE® BBQ Theater Restaurant (a smaller RED HOT & BLUE Restaurant) generally requires approximately 2,500 square feet of floor space. The annual cost per square foot of leasing commercial property will vary considerably depending upon location and market conditions and can range from $25 to $60 per square foot. This estimate does not provide for the purchase of land or the construction of a building. If you buy unimproved real estate and construct your Restaurant, the total estimated initial investment for your Restaurant will be significantly higher.

(4) You must pay for the Salaries and Benefits, Travel Expenses and other expenses while you and your Management Staff attend the training program.

(5) This includes the cost of kitchen and bar equipment, registers, booths, bars, small wares, office equipment and supplies. Your furniture, fixtures, décor and equipment may be financed through a bank or other financial institution, leased or purchased outright.

(6) This also includes the cost of the computer hardware, peripherals, and software that will serve as your point-of-sale system, and the maintenance agreement for that system (see Item 11). As of the date of this Franchise Disclosure Document, the cost of a new POS system ranges from $3,000 to $7,000, plus applicable taxes and fees, per restaurant. Additional per-restaurant costs include the following: additional software subscriptions of $4,000 to $5,000 per year, and installation costs of $1,000 to $5.000.

(7) Liquor license costs generally are less than $10,000. However, in isolated instances, you may have to pay up to $300,000 for a liquor license. You should check with the local licensing board to determine the cost of your liquor license.

(8) This estimate does not include the salaries for you or your Management Staff during training.

(9) Miscellaneous fees include such items as security, utility and license deposits, impact fees, insurance premiums for three months, commissions, permits, miscellaneous professional fees related to acquisition of the premises, and professional services such as attorneys and accountants. You should check with the local agency that issues building permits to determine what impact, connection, or other site development fees might be required for the specific site for your RED HOT & BLUE® Restaurant. Environmental impact fees vary significantly for each location, and may range from .5% to 3% of the value of the land.

(10) Our policy is you must spend at least $15,000 on the grand opening of your Restaurant; however, we suggest that you spend $25,000 to $30,000.

(11) During the first three months of operations, you will need additional funds to cover your expenditures for Opening Team Travel Expenses, lease payments, supplies, food and beverage inventories, local advertising, utilities, office supplies, and other miscellaneous operating costs. This estimate has not been offset by any allowance for your operating revenues during this three-month period. Your working capital requirements may increase or decrease depending upon your geographic area, number of employees, labor rates, minimum wage laws, operating revenues and other economic factors. These figures are estimates only, and it is possible that you may have additional or greater expenses during this period. Your costs will vary depending on the size of your RED HOT & BLUE® Restaurant, your geographic area, economic and market conditions, competition, interest rates, wage rates, sales levels attained, and other economic factors.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Obligation to Purchase or Lease Products or Services from Red Hot & Blue or an Affiliate

Certain sauces, rubs and other products are proprietary to us. These products are manufactured or produced only by manufacturers or producers approved by us in writing. You must purchase proprietary products for your RED HOT & BLUE® Restaurant only from the suppliers designated in writing by us, which may include us or an affiliate. If we or an affiliate is the designated supplier, we or the affiliate can sell proprietary products to you at a marked-up price and can make a profit from the sale of these products to you. Red Hot & Blue will provide a written list of the suppliers for proprietary products, and will also notify you of any additions to or deletions from the list.

None of our officers has an ownership interests in any designated or approved suppliers.

Obligation to Purchase or Lease Foods, Beverages and Products under Red Hot & Blue's Restrictions

There are certain foods, beverages and products that are selected by us for consistency in quality and other considerations. These items, such as certain brand name products, are manufactured or produced only by manufacturers or producers approved by us in writing. To ensure that you adhere to the uniformity requirements and quality standards associated with all RED HOT & BLUE® Restaurants, you must purchase these items for your RED HOT & BLUE® Restaurant but may purchase them from any distributor that will supply them. Red Hot & Blue will provide a written list of these selected foods, beverages and products. Red Hot & Blue will also notify you of any additions to or deletions from the list. Currently our general food distributor is Sysco Corporation or its affiliates with whom we have negotiated a general distribution contract under which franchisees may purchase and are required to purchase. You may purchase certain items locally such as produce and cleaning supplies, but you must purchase at least 80% of your total restaurant purchases from Sysco unless we change distributors at a later time.

You must purchase or lease certain foods, beverages and products which satisfy the written standards and specifications established by us. This requirement is necessary to ensure that you adhere to the uniformity requirements and quality standards associated with all RED HOT & BLUE® Restaurants. We will provide you with written standards and specifications for the layout of your RED HOT & BLUE® Restaurant premises, your equipment and signs, the decor of your Restaurant, and certain food and beverage items. We will issue specifications for the insurance you must carry. All liability insurance must name us and our affiliates as additional insureds. You must participate in any gift certificate and/or gift card administration program designated by us from time to time. We determine our standards and specifications at our sole discretion. We may modify our written standards and specifications and you must comply with any modifications. You will be responsible for ensuring that all products and services selected by you will continue to conform to the standards and specifications established by us.

You must also purchase or lease some other foods, beverages and products required for your RED HOT & BLUE® Restaurant from suppliers designated or approved by us. We will provide a written list of designated or approved suppliers for these other foods, beverages and products. We will also notify you of any additions to or deletions from the list. If you want to purchase food, beverages or products subject to approved supplier requirements from a supplier who has not been previously approved by us, then you must, at your expense, send representative samples or specifications of that supplier's goods or services, and certain other information about the supplier's products and business, to us. We will also have the right to inspect the supplier's facilities and you must reimburse us for the expenses it incurs if it conducts an inspection. Within 45 days after receiving the necessary samples and information, we will notify you in writing as to whether the supplier's products or services comply with the uniformity requirements, quality standards and specifications established by us, and whether the supplier's business reputation, delivery performance, credit rating and other relevant information are satisfactory. The criteria for supplier approval are available to franchisees upon request.

We estimate that purchases of food, beverages and products under our requirements, including purchases of proprietary and selected food, beverages and products, purchases of food, beverages and products that meet our standards and specifications and purchases from designated or approved suppliers, will constitute up to 90% of your initial investment and approximately 80% of your ongoing expenditures of operating your RED HOT & BLUE® Restaurant.

Consideration Provided to Us or You from Suppliers

We may negotiate purchasing arrangements with suppliers of food products and equipment for the benefit of its franchise system. We have not established purchasing or distribution cooperatives. We do not provide material benefits to you (for example, renewal or granting additional franchises) based upon your purchase of particular products or services or use of particular suppliers.

Rebates from our soft-drink supplier that are specifically based on the gallonage purchased by Red, Hot & Blue franchisees are made directly to franchisees. We may receive money from our soft drink supplier entitled the Promotional Support Funds, which funds will be placed in our Marketing Development Fund once earned. We will retain rebates received from our general distributor and from other suppliers or vendors we will retain. To the extent these funds are available we will use those funds to offset costs of purchasing support and services for the system. If there are excess funds available after payment of costs of the system purchasing function those excess funds will be deposited for use by the Marketing Development Fund as described in Item 11. We will retain all payments received from suppliers for a designated purpose and such payments will be spent according to the supplier's designated purpose(s).

Our revenues in 2022 were $$518,422. We sold marketing items to franchisees in 2022 in the amount of $2,000. Neither we nor our affiliates sold any other goods, services or supplies to franchisees in 2022.

Except as described above, you are not required to purchase or lease products or services from us or an affiliate, and we will not derive revenue or other material consideration based upon your purchases of products or services from designated suppliers or approved suppliers or based upon your purchases of products or services that must meet our standards and specifications.

ITEM 9

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement 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.

	Obligation	Section in Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	Section V of Franchise Agreement	Item 11
b.	Pre-opening purchases/leases	Section VII of Franchise Agreement	Items 7 and 8
c.	Site development and other preopening requirements	Section V of Franchise Agreement	Items 7 and 11
d.	Initial and ongoing training	Section VII.E. of Franchise Agreement	Item 11
e.	Opening	Section VII.C. and E. of Franchise Agreement	Item 11

f.	Fees	Section IV of Franchise Agreement	Items 5 and 6
g.	Compliance with standards and policies/Operating Manual	Sections IX and X of Franchise Agreement	Items 8, 11 and 14
h.	Trademarks and proprietary information	Section VIII of Franchise Agreement;	Items 13 and 14
i.	Restrictions on products/services offered	Section VII.F-I of Franchise Agreement	Items 8 and 16
j.	Warranty and customer service requirements	Section VII.G-I of Franchise Agreement	
k.	Territorial development and sales quotas	Section I.C. of Franchise Agreement	Item 12
l.	Ongoing product/service purchases	Section VII.I.3, 6 & 7 of Franchise Agreement	Item 8
m.	Maintenance, appearance and remodeling requirements	Section VII.M & N of Franchise Agreement	Item 17
n.	Insurance	Section XIII of Franchise Agreement	Items 7 and 8
o.	Advertising	Section XII of Franchise Agreement	Items 6 and 11
p.	Indemnification	Section XX of Franchise Agreement	
q.	Owner's participation/management/staffing	Section VII.D & E of Franchise Agreement	Item 15

r.	Records and reports	Section XI. of Franchise Agreement	Item 6
s.	Inspections and audits	Sections XI and VII.I.5 & 8 of Franchise Agreement	Items 6 and 11
t.	Transfer	Section XIV of Franchise Agreement	Items 6 and 17
u.	Renewal	Section II.B. of Franchise Agreement	Item 17
v.	Post-termination obligations	Sections XV.D-H and XVI of Franchise Agreement	Item 17
w.	Non-competition covenants	Section XVII of Franchise Agreement	Item 17
x.	Dispute resolution	Section XXV of Franchise Agreement	Item 17
y.	Personal guaranty	Personal Guaranty to Franchise Agreement	Item 15

ITEM 10

FINANCING

We do not offer direct or indirect financing to you. We do not guarantee any note, lease or obligation.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, the Franchisor is not required to provide you with any assistance.

Pre-Opening Obligations

(1) We do not select your site for you but we will review a site that you select for approval and will request information including locations, restrictions, cost, demographics and other considerations prior to reviewing your site. We will approve or disapprove your site based upon site characteristics, access, cost, demographics, traffic and estimated customer counts and other information provided to us by you. Generally, we do not own the site or lease it to you. We may review the proposed Lease for the site you select for your Restaurant. This review will be to determine whether the Lease complies with the terms of the Franchise Agreement, and not to provide any business, economic, legal or real estate advice or analysis. You must construct, furnish and open your Restaurant within 180 days after you and we sign the Franchise Agreement (see section VII.C. of the Franchise Agreement). We may terminate the Franchise Agreement if you do not open the Restaurant within the required 180 days (see section XV.B.1. of the Franchise Agreement), but we may extend the time to open the Restaurant in our discretion.

(2) A site shall only be submitted to us after you have carefully evaluated the site and determined that it meets the criteria, we have communicated to you. We will review the application for site approval and within forty-five (45) days of our receipt of the application, we will approve the proposed site or reject the site with comments as to why it was rejected (see section V.A. of the Franchise Agreement). After you sign the Franchise Agreement and pay the Initial Fee, we will train you and your senior management staff (see sections III.A and VII.E. of the Franchise Agreement and the Training section below in this Item). We do not hire employees for you.

(3) We advise and consult with you in connection with the opening and operation of the Restaurant, and new developments, techniques, and improvements in areas of restaurant management, food preparation, sales promotion and service. We may provide this assistance by sending our employees or representatives to the Restaurant and by providing written materials, on-line programs or DVDs or by conducting meetings. Some assistance may be provided by electronic access (see section III.C. of the Franchise Agreement). We do not set or establish your prices.

(4) We will provide you with a copy of the Manual (see sections III.E. and IX of the Franchise Agreement) which may be in writing or made available electronically. The Manual and its components are confidential and will remain our property during and after the term of the Franchise Agreement.

(5) We will provide information for you to purchase and maintain a sufficient supply of ingredients products, materials, supplies, goods and beverages both at opening of the Restaurant and during its on-going operation, and for you to purchase such items from approved suppliers. (see Section VII.I.2. and VII.K. of the Franchise Agreement). We do not provide these items directly but will provide names and information about suppliers.

(6) We will provide information of the designated and approved suppliers for the goods and services required by us for use or sale in your RED HOT & BLUE® Restaurant (see Section VII.K.

of the Franchise Agreement). We do not provide these items directly but will provide names and information about suppliers, and specifications. We do not deliver or install these items.

(7) We will approve the office and telecommunications equipment, and computer hardware, peripherals and software you use in your RED HOT & BLUE® Restaurant (see section VII.R. of the Franchise Agreement and the Computer System section below in this Item).

Our Continuing Obligations To You During Operation of the Franchise

(1) We will make available from time to time, advice and assistance in marketing and advertising, and local marketing and promotions (see section III.D. of the Franchise Agreement). Upon implementation of our local marketing and promotion program, you will be required to spend up to 3% of Gross Sales on approved local advertising and promotion, although we have the discretion to decrease the required amount you spend on local marketing and promotions. If you fail to meet this minimum requirement, or fail to participate in a local marketing co-operative, we may require you to make your local marketing and promotion payments directly to us for us to spend or contribute to a local marketing co-operative. (see section XII.A. and B. of the Franchise Agreement and the Advertising section below in this Item).

(2) We may make available advertising materials for your adaptation or use (section III.D. of the Franchise Agreement). We have established a Marketing Development Fund which is administered and controlled by us. You will contribute up to 4% of your weekly Gross Sales to the Marketing Development Fund although we have the discretion to decrease the required amount you contribute to the Marketing Development Fund on a year-by-year basis (see section III.E. of the Franchise Agreement, Item 6, and the Advertising section below in this Item

(3) We will conduct as it seems advisable inspections of the Restaurant and make evaluations of products sold (see section III.F. of the Franchise Agreement).

(4) We will provide such training programs from time to time as we deem appropriate (see section III.A of the Franchise Agreement).

(5) We will provide you advice and consultation in connection with the operation of the Restaurant and new developments, techniques and improvements in areas of restaurant management, food preparation, sales promotion and service which may be provided by us by sending our employees or representatives to the Restaurant, or by providing other materials (see section III.B. of the Franchise Agreement.)

Generally, the time to opening of your RED HOT & BLUE® Restaurant will take place approximately six months after the date of the Franchise Agreement, although we may in our discretion extend the time allowable to open the Restaurant. Factors which will affect your opening date include selecting the location for your Restaurant, whether your Restaurant will be operated out of a converted premises or newly constructed building, obtaining the required licenses, including the liquor licenses (if applicable), the delivery of your furniture, fixtures and equipment, acquiring inventory and supplies, obtaining financing (if applicable), hiring and training your employees, and completing the training program. You must obtain approval from us to open your RED HOT & BLUE® Restaurant.

We do not hire your employees for you. You are required to follow all federal, state and local employment law and policy requirement. We do not We do not establish your prices.

Advertising

You will contribute up to 4% of your weekly Gross Sales to the Marketing Development Fund ("Fund"), which is administered and controlled by us (see section VII.E. of the Franchise Agreement and Item 6). The amount of your required contribution to the Fund will be set by us on an annual basis but will not exceed 4% of your Gross Sales. Except as a condition to your participation in designated media programs in your market, you may be required to contribute an allocated amount of the cost of media placement. At all times we reserve the right to increase the required contributions to the Marketing Development Fund up to and not greater than 4% of weekly Gross Sales. We will determine when, how and where the payments deposited into the Fund will be spent. Uses of the Fund include, without limitation, advertising and promotion of the RHB System and other expenses, all as solely determined in the discretion of the Franchisor. Permitted expenditures include, without limitation, the cost of advertising agencies, marketing and consumer research, and social media marketing of all types, the cost of preparing marketing materials for television, radio, print, and billboard advertising campaigns, promotions, mailings, sponsorships, and other public relations activities; the cost of social media, web-site development, internet and electronic advertising and marketing, research; advertising agencies and other specialists to assist therein; promotional brochures and other point-of-purchase marketing materials; product and market research, guest research, real estate research, development of real estate computer models and software; demographic research; franchisee conventions, meetings and expenses related to franchisee meetings; guest satisfaction programs; production development and materials; ad slicks; brochures; table tents, in-store and point-of-purchase advertising; menu boards; signs; public relations; telemarketing; direct mail advertising; promotional programs; advertising market research; graphics and design costs; creation, hosting, software development, upgrades, creation and maintenance for the Red Hot & Blue Website and any additional websites Franchisor may develop, including intranet websites; social media and other electronic promotions, platforms, programs and advertising; and all costs related to the administration of the Fund; and other business products and services Franchisor deems appropriate and in the best interests of the System. Sums paid by Franchisee and other franchisees to the Fund may also be used, without limitation, for such administrative expenses, support and overhead, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the Fund, advertising programs and franchise support, attorneys fees incurred in connection with matters related to the Fund and its activities, salaries, benefits and overhead costs of employees whose responsibilities include: assistance of franchisees and franchise programs, local, regional or national advertising and promotion, conducting market research, preparing marketing and advertising materials, marketing support, administrative support, consultative services, creation and placement of advertising, management of social media and websites and electronic activities, including creation, maintenance and management of internet and intranet systems; and the cost of collecting, accounting for assessments, and financial and strategic analysis for the Fund and the System, including the cost of reasonable attorneys fees incurred from collections made or defenses required on behalf of the Fund's activities; and may also be utilized to pay all or pro-rata portions of Franchisor's costs of doing business including costs of occupancy and maintenance and acquisition of computer hardware and software systems.

We may not spend the monies in the Fund in your market or any particular market and will not have to spend the weekly contributions to the Fund in your market area in proportion to the weekly contributions to the Fund paid by you. We do not have to spend the monies in the Fund in the calendar year in which the payments were made. Payments to the Fund not spent in the calendar year in which they were paid and the interest accrued will remain in the Fund. A summary showing the income to and the expenditures from the Fund during each fiscal year will be prepared by us for each year for the preceding year and copies of the summary will, upon written request, be provided to you. We do not use monies from the Fund to solicit franchise sales although we may use monies from the Fund to create and support our primary website which may have a section or link to Red Hot & Blue franchise sales.

It is a permitted use of the Fund to place media as we consider appropriate. We may create media programs from time to time utilizing the Fund to create and manage such programs but are not required to do so. With regard to media programs we may create or manage in local or regional markets, we may make it a condition that you and other franchisees pay an allocated portion of the cost of media beyond those amounts contributed to the Fund.

We are not required to contribute to the Fund but we may voluntarily do so. The Fund will be audited as part of our annual audit. Franchisees operating under a different form of "grandfathered" franchise agreement may be required or permitted to make contributions of a different amount than you do.

There is no advertising council composed of franchisees that advises Red Hot & Blue on advertising policies.

During 2022, expenditures by Red Hot & Blue from this Advertising Fund were as follows: 79% on production costs (including all amounts paid to our primary advertising agency for a full line of services); and 21% on administrative expenses including legal and accounting expenses.

The source of our advertising materials and programs will be provided by outside agencies paid for by the Marketing Development Fund:

Lehrfeld Group-marketing technology
Anna Parrish Marketing digital advertising
Biz Marquee-Search engine optimization
Budow Design-Graphic Design

We do not have national media coverage. Franchisees may provide local marketing and promotion as part of their local marketing and promotion activity.

You must spend up to 3% of your Gross Sales on approved local advertising and promotion as may be required by us (see section XII.C. of the Franchise Agreement). If you fail to meet this minimum requirement, we may require you to make payments to us directly and we in our discretion may spend on advertising within your marketing area, or contribute to an advertising co-operative covering your DMA. You may conduct advertising or promotion for your RED HOT & BLUE® Restaurant if we have approved your advertising and promotion concepts, materials and media. You may not establish a website or home page for your Restaurant without our consent.

Recognizing the value of cooperative national and regional advertising and marketing, and the importance of standardizing such programs to further enhance the regional and national goodwill and public image of the RHB System, we reserve the right and may in our sole discretion require you to participate along with other franchisees in regional cooperative advertising organizations or programs, established from time to time by us currently or in the future by us or by franchisees for the purpose of advertising and promoting the RHB System within particular designated market areas. In the event of the formation of such cooperative advertising groups, and your participation, we shall permit you to credit a portion of the amount required to be expended for local and regional advertising to any regional program established by any such cooperative arrangement. The substance of creation, structure, mandatory agreements and by-laws and operating procedures of any advertising cooperative may be made at the sole discretion of Franchisor and may be amended in Franchisor's sole discretion. Membership in any advertising co-operative will be based upon one vote per Restaurant in the DMA whether or not the members are franchisees or company operated Restaurants. There are no current, mandatory governing documents but we may establish standard documents that govern advertising co-operatives in our discretion. Advertising co-operatives must report using financial statements on at least a quarterly basis. We have the discretionary authority require cooperatives to be formed, changed, dissolved or merged.

Computer System

The technology used in your Restaurant must meet the standards and specifications that Red Hot & Blue establishes which may be changed or updated from time to time. For each Restaurant you are required to buy a point of sale ("POS") terminal and system with related software, components, terminals and other peripheral equipment. Toast POS platform is our currently required vendor for your POS system. You must acquire and use the Toast POS platform system approved for use in the Red Hot & Blue System. We may designate in the future new computer system requirements including a System-wide POS system, and we may require its use in all new and existing Restaurants. Red Hot & Blue will approve the office and telecommunications equipment, and computer hardware, peripherals and software you use in your RED HOT & BLUE® Restaurant (see section VII.E.(6), (8) and VII.R of the Franchise Agreement).

As of the date of this Franchise Disclosure Document, the cost of a new POS system ranges from \$3,000 to \$7,000, plus applicable taxes and fees, per restaurant. Additional costs include computer and network set up costs of approximately \$1,000 to \$5,000; and additional software licensing costs of \$330 per month (which may vary between \$4,000 to \$5,000 per year). The cost of the system may change and depending on the size and configuration of your Restaurant and the work necessary to adapt and install, there may be additional hardware and software that may increase or decrease your costs. The estimated initial cost of these items is disclosed in Item 7 of this Franchise Disclosure Document. Fax and telecommunications equipment, computer hardware and peripherals, maintenance agreement, and computer software and operating systems are all available through commercial office and telecommunications equipment, and computer hardware and software vendors. You may need to upgrade or update your point-of-sale computer system during the term of the Franchise Agreement. There is no contractual limitation on the frequency and the cost of this obligation. Red Hot & Blue will have independent access to the information and data collected and generated by your point-of-sale computer system.

Training

Red Hot & Blue will train you and your Management. All courses will be taught as often as Red Hot & Blue deems necessary, and will be held at Red Hot & Blue company locations in Red Morrisville, NC and local hotel meeting rooms. The training program will include classroom and on-the-job instruction on the topics selected by Red Hot & Blue, and we will provide in-restaurant experience in one of our restaurants. The instructional materials for the training program will include the Operations Manual and other written materials. The Table of Contents of the Operations Manual can be found in Exhibit F of this Franchise Disclosure Document. The Operations Manual has 337 pages.

The following chart summarizes the current initial classroom training program for franchisees and General Managers. We offer reduced initial training programs using specialized increments of our program for Kitchen Managers and Assistant Managers, and for franchise owners who are not directly involved in management of the Restaurant.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Corporate history and philosophy	5 hours	0	Wake Forest, NC
Pre-opening procedures	25 hours	10 hours	Morrisville, NC
Daily operations	20 hours	50 hours	Morrisville, NC

Accounting and reporting requirements	20 hours	0	Morrisville, NC
Human resources	10 hours	0	Morrisville, NC
Catering	5 hours	15 hours	Morrisville, NC
Pit master training	0	40 hours	Morrisville, NC
Equipment operations	0	10 hours	Morrisville, NC
Recipes and food preparation	0	40 hours	Morrisville, NC
Southern hospitality	0	20 hours	Morrisville, NC
Local store marketing	10 hours	0	Morrisville, NC

All training will be conducted under the supervision and with the participation of our senior leadership and training team (George Piazza, training leader). All instruction will be conducted by instructors who have at least one year of experience with Red Hot & Blue or with restaurant operations.

Initial training is provided to you and your management staff at no additional cost to you. You must pay the Salaries and Benefits, Travel Expenses and all other expenses for all persons who attend training on your behalf. You and your management staff must begin the initial training program at least 60 days before the scheduled opening of your Restaurant and must successfully complete the training program before you open your Restaurant. We may offer additional training sessions which may be required by us, at our discretion, and at your expense from time to time. We may charge fees for additional training at our locations or at your Restaurant upon your request.

Red Hot & Blue will provide additional training if, during the term of the Franchise Agreement, you hire a new member of your management staff who has not attended and successfully completed the training program. The training program will be conducted at RED HOT & BLUE® franchise Restaurants and at another location designated by Red Hot & Blue or at your Restaurant, at the sole discretion of Red Hot & Blue. You must pay Red Hot & Blue the then-current per day on-site training fee and reimburse Red Hot & Blue for the expenses it incurs in providing the training.

You must pay the Salaries and Benefits, Travel Expenses and all other expenses for each new Management Staff member who attends the training program on your behalf.

ITEM 12

TERRITORY

You will not receive an exclusive territory. If you sign a Franchise Agreement, you will operate out of a single "Franchised Location" within a "Protected Area." Your Protected Area will be the area within a three-mile radius of your Franchised Location. Your Protected Area may not be altered or relocated during the term of the Franchise Agreement, except with our prior written approval. You are not restricted from soliciting or accepting orders outside your Protected Area, but you may not sell any of the products or services offered in connection with your Restaurant on a wholesale basis, at any location other than your Restaurant. The continuation of your Protected Area is not dependent upon your achieving a certain sales volume, market penetration or any other contingency. The Franchise Agreement does not grant any options, rights of first refusal or similar rights to you for the acquisition of additional franchises within your Protected Area or contiguous areas.

Franchisee must submit Special Orders for catering, delivery and take-out orders and other off-site consumption to the Franchisor's Delivery Fulfillment Center. If the Special Order is for fulfillment in your Protected Area then you will be assigned to fulfill the order. If the Special Order is for fulfillment outside your Protected Area then Franchisor shall assign fulfillment of the order in its sole discretion to you or may fulfill the Special Order itself or assign it to another franchisee. If the Special Order is received within your Protected Area but is for fulfillment outside your Protected Area, and if we do not assign the Special Order to you, we are not required to pay you any compensation.

It is in our sole discretion to allow you to relocate your RED HOT & BLUE® Restaurant. The factors we may consider in allowing you to relocate an existing Restaurant include whether your new location does not infringe upon and is not located within the exclusive area of any existing or proposed RED HOT & BLUE® Restaurant; and, is not located within any protected area granted to any other franchisee, area developer, master franchisee or subfranchisee of RED HOT & BLUE® Restaurants or is within 10 miles of any other Restaurant owned or operated by us or an affiliate of ours.

We will not franchise, license, develop, own or operate another RED HOT & BLUE® Restaurant in your Protected Area if you sign a Franchise Agreement. However, we have the absolute right within your Protected Area to: (1) develop other restaurant business concepts under other brand names within your Protected Area or Territory; (2) develop RED HOT & BLUE® Restaurants in your Protected Area or Territory if they are located at or within a college or university campus, a military facility, a regional or international airport, a theme or entertainment park, an interstate service plaza, a regional shopping center or mall, or a stadium or arena used for sporting events; (3) market, distribute and sell, on a wholesale or retail basis, packaged food products and other goods under any of the Marks, by direct sale, the Internet, mail order, infomercials, telemarketing or by any other marketing or distribution channels, even if the sales are made to customers, distributors or retailers who are located in your Protected Area; and (4) own, operate, manage, franchise and/or license other individuals or entities to own, manage or operate competitive restaurants in your Protected Area if we or an affiliate of ours has RED HOT & BLUE Restaurants or development rights previously existing or has derived its ownership interests or other rights to RED HOT & BLUE Restaurants after the date of your Franchise Agreement as part of an acquisition or purchase of an interest in, or substantially all of the assets of, another entity. We do not have to pay you if we exercise any of the rights specified above in your Protected Area.

We and our affiliates do not currently have plans to operate or franchise a business under a different trademark that sells goods or services similar to those the franchisee will offer, but we reserve the right to do so at a later time.

ITEM 13

TRADEMARKS

Under the Franchise Agreement, we license you to operate your Restaurant under the name "RED HOT & BLUE®" and to use certain other current and future Marks. You may only use the Marks in the manner authorized by Red Hot & Blue. You may not use any of the Marks as part of your corporate or other name. You must also follow our instructions for identifying yourself and for filing and maintaining the requisite trade name or fictitious name registrations.

The following is the primary Mark that has been registered on the Principal Register of the United States Patent and Trademark Office (the "USPTO"):

Mark	Registration No.	Registration Date
RED HOT & BLUE	5,586,398	October 18, 2018

Section 8 and section 15 affidavits have not yet been filed for renewal. There are no agreements currently in effect which significantly limit Franchisor's rights to use or license the use of the Mark.

The Marks are not registered in any state. There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator in any state or any court, no pending infringement or opposition proceeding, and no pending material litigation involving the Marks. To Franchisor's knowledge, there are no infringing uses which could materially affect your use of these Marks or other related rights in any state.

You must provide us with written notice of any claims made against or associated with the Marks. We have the right to defend any challenge to the Marks made against you, and the right to control any proceedings or litigation brought against you, and to settle any case brought, but we are not required to participate in the defense or indemnity of Franchisee or take affirmative action if notified of a claim. If anyone establishes to the satisfaction of Franchisor that its rights are, for any legal reason, superior to the rights of Franchisor as to any of the Marks, then you must use other service marks, trademarks or trade names required by Franchisor to avoid a conflict with the superior rights.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Red Hot & Blue does not own any patents. We claim copyright on advertising copy and design, menu designs, training videotapes, workbooks, the Manual, and other written materials and items, and will copyright any of these items developed in the future. We and our predecessors have not applied to the U. S. Copyright Office to register these copyrights.

You must keep confidential the Manual, any supplements to the Manual, and any other manuals or written materials used in your RED HOT & BLUE® Restaurant. The Manual contain information about the Restaurant System developed by Red Hot & Blue. We consider this information a trade secret and extremely confidential, and subject to copyright protection. You must use all reasonable means to keep this information confidential and to prevent any unauthorized duplication or reproduction of this information.

You should immediately inform us if you learn of any unauthorized use or infringement of, or challenge to, the copyrighted materials or any of the proprietary or confidential information. We will take the action we deem appropriate, in its sole discretion. If anyone establishes to our satisfaction that its rights to the materials are superior, then you must modify or discontinue your use of the materials as required by us.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You, or a person appointed by you, must serve as the Operating Partner for the Restaurant. The Operating Partner must have at least five years of experience managing a full-service restaurant with annual gross sales of at least $1,500,000, maintain a direct ownership interest in the operating company responsible for the operating and managing your Restaurant of at least 10% and devote his or her full time and best efforts to the operation of the Restaurant.

The operating company responsible for operating and managing your RED HOT & BLUE® Restaurant, or the Restaurants you develop under an Area Development Agreement, must be dedicated solely to developing and operating RED HOT & BLUE® Restaurants, and may not hold any interest in, operate, or manage any other business without the prior written approval of Red Hot & Blue.

If the party entering into the Franchise Agreement with Red Hot & Blue is not an individual, then the entity's owners must agree that during the term of the agreement they will not participate in any competitive restaurant, and that for 12 months after the expiration or termination of the agreement, they will not participate in any competitive restaurant located within 10 miles of your Restaurant(s), within 10 miles of any other RED HOT & BLUE® Restaurant, within any exclusive area granted by Red Hot & Blue, or within 10 miles of any restaurant owned by Red Hot & Blue, and must sign a personal guaranty.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only sell the foods, beverages, and products specified or approved by us in writing. Selling foods, beverages and products that have not been specified or approved by us is a material breach of the Franchise Agreement and, if not cured, is grounds for termination of the Franchise Agreement. You must sell the foods, beverages, and products required by us. We can change the foods, beverages, and products that you must offer. There is no limitation on the right of the Franchisor to change the foods, beverages, and products offered by RED HOT & BLUE® Restaurants. You are not limited to whom you may sell your foods, beverages, and products, but you may not sell any of the foods, beverages, and products offered in connection with your Restaurant on a wholesale basis, at any location other than your Restaurant.

We will provide an ordering system ("Delivery Fulfillment Center") through which you must forward or place all orders for off-site consumption, including all orders for catering, delivery and take-out orders ("Special Orders"). You may only provide for or service Special Orders through the Delivery Fulfillment Center. We have sole discretion as to the assignment of Special Orders for fulfillment for consumption outside your Protected Area, and you may not fill Special Orders independently from assignment of the Special Order to you by us. Processes and procedures for the operation of the Delivery Fulfillment Center and the receipt and fulfillment of Special Orders, and all requirements of the Delivery Fulfillment Center and fulfillment of Special Orders may be amended or terminated, with such changes to be set forth in the Manual or by written instruction by Franchisor on an ongoing basis.

We do not impose other restrictions or conditions that limit your access to customers.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

	Provision	Section in Franchise Agreement	Summary
a.	Length of the franchise term	II.A.	20 years
b.	Renewal or extension of the term	II.B.	Two consecutive terms of ten (10) years each
c.	Requirements for franchisee to renew or extend	II.B	You must give no more than 9 months nor less than 6 months notice; have complied with all material terms and conditions of your current Franchise Agreement; paid all monetary obligations owed to Franchisor and timely met your obligations to Franchisor during the term of the Franchise Agreement; remodeled your Franchised Location; have the right to continue to occupy the Franchised Location; you and your Management Staff have completed the required training; sign the then-current standard Franchise Agreement; and pay the Renewal Fee.
d.	Termination by franchisee	None	Not Applicable
e.	Termination by franchisor without cause	XV.A.	If Franchisee shall become insolvent or if a petition of bankruptcy is filed by Franchisee.
f.	Termination by franchisor with cause	XV.B.	If you breach the Franchise Agreement.

Provision	Section in Franchise Agreement	Summary
g. “Cause” defined – curable defaults	XV.C.	You will have 30 days to cure if you: Fail to pay monies owed Franchisor, fail to pay suppliers, fail to maintain the Restaurant in good condition, fail to obtain Franchisor’s consent as required, refused Franchisor the right to inspect the Restaurant, use of a similar Trademark, seeks to employ a person employed by Franchisor or another franchisee, if a final judgment is left unsatisfied, Franchisee is dissolved or foreclosed, if an approved transfer of a controlling interest in not effected within required time following death or mental incapacity, fails to provide reports or financial information as required, breach of any other provision of the agreement, if you fail to enter Special Orders through the Fulfillment Center.
h. “Cause” defined – non-curable defaults	XV.B.	The Franchisor has the right (subject to state law) to terminate the Franchise Agreement immediately upon notice if you fail to open the Franchise Business, if Franchisee or any shareholder is convicted of a felony or a crime involving moral turpitude, if you or a shareholder purports to transfer an interest in the Franchise Agreement or Franchise Business, if you disclose contents of the Manual or other confidential information, you maintain false books, unauthorized use of Trademarks, loss of possession of the premises, or you cease to operate or abandon the Franchise Business, if any other Franchise Agreement is terminated, if after curing a default you commit the same or similar default within 180 days, or if you are repeatedly in default.

	Provision	Section in Franchise Agreement	Summary
i.	Franchisee's obligations on termination/nonrenewal	XVI	You must immediately cease to operate, cease use of the Proprietary Marks, cancel any registration that uses "Red Hot & Blue", promptly pay all amounts owed Franchisor, pay Franchisor any costs incurred by Franchisor, deliver to Franchisor Manual and other materials, abide by any covenants not to compete.
j.	Assignment of the contract by franchisor	XIV.A.	No restrictions on the right of Franchisor to assign all or part of the Franchise Agreement/
k.	"Transfer" by franchisee – defined	XIV.B.	Includes transfer of the right to operate the Restaurant, or any interest in the Franchise Agreement, the franchise rights and license rights.
l.	Franchisor approval of transfer by franchisee	XIV.B.2	Franchisee may not transfer without the written consent of Franchisor.
m.	Conditions for franchisor approval of a transfer	XIV.B.3.	You must obtain Franchisor's written consent, all monetary obligations to Franchisor and third parties must be paid, you must execute a general release, transferee must assume all your obligations to Franchisor, transferee must be approved and sign the then current Franchise Agreement, and upgrade the Restaurant to current standards; and you must remain liable for obligations owed Franchisor before the transfer; transferee must complete necessary training; you must pay $5,000 transfer fee, and you may not take a security interest in the Restaurant assets.
n.	Franchisor's right of first refusal to acquire franchisee's business	XIV.C	You must offer the Franchise Business to Franchisor if you receive a bona fide offer to purchase.

o.	Franchisor's option to purchase franchisee's business	XV	Upon termination Franchisor has the right to purchase the Franchised Business for lease or purchase.
p.	Death or disability of franchisee	XIV.D	Executor shall transfer the interest in the Franchise Business to a party approved by Franchisor within 12 months after death or mental incapacity. We have the option to purchase the interest if an approved transfer has not occurred within the time required.
q.	Noncompetition covenants during the term of the franchise	XVII.A.2	During the term of the your Franchise Agreement you may not maintain an interest in a restaurant business that competes with any RED HOT & BLUE Restaurant, or any casual dining restaurant business within 20 miles of a RED HOT & BLUE Restaurant; and for two years after the termination of the Franchise Agreement, any restaurant business that sells barbeque pork, barbeque beef or ribs or other items which become featured at RED HOT & BLUE Restaurants
r.	Noncompetition covenants after the franchise is terminated or expires	XVII.A.2.	For one year after the termination of your Franchise Agreement you may not maintain an interest in a restaurant business that competes with any RED HOT & BLUE Restaurant, or any casual dining restaurant business within 20 miles of a RED HOT & BLUE Restaurant; and for two years after the termination of the Franchise Agreement, any restaurant business that sells barbeque pork, barbeque beef or ribs or other items which become featured at RED HOT & BLUE Restaurants.
s.	Modification of the agreement	XXIII	Only by written agreement between you and the Franchisor.
t.	Integration/merger clause	XXIII	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	None	Not Applicable

v.	Choice of forum	XXV.B.	North Carolina (see Notes following chart for state law modifications).
w.	Choice of law	XXV.A.	North Carolina (see Notes following chart for state law modifications).

The Franchise Agreement may contain a number of provisions that could affect your legal rights. We recommend that you carefully review all of these provisions, and each of the agreements attached to this Franchise Disclosure Document in their entirety with a lawyer. The Franchise Agreement and the Area Development Agreement provide for termination upon your bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101, et seq.). Applicable state law might require additional disclosures related to the information contained in the charts in this Item. These additional disclosures appear below.

ITEM 18

PUBLIC FIGURES

We do not use any public figure to promote its franchise. No public figure is involved in the management of the Franchisor.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Mr. Adam Bradley, Chief Executive Officer, RHB FRANCHISING, LLC, 123 South White Street, Suite 203, Wake Forest, North Carolina 27587. (888) 509-7100, the Federal Trade Commission and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1

Systemwide Outlet Summary
For Fiscal Years 2020/2021/2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	8	10	+2
	2021	10	10	0
	2022	10	10	0
Company-Owned	2020	2	0	-2
	2021	0	0	0
	2022	0	1	0
Total Outlets	2020	10	10	0
	2021	10	10	0
	2022	10	5	-5

TABLE NO. 2

Transfers of Outlets from Franchisees to New Owners
(Other Than the Franchisor or an Affiliate)
For Fiscal Years 2020/2021/2022

State	Year	Number of Transfers
Texas	2020	1
	2021	0
	2022	1
Totals	2020	1
	2021	0
	2022	1

TABLE NO. 3

Status of Franchised Outlets For Fiscal Years 2020/2021/2022

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Outlets at End of Year
Maryland	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Missouri	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
North Carolina	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
Texas	2020	3	1	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	3	1
Virginia	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
Totals	2020	8	2	0	0	0	0	10
	2021	10	0	0	0	0	0	10
	2022	10	0	0	0	0	6	4

TABLE NO. 4

Status of Company-Owned Outlets For Fiscal Years 2020/2021/2022

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
North Carolina	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
	2020	1	0	0	0	1	0

Texas	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Virginia	2020	1	0	0	0	1	0
	2021	1	0	0	0	1	0
	2022	0	0	0	0	0	0
Totals	2020	2	0	0	0	2	0
	2021	1	0	0	0	1	0
	2022	0	1	0	0	0	1

TABLE NO. 5

Projected Openings as of December 31, 2022

State	**Franchise Agreements Signed But Outlets Not Opened**	**Projected New Franchised Outlets in Next Fiscal Year**	**Projected New Company-Owned Outlets in Next Fiscal Year**
Virginia	0	1	0
Totals	0	1	0

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

During the last three fiscal years, no current or former franchisees have signed any confidentiality clauses which restrict them from discussing with you their experiences as a franchisee in the RED HOT & BLUE® franchise system.

There are no trademark-specific franchisee associations applicable to you, either created, sponsored or endorsed by Red Hot & Blue, or independent franchisee associations.

The names of all current operational franchisees and the address and telephone number or each of their restaurants as of the date of this disclosure document.

FRANCHISED UNITS

Texas:
North Richland Hills, 9143 Grapevine Hwy #620, North Richland Hills, TX 76180
RHB NRH, LLC - Robert Hubbard (817) 605-1333

Virginia:

Fairfax, 4150 Chain Bridge Rd, Fairfax, VA 22030
3014 Wilson, LLC - Rachid Elkahousani (540) 349-7100

Maryland:
Laurel, 677 Main St, Laurel, MD 20707
Laurel Bar-B-Q Limited Partnership
677 Main St., Inc. – Jeff Edwards (301) 953-1943

Annapolis, 200 Old Mill Bottom Rd, Annapolis, MD 21409
Annapolis Bar-B-Que Management, Inc. – Chris Keller (410) 626-7427

The name, city and state and current business telephone number (of if unknown, the last known home telephone number) of every franchisee who has had an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the disclosure document issuance date.

T.A.L.E.N.T.,Leadership LLC, voluntarily ceased to do business

2225 Chapel Cross Ln. Wylie, TX 75098

(469)756 7382

RHB Leesburg, LLC, voluntarily ceased to do business

541 E. Market St. Leesburg, VA 20176

(703) 669 4242

Sugar Hill BBQ, LLC, voluntarily ceased to do business

6615 Falls of Neuse Rd. Raleigh, NC 27615

(417) 439 4837

AK Bluz Inc., voluntarily ceased to do business

2601 Rangeline Rd. Joplin, MO 64804

(910) 896 1590

ITEM 21

FINANCIAL STATEMENTS

Attached as Exhibit A are the audited financial statements of RHB Franchising, Inc. as of and through December 31, 2020, December 31, 2021 and December 31, 2022; and unaudited quarterly financial statements dated March 31, 2023.

ITEM 22

CONTRACTS

Attached as Exhibit B is the Franchise Agreement.

ITEM 23

RECEIPTS

Exhibit G contains detachable documents acknowledging your receipt of this Disclosure Document. There are two copies of the receipt attached. You must sign both copies, keep one copy for your records, and return one copy to us at: RHB Franchising, LLC, located at 123 South White Street, Suite 203, Wake Forest, North Carolina 27587. Its telephone number is (888) 509-7100.

<u>EXHIBIT A</u>

FINANCIAL STATEMENTS

RHB Franchising, LLC
Profit and Loss by Class
December 26, 2022 - December 31, 2023

	Period 01	Period 02	Period 03	TOTAL
Income				
4101 Management Fees	2,000	2,000	2,000	6,000
4102 Royalties	21,552	22,490	23,553	67,594
Total Income	**23,552**	**24,490**	**25,553**	**73,594**
Gross Profit	**23,552**	**24,490**	**25,553**	**73,594**
Expenses				
6303 Merchant Fees	49	30	40	119
Other G&A				-
Bad Debt	21,962			21,962
Total Other G&A	**21,962**	**-**	**-**	**21,962**
Total Expenses	**22,011**	**30**	**40**	**22,081**
Net Operating Income	**1,541**	**24,460**	**25,513**	**51,514**
Net Income	**1,541**	**24,460**	**25,513**	**51,514**

RHB Franchising, LLC
Balance Sheet
As of March 19, 2023

	Total
ASSETS	
Current Assets	
Bank Accounts	
BofA Franchising 9546	5,171
Total Bank Accounts	**5,171**
Accounts Receivable	
Accounts Receivable	118,760
Total Accounts Receivable	**118,760**
Other Current Assets	
Deposits-In-Transit	-
Total Other Current Assets	**-**
Total Current Assets	**123,931**
Other Assets	
Franchising Agreement	789,915
Franchising Agreement - Accumulated Amortization	(324,700)
Loan due from Ad Fund	71,500
Total Other Assets	**536,715**
TOTAL ASSETS	**660,646**
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Due To/From RHB Ad Fund	(47)
Due To/From RHB LLC	-
Total Other Current Liabilities	**(47)**
Total Current Liabilities	**(47)**
Total Liabilities	**(47)**
Equity	
Distribution	
Distribution to RHB LLC	(746,380)
Distribution to RHB Walnut Street LLC	(461,000)
Total Distribution	**(1,207,380)**
Retained Earnings	1,816,562
Net Income	51,511
Total Equity	**660,693**
TOTAL LIABILITIES AND EQUITY	**660,646**

RHB Franchising, LLC

FINANCIAL STATEMENTS

December 31, 2022 and 2021

PT CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
RALEIGH, NORTH CAROLINA

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PT
CPAs PLLC

James J. Pappalardo, CPA
Joseph V. Turchetti, CPA

Independent Auditor's Report

To the Members
RHB Franchising, LLC
Wake Forest, North Carolina

Report on the Audit of the Financial Statements

Opinion
We have audited the accompanying financial statements of RHB Franchising, LLC (RHB), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RHB as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about RHB's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

PT CPAs PLLC
7610 Falls of Neuse Road • Raleigh, North Carolina 27615 | Tel 919.847.6800 • Fax 919.847.2900 • www.PTcpasnc.com
110 Iowa Lane • Cary, North Carolina 27511 | Tel 919.476.2050

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RHB's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RHB's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

PT CPA'S, PLLC

Raleigh, North Carolina
May 31, 2023

FINANCIAL STATEMENTS

RHB FRANCHISING, LLC
BALANCE SHEETS
December 31, 2022 and 2021

		2022		2021
ASSETS				
CURRENT ASSETS				
Cash	$	5,144	$	166,791
Restricted cash		-		65,000
Loan to Ad Fund		54,000		-
Accounts receivable, net		117,722		67,953
Total current assets		176,866		299,744
INTANGIBLE ASSET, NET				
Franchise Agreements (net of amortization)		216,915		341,065
TOTAL ASSETS	$	393,781	$	640,809
LIABILITIES AND MEMBERS' EQUITY				
MEMBERS' EQUITY		393,781		640.809
TOTAL LIABILITIES AND MEMBERS' EQUITY	$	393,781	$	640,809

See independent auditor's report and accompanying notes to the financial statements

RHB FRANCHISING, LLC
STATEMENTS OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY
For the Years Ended December 31, 2022 and 2021

	2022	2021
ROYALTIES AND OTHER INCOME		
Royalty Income	$ 472,422	$ 547,657
Management fees	46,000	-
Total revenues and other income	518,422	547,657
OPERATING EXPENSES		
Bank fees	1,511	-
Amortization	124,150	124,150
Total operating expenses	125,661	124,150
OPERATING INCOME	392,761	423,507
MEMBERS' EQUITY, BEGINNING	640.809	692.187
MEMBERS' DISTRIBUTIONS	(639,789)	(474,885)
MEMBERS' EQUITY, ENDING	$ 393,781	$ 640,809

See independent auditor's report and accompanying notes to the financial statements

RHB FRANCHISING, LLC
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

		2022		2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$	392,761	$	423,507
Adjustments to reconcile net income to net cash used by operating activities:				
Depreciation and amortization		124,150		124,150
Effects of changes in operating assets and liabilities:				
Loan to Ad Fund		(54,000)		-
Accounts receivable		(49,769)		(20,011)
Net cash provided by operating activities		413,142		527,646
CASH FLOWS FROM FINANCING ACTIVITIES				
Members' distributions		(639,789)		(474,885)
Net cash used by financing activities		(639,789)		(474,885)
CHANGE IN CASH		(226,647)		52,761
CASH, BEGINNING OF YEAR		231,791		179,030
CASH, END OF YEAR	$	5,144	$	231,791
Cash - unrestricted	$	-	$	165,791
Cash - restricted		-		65,000
Total cash	$	-	$	230,791

See independent auditor's report and accompanying notes to the financial statements

NOTE 1 – SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

RHB Franchising, LLC (RHB) was organized in 2018, in North Carolina, to sell franchises under RHB Franchising, LLC. Each franchise has exclusive rights to its geographic territory, within the contiguous United States. During 2022 and 2021 no new franchises were sold.

Revenue Recognition

Revenue from the sale of franchise agreements is recognized at a point in time, as all performance obligations are satisfied, when a franchise agreement is signed by the franchisee, financing has been arranged or collectability is probable and the control of the franchise is transferred to the franchisee. The transaction price is specified in the franchise agreement.

Continuing royalty income is based on a percentage of the gross receipts of each individual franchisee. Revenue from royalties is recognized at a point in time, as all performance obligations to the franchisees are satisfied.

Accounts Receivable

Accounts receivable are recorded at their net realizable value. Management accounts for bad debts using the direct write-off method. Management reviews all outstanding accounts receivable and estimates bad debts based on the age of the accounts, credit worthiness of the customer, access to collateral and historical payments. At December 31, 2022 and 2021 management has determined all accounts receivable to be fully realizable.

Amounts billed to customers are generally due upon receipt and are considered past due after 90 days. RHB does not require collateral to secure accounts and does not accrue finance charges on past due accounts. At December 31, 2022 $90,244 of accounts receivable were over 90 days. At December 31, 2021 there were no accounts receivable greater than 90 days.

Intangible Assets

Intangible assets are carried at historical cost, less accumulated amortization and any recognized impairment loss. Intangible assets are amortized on a straight-line basis, over their estimated useful lives. Intangible assets include franchise agreements purchased in 2018 from the former owner. These agreements are being amortized over the life of their agreement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

RHB is a limited liability company. The members of a limited liability company are taxed on their proportionate share of RHB's taxable income. Accordingly, no provision or liability for income taxes is recognized in these financial statements. RHB's tax returns for the years 2021, 2020 and 2019 are still subject to examination by the Internal Revenue Service.

RHB accounts for uncertainty in income taxes using a recognition threshold of more likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management has determined that there were no tax uncertainties that met the recognition threshold for 2022

Significant Concentrations of Credit Risk

RHB maintains cash deposits at financial institutions during the course of operations. These balances may, at times, be in excess of the federally insured amounts. At December 31, 2022, no amounts on deposit exceed the federally insured limits.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results may differ from those estimates.

Cash and Cash Equivalents

For the purposes of reporting cash flows, cash and cash equivalents includes cash on hand, money market accounts, amounts on deposit with banks and short-term investments with maturities less than 90 days.

Restricted Cash

Restricted cash represents the balance of funds collected from franchisees and suppliers and not yet expended for advertising and marketing purposes. The balance of restricted cash at December 31, 2021 was $65,000. There was no restricted cash at December 31, 2022.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

Leases:
In February 2016, the FASB issued ASU 2016-02 "Leases (Topic 842)" ("ASU 2016-02"). The FASB issued ASU 2016-02 to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under ASU 2016-02, a lessee will recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-to-use asset representing its right to use the underlying asset for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from current GAAP. ASU 2016-02 retains a distinction between finance leases (i.e. capital leases under current GAAP) and operating leases. The classification criteria for distinguishing between finance leases and operating leases will be substantially similar to the classification criteria for distinguishing between capital leases and operating leases under current GAAP. The amendments of this ASU are effective for reporting periods beginning after December 15, 2021, with early adoption permitted. An entity will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. RHB is not obligated under any arrangements that fall under this pronouncement.

Fair Value of Financial Instruments

RHB's financial instruments, which consist primarily of cash and accounts receivable, approximate their fair values.

NOTE 2 – SUBSEQUENT EVENTS

Management evaluated subsequent events through May 31, 2023, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2022, but prior to May 31, 2023 that provided additional evidence about conditions that existed at December 31, 2022, have not been recognized in the financial statements for the year ended December 31, 2022.

RHB Franchising, LLC

FINANCIAL STATEMENTS

December 31, 2021 and 2020

PT CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
RALEIGH, NORTH CAROLINA

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PT
CPAs PLLC

James J. Pappalardo, CPA
Joseph V. Turchetti, CPA

Independent Auditor's Report

To the Members
RHB Franchising, LLC
Winston-Salem, North Carolina

We have audited the accompanying financial statements of RHB Franchising, LLC (RHB), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on my audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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110 Iowa Lane • Cary, North Carolina 27511 | Tel 919.476.2050

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RHB as of December 31, 2021and 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PT CPA'S, PLLC

Raleigh, North Carolina
March 31, 2022

FINANCIAL STATEMENTS

RHB FRANCHISING, LLC
BALANCE SHEETS
December 31, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	$ 166,791	$ 182,030
Restricted cash	65,000	-
Accounts receivable	67,953	44,942
Total current assets	299,744	226,972
INTANGIBLE ASSET, NET		
Franchise Agreements (net of amortization)	341,065	465,215
TOTAL ASSETS	$ 640,809	$ 692,187
LIABILITIES AND MEMBERS' EQUITY		
MEMBERS' EQUITY	640,809	692,187
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 640,809	$ 692,187

See independent auditor's report and accompanying notes to the financial statements

RHB FRANCHISING, LLC
STATEMENTS OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY
For the Years Ended December 31, 2021 and 2020

	2021	2020
ROYALTIES AND OTHER INCOME		
Royalty Income	$ 547,657	$ 349,640
OPERATING EXPENSES		
Bank fees	-	14
Amortization	124,150	114,600
Total operating expenses	124,150	114,614
OPERATING INCOME	423,507	235,026
MEMBERS' EQUITY, BEGINNING	692,187	582,815
MEMBERS' DISTRIBUTIONS	(474,885)	(125,654)
MEMBERS' EQUITY, ENDING	$ 640,809	$ 692,187

See independent auditor's report and accompanying notes to the financial statements

RHB FRANCHISING, LLC
STATEMENTS OF CASH FLOWS
For the Years Ended December 31,2021 and 2020

		2021		2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$	423,507	$	235,026
Adjustments to reconcile net income to net cash used by operating activities:				
Depreciation and amortization		124,150		114,600
Effects of changes in operating assets and liabilities:				
Accounts receivable		(20,011)		(44,942)
Net cash provided by operating activities		527,646		304,684
CASH FLOWS FROM FINANCING ACTIVITIES				
Members' distributions		(474,885)		(125,654)
Net cash used by financing activities		(474,885)		(125,654)
CHANGE IN CASH		52,761		179,030
CASH, BEGINNING OF YEAR		179,030		-
CASH, END OF YEAR	$	231,791	$	179,030
Cash - unrestricted	$	166,791	$	179,030
Cash - restricted		65,000		-
Total cash	$	231,791	$	179,030

See independent auditor's report and accompanying notes to the financial statements

NOTE 1 – SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

RHB Franchising, LLC (RHB) was organized in 2018, in North Carolina, to sell franchises under RHB Franchising, LLC. Each franchise has exclusive rights to its geographic territory, within the contiguous United States. During 2021 and 2020 no new franchises were sold.

Revenue Recognition

Revenue from the sale of franchise agreements is recognized at a point in time, as all performance obligations are satisfied, when a franchise agreement is signed by the franchisee, financing has been arranged or collectability is probable and the control of the franchise is transferred to the franchisee. The transaction price is specified in the franchise agreement.

Continuing royalty income is based on a percentage of the gross receipts of each individual franchisee. Revenue from royalties is recognized at a point in time, as all performance obligations to the franchisees are satisfied.

Accounts Receivable

Accounts receivable are recorded at their net realizable value. Management accounts for bad debts using the direct write-off method. Management reviews all outstanding accounts receivable and estimates bad debts based on the age of the accounts, credit worthiness of the customer, access to collateral and historical payments. At December 31, 2021 and 2020 all accounts receivable were current and management has determined all accounts receivable to be fully realizable.

Amounts billed to customers are generally due upon receipt and are considered past due after 90 days. RHB does not require collateral to secure accounts and does not accrue finance charges on past due accounts. At December 31, 2021 and 2020 there were no accounts receivable greater than 90 days.

Intangible Assets

Intangible assets are carried at historical cost, less accumulated amortization and any recognized impairment loss. Intangible assets are amortized on a straight-line basis, over their estimated useful lives. Intangible assets include franchise agreements purchased in 2018 from the former owner. These agreements are being amortized over the life of their agreement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

RHB is a limited liability company. The members of a limited liability company are taxed on their proportionate share of RHB's taxable income. Accordingly, no provision or liability for income taxes is recognized in these financial statements. RHB's tax returns for the years 2020, 2019 and 2018 are still subject to examination by the Internal Revenue Service.

Significant Concentrations of Credit Risk

RHB maintains cash deposits at financial institutions during the course of operations. These balances may, at times, be in excess of the federally insured amounts. At December 31, 2021, no amounts on deposit exceed the federally insured limits.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results may differ from those estimates.

Cash and Cash Equivalents

For the purposes of reporting cash flows, cash and cash equivalents includes cash on hand, money market accounts, amounts on deposit with banks and short-term investments with maturities less than 90 days.

Restricted Cash

Restricted cash represents the balance of funds collected from franchisees and suppliers and not yet expended for advertising and marketing purposes. The balance of restricted cash at December 31, 2021 was $65,000.

Fair Value of Financial Instruments

RHB's financial instruments, which consist primarily of cash and accounts receivable, approximate their fair values.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

Leases:
In February 2016, the FASB issued ASU 2016-02 "Leases (Topic 842)" ("ASU 2016-02"). The FASB issued ASU 2016-02 to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under ASU 2016-02, a lessee will recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-to-use asset representing its right to use the underlying asset for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from current GAAP. ASU 2016-02 retains a distinction between finance leases (i.e. capital leases under current GAAP) and operating leases. The classification criteria for distinguishing between finance leases and operating leases will be substantially similar to the classification criteria for distinguishing between capital leases and operating leases under current GAAP. The amendments of this ASU are effective for reporting periods beginning after December 15, 2021, with early adoption permitted. An entity will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. RHB is currently assessing the impact the adoption of ASU 2016-02 will have on its Financial Statements.

NOTE 2 – SUBSEQUENT EVENTS

Management evaluated subsequent events through March 31, 2022, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2021, but prior to March 31, 2022 that provided additional evidence about conditions that existed at December 31, 2021, have not been recognized in the financial statements for the year ended December 31, 2021.

EXHIBIT B

FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

THIS AGREEMENT made as of the _____ day of __________,

_______ by and between:

RHB FRANCHISING, LLC

("Franchisor")

and

____

("Franchisee")

Store #_____

[Store address]

DMA:

Restaurant Opening Date: _________________

RHB FRANCHISING, LLC

FRANCHISE AGREEMENT

This Franchise Agreement ("Agreement") is made and entered into as of _____________, 20___, between RHB FRANCHISING, LLC, a Delaware limited liability company ("Franchisor"), and __________________, a ___________ corporation (or a ___________ limited liability company) ("Franchisee").

WHEREAS, Franchisor, as the result of the expenditure of time, skill, effort, and money, has developed and owns a unique and distinctive system (hereinafter "System" or "RHB System") relating to the establishment and operation of full service and take-away barbeque restaurants;

WHEREAS, the distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, color schemes and layout, including specially designed decor and furnishings; a special selection of menu items largely prepared from smoking and barbeque procedures and techniques for food and beverage preparation; prompt and courteous service in a clean, wholesome atmosphere; methods of inventory, operating, cash and financial controls and systems for such controls; a training system utilizing special teaching techniques, course instruction and manuals; catering, delivery and take-out programs, and unique advertising and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time;

WHEREAS, Franchisor identifies the RHB System by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including but not limited to the mark "RED HOT & BLUE'®" and such other trade names, service marks, and trademarks as are now designated (and may hereafter be designated by Franchisor in writing) for use in connection with the RHB System (hereinafter referred to as "Proprietary Marks") and certain unique trade dress, including but not limited to specific color schemes, patterns, designs, decor, furnishings and layout, now or hereafter used by Franchisor in connection with the RHB System (hereinafter referred to as "Trade Dress");

WHEREAS, Franchisor continues to develop, use, and control the use of such Proprietary Marks and Trade Dress in order to identify for the public the source of services and products marketed thereunder and under the RHB System, and to represent the RHB System's high standards of quality, cleanliness, appearance, and service;

WHEREAS, Franchisee desires to enter into the business of operating a RED, HOT & BLUE restaurant under the RHB System and wishes to obtain a franchise from Franchisor for that purpose, as well as to receive the training and other assistance provided by Franchisor in connection therewith; and

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

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party set forth herein, hereby agree as follows:

I. GRANT

A. Franchisor hereby grants to Franchisee, upon the terms and conditions herein contained, the right and franchise, and Franchisee undertakes the obligation, to operate a RED HOT & BLUE restaurant (hereinafter referred to as "Restaurant" or "Franchised Business") and to use solely in connection therewith the Proprietary Marks, the Trade Dress and the RHB System, as they may be changed, improved, and further developed from time to time, only at the location to be set forth in Attachment A hereto, and for a to-be-opened Restaurant shall conform to the site selection provisions of Section V. of this Agreement.

B. Franchisee acknowledges that this franchise is non-exclusive, except as may be otherwise agreed to between the parties hereto, and is granted subject to the terms of Section VIII.C.(6) and VIII.F.(6) hereof.

C. Except as provided to the contrary in this sub-section 1.C., the Franchisee will receive a Protected Area consisting of the area within a three-mile radius from the front door of the Franchised Location (the "Protected Area"), and Franchisor will not have the right to develop or franchise future RED HOT & BLUE® restaurants that are physically located within the Franchisee's Protected Area. Notwithstanding the foregoing, Franchisor, its affiliates and franchisees will have the absolute right to: (a) develop other restaurant business concepts under other brand names, even if the locations for the concepts are within the Protected Area; (b) develop RED HOT & BLUE® restaurants in the Protected Area if they are located on a college or university campus, a military facility, a regional or international airport, a theme or entertainment park, an interstate service plaza, a regional shopping center or mall, or a stadium or arena used for sporting events; (c) market, distribute and sell, on a wholesale or retail basis, packaged food products or other goods under any of the Marks or other brand names, by direct sale, the internet, mail order, infomercials, telemarketing or by any other method of marketing or distribution, even if such sales are made to customers, distributors or retailers who are located in the Protected Area; and (d) own, operate, manage, franchise or license other individuals or entities to own, manage and operate other restaurants in the Protected Area if Franchisor or an affiliate of Franchisor derived its ownership interests or other rights to such restaurants as part of an acquisition or purchase of a majority of the ownership Interests in, or substantially all of the assets of, another entity.

D. Franchisor will provide an ordering system ("Delivery Fulfillment Center") through which Franchisee shall forward or place all orders for off-site consumption, including but not limited to catering, delivery and take-out orders ("Special Orders"), the terms of which may be set forth in the Manual, as amended from time to time. Franchisee may only provide for or service Special Orders through the Delivery Fulfillment Center. Franchisor shall have sole discretion as to the assignment of Special Orders for fulfillment of such Special Orders for consumption outside Franchisee's Protected Area. Notwithstanding other provisions of this Paragraph, processes and procedures for the operation of the Delivery Fulfillment Center and the receipt and fulfillment of Special Orders, and all requirements of the Delivery Fulfillment Center and fulfillment of Special Orders may be amended or terminated, with such changes to be set forth in the Manual or by written instruction by Franchisor on an ongoing basis.

E. If the location of the Restaurant has not yet been determined as of the date of this Agreement, then when the address of the Restaurant is determined, the street address, city and state for the Restaurant will be inserted in Attachment A of this Agreement and signed by both Franchisor and the Franchisee.

II. TERM AND RENEWAL

A. Except as otherwise provided herein, the initial term of this Agreement shall expire twenty (20) years from the date of this Agreement; provided, however, that if Franchisee's approved location is leased, this Agreement shall expire at the earlier of twenty (20) years from the date of this Agreement or upon expiration or termination of the initial term of the lease.

B. Franchisee may, at its option, renew this Agreement for two (2) additional consecutive terms of ten (10) years each, provided that prior to the end of the then-current term:

(1) Franchisee has given Franchisor written notice of its election to renew not less than six (6) months nor more than nine (9) months prior to the end of the applicable term;

(2) Franchisee has made or has provided for, in a manner satisfactory to Franchisor, such renovation and modernization of the Restaurant premises as Franchisor may reasonably require, including, without limitation, renovation of signs, furnishings, fixtures, and decor, to reflect the then-current standards and image of the RHB System.

(3) Franchisee is not in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and Franchisor or Franchisor’s subsidiaries and affiliates;

(4) Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor and its subsidiaries and affiliates;

(5) Franchisee shall have presented satisfactory evidence that Franchisee has the right to remain in possession of the approved location for the applicable renewal term;

(6) Franchisee shall have executed Franchisor's then-current form of franchise agreement, which agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including, without limitation, a higher percentage

royalty fee and advertising contribution; provided, however, that Franchisee shall pay, in lieu of a franchise fee, a renewal fee equal to fifty percent (50%) of the then-current franchise fee;

(7) Franchisee shall execute a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its parents, subsidiaries and affiliates, and their respective officers, directors, agents, and employees; and

(8) Franchisee shall comply with Franchisor's then-current qualification and training requirements.

III. DUTIES OF FRANCHISOR

A. Franchisor shall provide an initial training program to instruct Franchisee and other Franchisees as to the procedures and techniques to be utilized at the Restaurant in order to ensure that Franchisee becomes completely familiar with the RHB System, and shall make available such other training programs as it deems appropriate. All training provided by Franchisor shall be subject to the terms set forth in Section VII.E. of this Agreement.

B. Franchisor shall advise and consult with Franchisee in connection with the operation of the Restaurant and new developments, techniques and improvements in areas of restaurant management, food preparation, sales promotion and service. Franchisor may provide the foregoing assistance by sending its employees or representatives to the Restaurant, by providing publications, other written materials, DVD's or by conducting meetings or seminars. Some or all of these publications or programs may be provided by electronic access by Franchisor and not by printed or physical documents.

C. Franchisor shall make available, from time to time, advice and assistance in marketing or advertising and, at Franchisee's expense, promotional materials for local advertising by Franchisee. Franchisor shall have the right to review and approve or disapprove all advertising and promotional materials which Franchisee proposes to use, pursuant to Section XII.F. hereof.

D. Franchisor shall develop advertising materials under the terms of Section XII. hereof.

E. Franchisor shall provide to Franchisee, on loan, either one printed copy of the Manual as more fully described in Section IX. hereof ("Manual"),or provide Franchisee with electronic access to the Manual.

F. In the interest of maintaining high standards of quality, cleanliness, appearance, and service, Franchisor shall conduct, as it deems advisable, inspections of the Restaurant, and evaluations of the products sold and services rendered at the Restaurant.

IV. FEES

A. Franchisee shall pay to Franchisor a franchise fee at the time this Agreement is executed in the amount of Thirty-Five Thousand Dollars **($35,000.00)**, which sum shall be deemed fully earned and nonrefundable in consideration of administrative and other expenses incurred by Franchisor in granting this franchise and for Franchisor's lost or deferred opportunity to franchise others.

B. Franchisee shall pay to Franchisor a continuing weekly royalty fee in an amount equal to five percent (5%) of the Gross Sales of the Restaurant, as defined in Section IV.F. hereof, ("Weekly Royalty Fee"). The Weekly Royalty Fee will be payable by the Franchisee on Monday of each week (or such other day of the week as may be designated in writing by the Franchisee) for the preceding one-week period ending on Wednesday of each week. The Weekly Royalty Fee will be payable by the Franchisee during the entire term of this Agreement and will be paid by the Franchisee by electronic funds transfer ("ETF") as provided in Section IV.E. of this Agreement.

C. In addition to the Weekly Royalty Fee (5% of Gross Sales), Franchisee shall pay to Franchisor an additional fee in the amount of nine percent (9%) of Gross Sales ("Additional Catering Fee") arising from Special Orders (1) that originate with Franchisor through the Delivery Fulfillment Center, whether or not the order is to be delivered or taken for consumption within or outside Franchisee's Protected Area; and, (2) Special Orders that originate with

Franchisee that are intended for delivery outside Franchisee's Protected Area that Franchisor, in its discretion, assigns to Franchisee. All revenue for Special Orders subject to the Additional Catering Fee shall be collected by Franchisor, from which the Franchisor will deduct the Additional Catering Fee; and upon collection by Franchisor, Franchisor shall credit Franchisee for the remaining revenue collected from the Special Order. If for any reason Franchisee shall receive any revenue arising from Special Orders, Franchisee shall pay its Additional Catering Fee together with the Weekly Royalty Fee to Franchisor on a weekly basis as provided in this Section IV, Franchisee shall pay its Weekly Royalty Fee to include its portion of revenue from Special Orders.

D. Franchisee shall pay to Franchisor a weekly advertising contribution, for use by the RHB System Marketing Development Fund established by Franchisor, as provided in Section XII.E. hereof, in an amount equal to four percent (4%) of the Gross Sales of the Restaurant, or such lesser percentage of Gross Sales as Franchisor may determine in its discretion.

E. All weekly payments required by this Section IV. shall be paid to Franchisor together with any reports or statements required under Section XI.B. hereof.

(1) Franchisor reserves the right to require that all payments required by this Section IV. (including, without limitation, franchise fees, renewal fees, royalties or Additional Catering Fees) be directly drafted by Franchisor from Franchisee's account. Any payment or report not actually received by Franchisor on or before such date shall be deemed overdue. Franchisee will, from time to time during the term of this Agreement, execute such documents as Franchisor may request in the form required by Franchisor to provide the Franchisee's unconditional and irrevocable authority and direction to its bank or financial institution authorizing and directing the Franchisee's bank or financial institution to pay Franchisor directly by electronic funds transfer the full amount of the royalty and marketing fees payable by the Franchisee under this Agreement, and to charge to the account of the Franchisee. EFT withdrawals will be initiated by Franchisor on Monday of each week (or such other day of the week as may be designated in writing by the Franchisor) for all fees payable for the preceding week, as set forth in this Agreement, and upon the issuance of an invoice by Franchisor for other amounts payable by the Franchisee. The Franchisee's EFT authorizations will permit Franchisor to designate the amount to be withdrawn from the Franchisee's account, and to adjust such amount from time to time for all fees. If the Franchisee fails at any time to provide the reports of its weekly revenues required under this Agreement, then Franchisor will have the right, in its sole discretion, to estimate the amount of fees payable by the Franchisee for that week, and to withdraw the amount of the estimated fees by EFT from the Franchisee's bank account in accordance with the provisions of this subparagraph. The Franchisee will at all times maintain a balance in its account at its bank or financial institution sufficient to allow the appropriate amount to be withdrawn from the Franchisee's account and paid directly to Franchisor for all

current fees payable by the Franchisee. It will be a default under this Agreement if the Franchisee fails to maintain an account balance sufficient to pay all fees payable to Franchisor or if the Franchisee closes the account designated to pay the fees without first designating a new account and notifying Franchisor of the new account information. The Franchisee will be responsible for all fees imposed by its bank or financial institution in connection with the Franchisee's EFT payment of the fees.

(2) If any payment is overdue, Franchisee shall pay Franchisor, in addition to the overdue amount, interest on such amount from the date it was due until paid at the equivalent of eighteen percent per annum compounded monthly, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies Franchisor may have. In addition, Franchisee will also pay Franchisor an administrative fee of $125 for each delinquent payment of any of fees owed and unpaid in whole or in part within seven days after the delinquent payment was due. Franchisee will, immediately upon receipt of an invoice from Franchisor, reimburse Franchisor for any additional the costs incurred by Franchisor in the collection of any past-due Fees from the Franchisee, including Franchisor's reasonable attorneys' fees and costs.

F. As used in this Agreement, "Gross Sales" shall include all revenue from the sale of all services and products related to the Franchised Business, of every type and nature, without limitation, including but not limited to sales from Special Orders, and other sales for catering, delivery and take-out for off-premises consumption, and delivered by third party services; and including services provided in connection with off-premise consumption, and including but not limited to, for example, services of franchisee-provided pit-master, bar services and other off-premises services, whether or not authorized, whether in connection with the Proprietary Marks or not, and whether for cash or credit and regardless of collection in the case of credit; provided, however, that "Gross Sales" shall not include any sales taxes or other taxes collected from customers by Franchisee for transmittal to the appropriate taxing authority.

V. SITE SELECTION

A. Franchisee must obtain the written approval of Franchisor for the site of the Restaurant developed under this Agreement. Upon request by Franchisee, Franchisor shall provide reasonable site selection assistance and counseling to Franchisee. Franchisee shall propose sites for approval by Franchisor on forms or in the manner designated from time to time by Franchisor. A site shall only be submitted to Franchisor after Franchisee has carefully evaluated the site, determined that it meets the criteria for Restaurant sites which Franchisor has communicated to Franchisee. Franchisor shall review the application for site approval; and within forty-five (45) days of Franchisor's receipt of the application, Franchisor shall approve the proposed site or reject the site with comments as to why it was rejected.

B. Franchisee must obtain the written approval of Franchisor with respect to the terms of any lease or mortgage with respect to the site to be developed as a Restaurant under this Agreement. Within thirty (30) days after Franchisor's approval of a site, Franchisee shall notify Franchisor of the closing date if the site is to be obtained by purchase; and provide Franchisor with a copy of the proposed mortgage or deed of trust if a mortgage loan is contemplated; or, if the site is to be obtained by lease, provide Franchisor with a copy of the proposed lease. Within twenty (20) days thereafter, Franchisor shall send notice of approval or notice of rejection with comments. Franchisee shall, as promptly as possible after receipt of approval, complete acquisition of the site.

C. Any lease or mortgage for a Restaurant site must permit assignment of the lease, mortgage, or deed of trust to Franchisor or its designees in the event of default by Franchisee of the lease, mortgage, deed of trust, or this Agreement; and must provide, in form and substance satisfactory to Franchisor, for quiet enjoyment, subordination and mutual attornment. Leases and mortgages must be <u>bona</u> <u>fide</u>, and provide financial terms consistent with those prevalent in the area. Franchisee shall use its best efforts to obtain therein an option to renew on stated financial terms which if exercised will, with the initial term, be for a period of not less than an additional twenty (20) years.

D. Upon receipt of a copy of an executed lease or a copy of an executed unconditional contract to purchase the site (or a deed if the site is owned by Franchisee), Franchisor will provide Franchisee with preliminary plans and specifications for the construction of a RED, HOT & BLUE standard, free-standing restaurant building for use by Franchisee and its architect in preparation of final plans and specifications for the Restaurant to be constructed on the site. Franchisee shall bear the cost of any modifications to the preliminary plans and specifications provided to Franchisee by Franchisor. Final plans and specifications must be approved by Franchisor before the start of construction. Franchisee shall obtain, at its cost, the necessary permits required to construct the Restaurant and shall meet all other applicable requirements established by local statute, local ordinance or otherwise. Promptly after approval by Franchisor of Franchisee's final plans and specifications, Franchisee shall complete construction of the Restaurant and open for business within the time period prescribed in Section VII.C. of this Agreement.

E. Franchisor will not have any obligation, duty or liability to the Franchisee as a result of the site selected by the Franchisee and the purchase or lease of the Franchised Location. The Franchisee hereby releases Franchisor and its affiliates and their respective executive management, agents and employees, in their corporate and individual capacities, from any and all claims by the Franchisee arising from, in connection with, or as a result of the Franchisee's purchase or lease of the site selected by the Franchisee for the Franchised Location.

VI. FRANCHISEE ORGANIZATION AND CAPITAL STRUCTURE

A. Franchisee shall be a corporation or a limited liability company composed solely of no more than six (6) shareholders/members who are individuals and not corporations, limited liability companies or any other legal entities, and shall comply with the following requirements:

(1) Franchisee shall be organized and validly existing in good standing under the laws of the state of its incorporation or organization;

(2) Franchisee shall be qualified to do business in all states in which its business activities or the nature of the properties owned by it requires such qualification;

(3) Franchisee's Articles of Incorporation or Charter, or if Franchisee is a limited liability company, Franchisee's Articles of Organization and Operating Agreement shall at all times provide that Franchisee was organized and has authority only to develop, own and operate RED HOT & BLUE® Restaurants; and that Franchisee shall not engage or invest in any business other than development, ownership and operation of RED, HOT & BLUE® Restaurants;

(4) If Franchisee is a corporation, copies of Franchisee's Articles of Incorporation or Charter, Bylaws, and other governing documents, and any amendments thereto, including the resolution of the Board of Directors authorizing entry into this Agreement, shall be furnished to Franchisor on or before execution of this Agreement;

If Franchisee is a limited liability company, copies of Franchisee's Articles of Organization, Operating Agreement, and other governing documents, and any amendments thereto, including the Consent of all limited liability company members authorizing entry into this Agreement, shall be furnished to Franchisor on or before execution of this Agreement;

(5) Franchisee shall maintain stop-transfer instructions against the transfer on its records of any equity securities; and each stock certificate of Franchisee, or other evidence of ownership if Franchisee is a limited liability company, shall have the following legend conspicuously endorsed upon its face:

The shares represented by this certificate, or other evidence of ownership if Franchisee is a limited liability company, are subject to the terms of an agreement dated [date] between [name of issuing corporation or limited liability company] and RHB FRANCHISING, LLC, which, inter alia, restricts transfer, restricts activities in which [name of issuing corporation or limited liability company] may engage, and imposes restrictions on shareholders or members.

(6) Franchisee shall maintain a current list of all owners of record, including all members if Franchisee is a limited liability company, and all beneficial owners of any class of securities of Franchisee and shall furnish the list to Franchisor at such time as Franchisor may request.

B. In order to avoid over-leveraging of its initial financial investment, Franchisor may require Franchisee to pay in full, and not lease or finance the equipment and fixtures in its first Restaurant.

VII. DUTIES OF FRANCHISEE

A. Franchisee understands and acknowledges that every detail of the Franchised Business is important to Franchisee and Franchisor in order to develop and maintain high operating standards, to increase the demand for the services and products sold by all franchisees, and to protect Franchisor's reputation and goodwill.

B. Upon execution of this Agreement, Franchisee hereby waives and releases any claims, whether known or unknown, which Franchisee, its shareholders or any parent, subsidiary or affiliate of Franchisee, or if Franchisee is a limited liability company, which any member of Franchisee may have against Franchisor, its shareholders, officers or directors or any parent, subsidiary or affiliate of Franchisor; provided, however, that Franchisee may preserve any claims specifically set forth on a statement (the "Claims Statement") submitted to Franchisor prior to Franchisee's execution of this Agreement. The Claims Statement shall contain the nature and amount of any claim set forth thereon. Any claims set forth on the Claims Statement shall, however, be deemed waived, and forever released, if not sued upon by the earliest of: (1) one year from the date of this Agreement; (2) the expiration of the applicable statute of limitations; or (3) the date Franchisor and Franchisee next execute a Franchise Agreement.

C. Franchisee shall construct, furnish, and open the Restaurant within 180 days of the execution of this Agreement. Time is of the essence. Prior to opening for business, Franchisee shall comply with all pre-opening requirements set forth in this Agreement and in the Manual or as otherwise required by Franchisor in writing.

D. Franchisee shall designate an individual to serve as the "Principal Operating Officer" of Franchisee, or if Franchisee is a limited liability company, it shall designate an individual to serve as "Principal Operating Partner" subject to the following condition:

(1) The Principal Operating Officer or Partner shall own an equity interest of at least ten percent (10%) in Franchisee during the entire period he serves as Principal Operating Officer or Partner;

(2) The Principal Operating Officer or Partner shall devote full time and best efforts to the supervision and conduct of the Franchised Business and any other Restaurants which may be operated by Franchisee;

(3) The Principal Operating Officer or Partner shall execute this Agreement, and shall be individually bound by all obligations of Franchisee hereunder;

(4) No person shall become a Principal Operating Officer or Partner unless approved by Franchisor; and

(5) If the Principal Operating Officer or Partner is unable, or elects not, to continue to meet his obligations hereunder, or if, in Franchisor's sole discretion, the Principal Operating Officer or Partner no longer qualifies to act as such, Franchisee shall promptly designate another Principal Operating Officer or Partner subject to the same conditions and qualifications listed above.

E. Franchisee agrees that it is important to the operation of the System and the Restaurant that Franchisee and Franchisee's employees receive such training as Franchisor may require, and to that end agrees as follows:

(1) Prior to the opening of the Restaurant, the Principal Operating Officer or Partner, and such number of Franchisee's managers as Franchisor shall designate, shall attend and complete, to Franchisor's satisfaction, the initial training program offered by Franchisor. At Franchisee's expense, the Principal Operating Officer or Partner and Franchisee's managers and other employees shall also attend such courses, seminars, and other training programs as Franchisor may require from time to time. Franchisor shall provide instructors and training materials for all required training programs; and Franchisee or its employees shall be responsible for any and all other expenses incurred by them in connection with any training programs, including, without limitation, the cost of transportation, lodging, meals, and wages. Any person subsequently employed by Franchisee in the position of manager and each subsequent Principal Operating Officer or Partner shall attend and complete, to Franchisor's satisfaction, such initial training program as Franchisor may require.

(2) The Principal Operating Officer or Partner, Franchisee's managers and other employees may also attend such optional training programs and seminars as Franchisor may offer from time to time. Franchisee shall pay to Franchisor, for each person attending such a program, the training fee, if any, then charged by Franchisor. If any such training fee is imposed by

Franchisor, the training fee shall be in addition to any other expenses incurred by the persons attending training as provided in Section VII.E.(1) hereof.

F. Franchisee shall use the Restaurant premises solely for the operation of the Franchised Business; shall keep the Franchised Business open and in normal operation for such minimum hours and days as Franchisor may from time to time specify in the Manual or as Franchisor may otherwise approve in writing; and shall refrain from using or permitting the use of the premises for any other purpose or activity at any time without first obtaining the written consent of Franchisor.

G. Franchisee shall maintain a competent, conscientious, trained staff, including at least one fully trained manager on duty at the Restaurant at all times, in sufficient numbers so as to operate the Restaurant efficiently and effectively. Franchisee shall take such steps as are necessary to ensure that its employees preserve good customer relations, wear uniforms of such color, design and other specifications as Franchisor may designate from time to time, present a neat and clean appearance, and render competent and courteous service to Restaurant customers.

H. Franchisee shall meet and maintain the highest health standards and ratings applicable to the operation of the Restaurant.

I. To insure that the highest degree of quality, cleanliness, appearance, and service is maintained, Franchisee shall operate the Restaurant in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manual or otherwise in writing. Franchisee agrees:

(1) To operate the Restaurant in a clean, wholesome manner in compliance with Franchisor's prescribed standards of quality, cleanliness, appearance and service;

(2) To maintain in sufficient supply, and to use at all times, only such ingredients, products, materials, supplies, and goods as conform with Franchisor's standards and specifications, and to refrain from deviating therefrom by the use or offer of nonconforming items, without Franchisor's prior written consent;

(3) To sell or offer for sale only such menu items, products, and services as have been expressly approved for sale in writing by Franchisor; to sell or offer for sale all types of menu items, products, and services specified by Franchisor; to refrain from any deviation from Franchisor's standards and specifications without Franchisor's prior written consent; and to discontinue selling and offering for sale any menu items, products, or services which Franchisor may, in its discretion, disapprove in writing at any time;

(4) To employ only those methods of food handling and preparation as Franchisor may specify in the Manual, or otherwise designate from time to time;

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

(6) To purchase and install, at Franchisee's expense, all fixtures, furnishings, equipment, decor, signs, computer systems, software programs, computer networking, point-of-sale integrated systems, so as to permit Franchisor's systems and software to access all sales and expense information directly from Franchisor's point-of-sale system, all as Franchisor may direct from time to time in the Manual or otherwise in writing; and to refrain from installing or permitting to be installed on or about the Restaurant premises, without Franchisor's prior written consent, any fixtures, furnishings, equipment, decor, signs, computer and point of sales systems, games, vending machines, or other items not previously approved as meeting Franchisor's standards and specifications;

(7) To install, adopt and utilize Franchisor's required accounting, bookkeeping and software system, so as to report financial information to Franchisor in the formats designated by Franchisor, and using the line items and accounting systems consistent with Franchisor's reporting systems; and

(8) to permit Franchisor to have access to Franchisee's financial and operating information directly and on an ongoing basis through Franchisor's software and other systems and to use such information without liability or obligation regarding privacy regulation or other limitation; and to install and adapt its current computer and software systems, including altering existing software, to accommodate Franchisor's systems and to provide connectivity and access by Franchisor directly into Franchisee's point of purchase, computer, software, bookkeeping and other software systems as Franchisor may require.

J. Franchisee shall comply with all requirements of federal, state, and local laws, rules, and regulations.

K. Franchisee shall purchase all food items, ingredients, equipment, furnishings, supplies, materials, hardware and software system, including point-of-sale systems, and all other items used or offered for sale at the Restaurant solely from suppliers (including manufacturers, distributors and other sources) who demonstrate, to the continuing reasonable satisfaction of Franchisor, the ability to meet Franchisor's then-current standards and specifications for such items; who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; and who have been approved in writing by Franchisor and not thereafter disapproved. If Franchisee desires to purchase any products, equipment, software or programs from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval, or shall request the supplier itself to do so, and Franchisor, in its sole discretion, shall determine whether such supplier shall be approved. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered to Franchisor or to an independent laboratory designated by Franchisor for testing. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test shall be paid by Franchisee or the supplier. Franchisor reserves the right, at its option, to re-inspect the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria.

L. Franchisee shall require all advertising and promotional materials, signs, decorations, goods (including disposable food containers, napkins, and menus), all forms and stationery used in the Franchised Business, and other items which may be designated by Franchisor to bear the Proprietary Marks in the form, color, location, and manner prescribed by Franchisor.

M. Franchisee shall maintain the Restaurant in a high degree of sanitation, repair, and condition, and in connection therewith shall make such additions, alterations, repairs, and replacements thereto (but, if of a substantial nature, not without Franchisor's prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting or replacement of signs, furnishings, equipment, and decor in the manner and at the times which Franchisor may reasonably direct; provided, however, that Franchisee shall not be required to undertake a major remodeling of the kitchen and interior and exterior decor of the Restaurant more than once in any five (5) year period. If Franchisee has not engaged in a major remodeling of kitchen, interior and exterior of the Restaurant in a five year period, Franchisor may require Franchisee to perform a major remodeling as Franchisor directs. At all times, from year to year, Franchisor may require Franchisee to make repairs, upgrades and updates to the interior and exterior of the Restaurant.

N. Franchisee shall, where applicable, keep the parking area for the Restaurant well-lighted, and maintain the parking area for the exclusive use of Restaurant customers.

O. Franchisee shall grant Franchisor and its agents the right to enter upon the Restaurant premises at any time for the purpose of conducting inspections; shall cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents and without limiting Franchisor's other rights under this Agreement, shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. Should Franchisee, for any reason, fail to correct such deficiencies within a reasonable time as determined by Franchisor, Franchisor shall have the right and authority (without, however, any obligation to do so) to correct such deficiencies and to charge Franchisee a reasonable fee for Franchisor's expenses in so acting, payable by Franchisee immediately upon demand. The foregoing shall be in addition to such other remedies as Franchisor may have.

P. Without limiting any other provision or requirement of the Agreement, Franchisee agrees to sell only those beverage product brands specified by Franchisor, including without limitation, all soft drinks and cola products, tea, coffee, non-carbonated beverages, and all alcoholic beverages and products, subject to necessary licensing and requirements. Franchisor specifically retains the right to make additions or changes to the beverage product brands offered by the System and the Franchisee.

Q. The Franchisee will, at the Franchisee's expense, have access to the Internet and will maintain an e-mail address on the Internet and to review its content and designated email accounts regularly for purposes of receiving updates, notice of Manual or policy changes and other communications from Franchisor. The Franchisee's e-mail address will be provided to Franchisor and will be used for the Franchisee and Franchisor to communicate and to transmit documents and other information. The Franchisee will not use the words "RED HOT & BLUE®" as any part of its e-mail address or its domain name (Uniform Resource Locator) for any website maintained by the Franchisee on the Internet. If implemented by Franchisor, Franchisee agrees to utilize the e-mail address specified by Franchisor and, if implemented, to utilize the Franchisor's electronic portal,

R. The Franchisee will, at its sole expense, lease, license or purchase the computer hardware, software, computer peripherals and point-of-sale system (the "Computers and Software") that meet the specifications set forth in the Manual. The Franchisee's Computers and Software will be configured to provide Franchisor with direct electronic access to the Franchisee's Computers and Software, and databases to upload the data, financial information and other information the Franchisee is required to provide to Franchisor pursuant to this Agreement or the Manual, including weekly revenues, by category, direct labor costs and food costs. The Franchisee will, upon written notice from Franchisor, update the Computers and Software at its sole expense to the standards and specifications specified in the Manual or otherwise in writing by Franchisor.

S. The Franchisee will comply with: (a) all federal, state, city, local and municipal licensing, insurance and other laws, regulations and requirements applicable to the sale of alcoholic beverages by the Franchisee at the Restaurant; and (b) the liquor liability insurance requirements set forth in this Agreement.

T. Franchisee shall accept those credit cards that Franchisor requires, and only those gift cards and promotions required by Franchisor.

U. Franchisee and its shareholders and designated managers shall attend RED HOT & BLUE franchise conventions and meetings.

W. Franchisee shall comply with all other requirements set forth in this Agreement.

VIII. PROPRIETARY MARKS AND TRADE DRESS

A. Franchisor represents with respect to the Proprietary Marks that:

(1) Franchisor is the owner of all right, title, and interest in and to the Proprietary Marks;

(2) Franchisor has taken and will take all steps reasonably necessary to preserve and protect the ownership and validity in and of the Proprietary Marks; and

(3) Franchisor will permit Franchisee and other franchisees to use the Proprietary Marks only in accordance with the System and the standards and specifications attendant thereto which underlie the goodwill associated with and symbolized by the Proprietary Marks.

B. With respect to Franchisee's licensed use of the Proprietary Marks pursuant to this Agreement, Franchisee agrees that:

(1) Franchisee shall use only the Proprietary Marks designated by Franchisor, and shall use them only in the manner authorized and permitted by Franchisor;

(2) Franchisee shall use the Proprietary Marks only for the operation of the Franchised Business and only at the location authorized hereunder, or in advertising for the Franchised Business;

(3) Unless otherwise authorized or required by Franchisor in writing, Franchisee shall operate and advertise the Franchised Business only under the name RED HOT & BLUE®" as specified by Franchisor, without prefix or suffix;

(4) During the term of this Agreement, Franchisee shall identify itself as the owner of the Franchised Business in conjunction with any use of the Proprietary Marks, including, but not limited to, uses on invoices, order forms, receipts, and contracts, and shall display a notice to that effect in such content and form and at such conspicuous locations on the premises of the Franchised Business as Franchisor may designate in writing;

(5) Franchisee's right to use the Proprietary Marks is limited to the term of this Agreement and shall automatically cease upon the expiration or earlier termination of this Agreement and is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof, including, but not limited to, sublicensing a use of the Proprietary Marks, shall constitute an infringement of Franchisor's rights and a default under this Agreement;

(6) During the term of this Agreement and continuing after its expiration or earlier termination, Franchisee shall not use the Proprietary Marks to incur any obligation or indebtedness on behalf of Franchisor;

(7) During the term of this Agreement and continuing after its expiration or earlier termination, Franchisee shall not use the Proprietary Marks as part of its corporate or other legal name;

(8) Franchisee shall comply with Franchisor's instructions in filing and maintaining the requisite trade name or fictitious name registrations, and shall execute any documents deemed necessary by Franchisor or its counsel to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability; and

(9) In the event that litigation involving the Proprietary Marks is instituted or threatened against Franchisee, Franchisee shall promptly notify Franchisor. Franchisor shall conduct the defense, and bear the expense of such litigation, but shall be entitled to settle or otherwise dispose of the litigation on terms which, in its sole discretion, it may decide upon. Franchisee shall cooperate fully with Franchisor in defending or settling such litigation.

(10) Franchisee will not have the right to use any of the Marks or other intellectual property of Franchisor on any social network, social media or online community on the internet or any other online, digital or electronic medium including, but not limited to, any "blog," YouTube, Facebook, Wikipedia, professional networks similar to Linked-In, live-blogging tools similar to Twitter, virtual worlds, file, audio and video sharing sites, and other similar social networking media or tools, except with the prior written permission of Franchisor. Franchisee will comply with all of Franchisor's policies, standards and procedures for use of any social media that in any way references the Proprietary Marks or the Restaurant.

C. Franchisee expressly understands and acknowledges that:

(1) Franchisor is the owner of all right, title and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them;

(2) The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System;

(3) Franchisee shall not directly or indirectly contest the validity or Franchisor's ownership of the Proprietary Marks;

(4) Franchisee's use of the Proprietary Marks pursuant to this Agreement does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks, except pursuant to the license granted by this Agreement;

(5) Any and all goodwill arising from Franchisee's use of the Proprietary Marks in its franchised operation under the System shall inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned to Franchisee as attributable to any goodwill associated with Franchisee's use of the System or the Proprietary Marks; and

(6) The right and license of the Proprietary Marks granted hereunder to Franchisee is nonexclusive, and Franchisor thus has and retains the rights, among others:

(a) To use the Proprietary Marks itself in connection with selling products and services;

(b) To grant other licenses for the Proprietary Marks, in addition to those licenses already granted to existing franchisees; and

(c) To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to Franchisee.

(7) Franchisor reserves the right to substitute different Proprietary Marks for use in identifying the System and the businesses operating thereunder.

D. Franchisee expressly understands and acknowledges that Franchisor has developed certain unique Trade Dress as part of the RHB System, including but not limited to color schemes, patterns, designs, decor, furnishings and layout.

E. With respect to Franchisee's licensed use of the Trade Dress pursuant to this Agreement, Franchisee agrees that:

(1) Franchisees shall use only the Trade Dress designated by Franchisor, and shall use it only in the manner authorized and permitted by Franchisor.

(2) Franchisee shall use the Trade Dress only for the operation of the Franchised Business and only at the location authorized hereunder or in advertising for the Franchised Business.

(3) Franchisee's right to use the Trade Dress is limited to the term of this Agreement and shall automatically cease upon the expiration or earlier termination of this Agreement and is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof, including but not limited to sublicensing a use of the Trade Dress, shall constitute an infringement of Franchisor's rights and a default under this Agreement.

(4) In the event that litigation involving the Trade Dress is instituted or threatened against Franchisee, Franchisee shall promptly notify Franchisor. Franchisor shall conduct the defense, and bear the expense of such litigation, but shall be entitled to settle or otherwise dispose of the litigation on terms which, in its sole discretion, it may decide upon. Franchisee shall cooperate fully with Franchisor in defending or settling such litigation.

F. Franchisee expressly understands and acknowledges that:

(1) Franchisor is the owner of all right, title and interest in and to the Trade Dress and the goodwill associated with and symbolized by it;

(2) The Trade Dress is valid and serves to identify the System and those who are authorized to operate under the System;

(3) Franchisee shall not directly or indirectly contest the validity or Franchisor's ownership of the Trade Dress;

(4) Franchisee's use of the Trade Dress pursuant to this Agreement does not give Franchisee any ownership interest or other interest in or to the Trade Dress, except pursuant to the license granted by this Agreement;

(5) Any and all goodwill arising from Franchisee's use of the Trade Dress in its franchised operation under the System shall inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned to Franchisee as attributable to any goodwill associated with Franchisee's use of the System or the Trade Dress; and

(6) The right and license of the Trade Dress granted hereunder to Franchisee is nonexclusive, and Franchisor thus has and retains the rights, among others:

(a) To use the Trade Dress itself in connection with selling products and services;

(b) To grant other licenses for the Trade Dress, in addition to those licenses already granted to existing franchisees; and

(c) To develop and establish other systems using the same or similar Trade Dress, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to Franchisee.

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

IX. CONFIDENTIAL OPERATIONS MANUAL

A. In order to protect the reputation and goodwill of Franchisor and to maintain high standards of operation under Franchisor's Proprietary Marks, Franchisee shall conduct its business in accordance with the Manual, one copy of which Franchisee acknowledges having received by electronic access or written copy on loan from Franchisor for the term of this Agreement. The Manual shall include memoranda, procedures, policies, correspondence and emails and other communications created by Franchisor that are posted on the RHB System electronic portal or otherwise communicated to Franchisee in writing by email or hardcopy, whether or not noted as "Manual". If a posting is made to the RHB System electronic portal, Franchisee shall be deemed to have notice of any changes or supplements to the Manual.

B. Franchisee shall at all times treat the Manual, any other manuals created for or approved for use in the operation of the Franchised Business, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain such information as secret and confidential. Franchisee shall not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person.

C. The Manual shall at all times remain the sole property of Franchisor.

D. Franchisee acknowledges that all aspects of the business of the RHB System are subject to change as the System evolves and the needs of the System change, and that Franchisor may from time to time revise the contents the Manual, and that Franchisee expressly agrees to comply with each new or changed standard and requirement.

E. Franchisee shall continuously review changes to the Manual as notified by Franchisor or posted on the RHB System electronic portal, and to otherwise keep current with the Manual. In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor at Franchisor's home office shall be controlling.

X. <u>CONFIDENTIAL INFORMATION</u>

A. Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, association, corporation or limited liability company any confidential information, knowledge, or know-how concerning the methods of operation of the Franchised Business which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement. Franchisee shall divulge such confidential information only to such of its employees as must have access to it in order to operate the Franchised Business, and Franchisee shall take such precautions as Franchisor deems necessary to ensure that Franchisee's employees retain such information in confidence. Any and all information, knowledge, know-how, and techniques which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at the time of disclosure by Franchisor to Franchisee, had become a part of the public domain, through publication or communication by others; or which, after disclosure to Franchisee by Franchisor, becomes a part of the public domain, through publication or communication by others.

B. Franchisee hereby acknowledges that pursuant to this Agreement, Franchisor will provide Franchisee with access to and training in processes and procedures of a proprietary nature and will provide Franchisee with access to and the right to use recipes and formulas, the Manual, logos, designs, trademarks, trade names and other proprietary information in connection with Franchisee's and operation of the Restaurant. Franchisee acknowledges and agrees that Franchisee shall not at any time, whether during the term of this Agreement or after its expiration or earlier termination, disclose any information obtained through such training or from any materials provided by Franchisor to Franchisee and pertaining to the RHB System to any third party other than employees of Franchisee directly involved in the operations of the Restaurant. Further, Franchisee agrees that during the term of this Agreement and after its expiration or earlier termination, it shall not use any of such information or proprietary marks, including but not limited to any processes, procedures, recipes and formulas, for any purpose other than the operation of the Restaurant and will take all steps necessary to prevent any other use of them. Without limiting the foregoing, Franchisee specifically agrees that it shall not during the term of this agreement or after its expiration or earlier termination, offer for sale at any location, other than during the term of this Agreement the Restaurant being operated at that time pursuant to this Agreement, any food or drink products prepared using in whole or part the procedures, processes, techniques, recipes or formulas provided by Franchisor to Franchisee.

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

XI. ACCOUNTING AND RECORDS

A. Franchisee shall maintain during the term of this Agreement, and shall preserve for at least five (5) years from the dates of their preparation, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manual or otherwise in writing.

B. Franchisee shall submit to Franchisor, no later than the date weekly payments are due during the term of this Agreement, after the opening of the Franchised Business, a weekly statistical report and statement of receipts, in the form prescribed by Franchisor, electronically delivered accurately reflecting all Gross Sales during the preceding week and such other data or information as Franchisor may require.

C. Franchisee shall, at Franchisee's expense, submit to Franchisor, in the form prescribed by Franchisor, an unaudited balance sheet of the Franchised Business and a statement of profit or loss for the preceding quarter within thirty (30) days after the end of each quarter of Franchisee's fiscal year. Each such statement shall be signed by Franchisee's treasurer or chief financial officer attesting that it is true and correct.

D. Franchisee shall, at Franchisee's expense, provide to Franchisor a statement of profit or loss and a year-end balance sheet prepared and certified by Franchisee's chief financial officer, or upon written request by Franchisor, by an independent certified public accountant satisfactory to Franchisor, within ninety (90) days after the end of each fiscal year of the Franchised Business during the term hereof, showing the results of operations of the Franchised Business during said fiscal year. The Franchisee's chief financial officer shall attest that the financial statements present fairly the financial position of Franchisee and the results of operations of the Franchised Business during the period covered. Franchisor shall have the right, in its reasonable discretion, to require that Franchisee submit audited statements for any fiscal year or any period or periods of a fiscal year of Franchisee during the term of this Agreement, and to require Franchisee to cause its independent certified public accountant to consult with Franchisor, at Franchisee's expense, concerning the financial statements provided by Franchisee.

E. Franchisee and its shareholders shall also submit to Franchisor, for review or auditing, such other forms, reports, records, information, and data as Franchisor may reasonably designate, in the form and at the times and places reasonably required by Franchisor, upon request and as specified from time to time in the Manual or otherwise in writing, including access to Franchisees databases in format and in connectivity to Franchisor's systems, to upload the data, financial information and other information the Franchisee is required to provide to Franchisor pursuant to this Agreement or the Manual, including weekly revenues, by category, direct labor costs and food costs.

F. Franchisor or its designated agents shall have the right at all reasonable times to examine and copy, at Franchisor's expense, the books, records, and tax returns of Franchisee. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee. At Franchisor's request Franchisee will make all of their financial records available during business hours for Franchisor or its designees to review, copy and audit. The audit will be conducted at the location where the Franchisee maintains the financial records and Franchisor will be provided with adequate facilities by the Franchisee to conduct the audit. If an inspection should reveal that any payments have been understated in any report to Franchisor, then Franchisee shall immediately pay to Franchisor the amount understated upon demand, in addition to interest from the date such amount was due until paid, at one and one-half percent (1-½%) per month compounded monthly, or the maximum rate permitted by law, whichever is less. If an inspection discloses an understatement in any report of five percent (5%) or more, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

G. Upon notification by Franchisor, Franchisee shall adopt Franchisor's accounting time periods and charts of accounts for purpose of coordination and reporting of Franchisee's financial results consistent with Franchisor's methods and processes.

XII. ADVERTISING

Recognizing the value of advertising, and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

A. Franchisor reserves the right to require Franchisee to spend up to three percent (3%) of the Gross Sales of the Franchised Business on local marketing of its Restaurant, in addition to any advertising contribution required under Sections IV.D. and XII.E. hereof. Upon implementation of Franchisor’s program of required spending of local marketing, Franchisee shall demonstrate on a quarterly basis, to the reasonable satisfaction of Franchisor, that Franchisee has made such expenditures. Such advertising may include radio, television, magazine, newspaper, billboard campaigns, print, direct mail, internet advertising and marketing, social media as specifically permitted by Franchisor and other forms of advertising media and public relations activities, production of other marketing materials, cost of food promotion, point of purchase materials, stationery, or restaurant indoor or outdoor site location signs.

B. Recognizing the value of cooperative national and regional advertising and marketing, and the importance of standardizing such programs to further enhance the regional and national goodwill and public image of the RHB System, Franchisor reserves the right and may in its sole discretion require Franchisee to participate along with other franchisees in regional cooperative advertising organizations or programs, established from time to time currently or in the future by Franchisor or by other franchisees for the purpose of advertising and promoting the RHB System within particular designated market areas. In the event of the formation of such cooperative advertising groups, and Franchisee's participation therein, Franchisor shall permit Franchisee to credit a portion of its payments to the cooperative against the amount required to be expended for local and regional advertising in Section XII.A. The substance of the creation, structure, mandatory agreements and by-laws and operating procedures of any advertising cooperative shall be made at the sole discretion of Franchisor and may be amended in Franchisor’s sole discretion. Franchisor retains in its discretion the right to form, change, dissolve or merge all RHB advertising cooperatives.

C. Upon implementation of Franchisor’s program of required spending of local marketing, if Franchisee has failed to make or report the expenditure of the three percent (3%) of Gross Sales for local marketing as required in Section XII.A. above in any quarter or if Franchisee shall fail to participate in a cooperative advertising program after request by Franchisor as required in Section XII.B. above, Franchisee shall thereafter, after written notice by Franchisor, pay to Franchisor three percent (3%) of the Gross Sales of the Restaurant. Franchisor may then in its sole discretion contribute such amounts to any franchisee cooperative organization that operates in part or all of Franchisee's market area or Franchisor may expend such funds to create advertising that in Franchisor's sole determination will promote the Proprietary Marks and/or System in Franchisee's market area.

D. Franchisor may offer from time to time to provide, upon Franchisee's request and at Franchisee's expense, approved local advertising and promotional plans and materials.

E. Franchisee agrees to make contributions to the RED, HOT & BLUE Marketing Development Fund (hereinafter "Fund") as required under Section IV.D. hereof. The Fund shall be maintained and administered by Franchisor or its designee, as follows:

(1) Franchisor shall direct the creation of all advertising programs, with sole discretion over the creative concepts, materials, and media used in such programs. Franchisee agrees and acknowledges that the Fund is intended to maximize general public recognition and acceptance of the trade names, trademarks, and service marks which are designated as part of the System for the benefit of the System through research and the creation of marketing materials; and that Franchisor and its designee undertake no obligation, in administering the Fund, to make expenditures which are equivalent or proportionate to a franchisee's contribution, or to insure that any particular franchisee benefits directly or pro rata from Fund expenditures, or that any expenditures will be made in a particular market or be made in the fiscal year in which franchisee marketing contributions were made. Franchisee is aware that there may be some franchisees operating under different forms of agreement and who may not be required to make payments into the Fund equivalent to Franchisee's payments. Franchisor may specify Franchisees are not required to pay the full 4% marketing contribution on a temporary basis, or for a particular fiscal year, but failure to collect the full amount of marketing fund contributions shall not limit Franchisor's right and ability to commence collecting a greater amount or the full amount of the 4% marketing fund contribution, at a later time or in subsequent fiscal years.

(2) Contributions to the Fund shall be used for advertising and promotion of the RHB System and other expenses, all as solely determined in the discretion of the Franchisor. Permitted expenditures include, without limitation, the cost of advertising agencies, public relations and social media assistance, preparation of materials for television, radio, print, and billboard advertising campaigns, promotions, mailings, sponsorships, and other public relations activities; the cost of social media, web-site development, internet and electronic advertising and marketing, research; advertising agencies and other specialists to assist therein; promotional brochures and

other point-of-purchase marketing materials; product and market research, guest research, real estate research, development of real estate computer models and software; demographic research; franchisee conventions and meetings and expenses related to such meetings; guest satisfaction programs; production development and materials; ad slicks; brochures; table tents, in-store and point-of-purchase advertising; menu boards; signs; public relations; telemarketing; direct mail advertising; promotional programs; advertising market research; graphics and design costs; creation, hosting, software development, upgrades, creation and maintenance for the Red Hot & Blue Website and any additional websites Franchisor may develop, including intranet websites; social media and other electronic promotions, platforms, programs and advertising; and all costs related to the administration of the Advertising Fund; and other business products and services Franchisor deems appropriate and in the best interests of the System. Sums paid by Franchisee and other franchisees to the Fund may also be used, without limitation, for such administrative expenses, support and overhead, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the Fund, advertising programs and franchise support, attorneys fees incurred in connection with matters related to the Fund and its activities, salaries, benefits and overhead costs of employees whose responsibilities include: assistance of franchisees and franchise programs, local, regional or national advertising and promotion, conducting market research, preparing marketing and advertising materials, marketing support, administrative support, consultative services, creation and placement of advertising, management of social media and websites and electronic activities, including creation, maintenance and management of internet and intranet systems; and collecting, accounting for assessments, and financial and strategic analysis for the Fund and the System, including the cost of reasonable attorneys fees incurred from collections made or defenses required on behalf of the Fund's activities; and may also be utilized to pay all or pro-rata portions of Franchisor's costs of doing business including costs of occupancy and maintenance and acquisition of computer hardware and software systems. Franchisor may use the Fund for the cost of media placement of various types but shall not be required to use the Fund for that purpose. Franchisor may offer Franchisee the opportunity to participate in media programs, media buys or market promotions on the condition that Franchisee pay an allocated cost of media placement and purchase beyond contributions made to the Fund.

(3) Franchisor may in its discretion, but shall not be required, to deposit rebates and incentives from System vendors into the Fund for its use as set forth in Section E(2) above, whether or not rebates, payments and vendors arise from Franchisor's negotiated contracts or are determined as a rebate on franchisee's direct or indirect usage.

F. All advertising by Franchisee in any medium shall be conducted in a dignified manner and shall conform to such standards and requirements as Franchisor may specify from time to time in writing. Franchisee shall submit to Franchisor, for its 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 Franchisor. Franchisee shall not use any advertising or promotional plans and materials that have not received Franchisor's prior written approval.

G. Franchisor may establish and maintain a website (the “Red Hot & Blue Website”) to advertise and promote the RED HOT & BLUE® Restaurants, including the Franchisee’s Restaurant. All features of the Red Hot & Blue Website, including the domain name, content, features, format, procedures and links to other websites, will be determined by Franchisor, in its sole discretion. Franchisor will have the right to modify, enhance, suspend or temporarily or permanently discontinue the Red Hot & Blue Website at any time, in its sole discretion. Franchisee will not have the right to establish a website or blog on the Internet to advertise or promote its Restaurant. Franchisor will have the sole right to promote on the internet the foods, beverages and products offered by the Franchisee’s Restaurant, to create a website containing the “RED HOT & BLUE®” name and the Marks, and to use “redhotandblue.com” or any derivative or related domain name. Franchisor may use the Fund to pay the costs of creating or maintaining the website; however, Franchisor reserves the right, after giving the Franchisee at least 30 days prior written notice, to charge, and Franchisee agrees to pay Franchisor a fee for the costs associated with the maintenance or enhancement of the Red Hot & Blue Website. The Franchisee’s Restaurant will be removed from the Red Hot & Blue Website immediately upon the termination or expiration of this Agreement.

XIII. INSURANCE

A. Franchisee shall maintain insurance in force as follows:

(1) Worker's compensation in an amount at least in the statutory requirements for the state in which the Restaurant is located, with employers’ liability limits of at least five hundred thousand dollars ($500,000.00) per occurrence for bodily injury by accident and disease;

(2) Comprehensive general liability insurance, including products liability and broad form contractual liability insurance in an amount of not less than five million dollars ($2,000,000.00) per occurrence. Franchisee liability coverage may be primary and non-contributory. Insurance carriers must be an insurance company with at least a B++ class rating and

VIII financial size according to A.M. Best and if not available then according to Moody’s or Standard and Poor’s.

(3) Liquor liability and dram shop insurance with coverage of at least $2,000,000 per occurrence insuring the Franchisee, Franchisor and its respective affiliates, executive management, agents and employees from any and all claims and damages of any kind whatsoever, including bodily injury, personal injury, death, property damage and all other occurrences, resulting from the sale or service of liquor and dram shop liability by the Franchisee or any of the Franchisee's employees in connection with the Franchisee's Restaurant.

(4) Employment practices liability insurance coverage of at least $1,000,000 per occurrence insuring the Franchisee and the Franchisee’s employees for employment-related Claims and Damages.

(5) Business interruption insurance insuring the Franchisee for the “Actual Loss Sustained” for a minimum of 13 Periods from the date of any interruption in the operation of the Franchisee’s Restaurant until at least 60 days after the Restaurant reopens for business. If “Actual Loss Sustained” coverage is not available to the Franchisee, then the Franchisee will procure and maintain, at its expense, business interruption insurance in an amount equal to at least 90% of the Franchisee’s Revenues for a minimum of 13 periods, less non-continuing expenses.

(6) If the Franchisee, or any of the Franchisee's shareholders or members, owns, either directly or indirectly, the building or the business premises at the Franchised Location, then the Franchisee will insure the building or the business premises for and against all risk, loss and damages in an amount equal to at least actual "replacement" cost. If the Franchised Location is either partially or completely destroyed by fire or any other catastrophe, then the Franchisee will use the insurance proceeds to repair or reconstruct the Franchised Location and recommence business as soon as reasonably possible.

(7) "All risks" property insurance coverage, which will include fire and extended coverage and, if applicable based upon the location of the Franchised Location, wind, hurricane, flood and/or earthquake coverage, for the furniture, fixtures and equipment and other property owned or leased by the Franchisee and used by the Franchisee at the Franchised Location. The

Franchisee's property insurance policy (including fire and extended coverage) must have coverage limits equal to at least actual "replacement" cost of furniture, fixture and equipment and the other property of the Franchisee used in the business operations of the Restaurant.

(8) Such additional insurance covering such additional risks or providing such higher limits as Franchisor may reasonably request. All policies of insurance, including general liability insurance, shall name Franchisor as an additional insured; and shall provide that the policy cannot be cancelled without thirty (30) days prior written notice to Franchisor; and shall specify that copies of all notices shall be sent to Franchisor. Franchisee shall furnish Franchisor with copies of all policies or certificates evidencing insurance in force as required herein. Evidence of payment of premiums shall be delivered to Franchisor at least thirty (30) days prior to the expiration dates of each existing insurance policy.

B. Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by Franchisor in the Manual or otherwise in writing, Franchisor shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance and to charge same to Franchisee, which charges, together with a reasonable fee for Franchisor's time and expenses in so acting, shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

XIV. TRANSFER

A. Franchisor shall have the right to transfer or assign all or any part of its rights or obligations herein to any person or legal entity.

B. Transfer by Franchisee of the right to operate the Restaurant, or any interest in this Agreement, the franchise rights and license rights and Franchisee are limited as follows:

(1) Franchisee's authority to transfer any interest under this Agreement is also subject to the terms of any other agreement between Franchisor and Franchisee, which may impose additional conditions and limitations on Franchisee's right to transfer its interest under this Agreement.

(2) Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and its shareholders or members, and that Franchisor has granted this Agreement in reliance on Franchisee's business skill and financial capacity, and the business skill, financial capacity and personal character of Franchisee's shareholders or members. Accordingly, neither Franchisee nor any immediate or remote successor to any part of Franchisee's interest in this Agreement, nor any individual, partnership, corporation, limited liability company, or other legal entity which directly or indirectly owns any interest in the Restaurant, in this Agreement, or in Franchisee shall sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any direct or indirect interest in the Restaurant, interest in this Agreement, or franchise rights or license rights granted hereunder or any obligations hereunder, or in Franchisee without the prior written consent of Franchisor. Any such proposed transfer shall be subject, where applicable, to Franchisor's option to purchase set forth in Section XIV.C. herein. Any purported assignment or transfer, by operation of law or otherwise, not having the written consent of Franchisor required by this Section XIV.B.(2) shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may then terminate without opportunity to cure pursuant to Section XV.B. of this Agreement.

(3) If a transfer, alone or together with other previous, simultaneous, or proposed transfers, would have the effect of transferring a controlling interest in the Restaurant, interest in this Agreement, or in the franchise rights or license rights granted hereunder, or in Franchisee, Franchisor may, in its sole discretion, if it does not elect to exercise its option to purchase set forth in Section XIV.C. herein, require any or all of the following as conditions of its approval:

(a) All of Franchisee's accrued and outstanding monetary obligations to third parties and all accrued and outstanding obligations to Franchisor, or any parent, subsidiary or affiliate of Franchisor shall have been satisfied;

(b) Franchisee shall not be in default of any provision of this Agreement, any amendment hereto or successor hereof, or any other agreement between Franchisee and Franchisor, its parents, subsidiaries, or affiliates;

(c) The transferor shall have executed a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its officers, directors, shareholders, and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances; and shall agree to remain liable to Franchisor for all affirmative obligations, covenants, and agreements contained herein for two (2) years following the effective date of transfer (or, if transferor retains a purchase money interest in the transferred business, for a period greater than two (2) years, until the interest is extinguished) or for such shorter period as Franchisor may, in its sole discretion, determine;

(d) The transferee shall enter into a written assignment, under seal and in a form satisfactory to Franchisor, assuming and agreeing to discharge all of Franchisee's obligations under this Agreement; and, if the obligations of Franchisee were guaranteed by the transferor, the transferee shall guarantee the performance of all such obligations in writing in a form satisfactory to Franchisor;

(e) The transferee shall demonstrate to Franchisor's satisfaction that the transferee meets Franchisor's educational, managerial, and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to conduct the Franchised Business herein (as may be evidenced by prior related business experience or otherwise); and has adequate financial resources and capital to operate the Franchised Business;

(f) At Franchisor's option, the transferee shall execute (and/or, upon Franchisor's request, shall cause all interested parties to execute), for a term ending on the expiration date of this Agreement, the then-current standard form of franchise agreement being offered to new System franchisees and other ancillary agreements, including a guarantee of such agreement executed by all shareholders of the transferee, as Franchisor may require for the Franchised Business, which agreements shall supersede this Agreement in all respects and the terms of which agreements may differ from the terms of this Agreement, including, without limitation, a higher percentage royalty rate and advertising contribution; provided, however, that the transferee shall not be required to pay an initial franchise fee;

(g) At Franchisor's sole discretion, the transferee, at its expense, shall upgrade the Restaurant to conform to the then-current standards and specifications of System restaurants, and shall complete the upgrading and other requirements within the time specified by Franchisor;

(h) Franchisee shall remain liable for all of its obligations to Franchisor in connection with the Franchised Business prior to the effective date of the transfer, and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

(i) At the transferee's expense, transferee's Principal Operating Officer and transferee's managers, shall complete any training and certification programs then in effect for franchisees upon such terms and conditions as Franchisor may reasonably require; and

(j) Franchisee shall pay to Franchisor a transfer fee of five thousand dollars ($5,000) per Restaurant, which constitutes Franchisor's reasonable costs and expenses (including legal and accounting expenses) in connection with Franchisor's review of the application to transfer.

(4) Franchisee shall grant no security interest in this Agreement or in the Franchised Business (other than a pledge of assets to secure a bona fide loan made or credit extended in connection with acquisition of the assets pledged) unless the secured party agrees that in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option to purchase the rights of the secured party upon payment of all sums then due to such secured party.

(5) Franchisee acknowledges and agrees that each condition which must be met by transferee is necessary to assure such transferee's full performance of the obligations hereunder.

C. Franchisor shall have the option to purchase any interest in the Restaurant or this Agreement as follows:

(1) Any party holding any direct or indirect interest in the Restaurant, in this Agreement or in Franchisee who desires to accept any bona fide offer from a third party to purchase such interest, if a transfer of that interest alone or together with other previous, simultaneous or proposed transfers would have the effect of transferring a controlling interest in the Restaurant, in this Agreement, or in Franchisee, shall provide Franchisor with all of the terms of the proposed transfer in writing at least thirty (30) days prior to the proposed date of transfer. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such written notification, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party, net of any finders or brokers fees which any third party would be obligated to pay. In the event that Franchisor elects to purchase the seller's interest, closing on such purchase must occur within thirty (30) days from the date of notice to the seller of the election to purchase by Franchisor. If Franchisor does not exercise its option to purchase, Franchisee or shareholders of Franchisee may proceed to consummate a transfer to a third party if they have complied with the conditions of this Section XIV. If Franchisor did not exercise its option to purchase, any material change in the terms of the third party's offer prior to closing shall constitute a new offer subject to the same option to purchase by Franchisor as in the case of an initial offer. Failure of Franchisor to exercise the option afforded by this Section XIV.C. shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section XIV. with respect to a proposed transfer.

(2) In the event the consideration, terms, and/or conditions offered by a third party are such that Franchisor is not in a position to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash.

D. Upon the death or mental incapacity of any person with a direct or indirect interest in this Agreement or in Franchisee, the executor, administrator, or personal representative of such person shall transfer the interest to a third party, including shareholder(s) or member(s) of Franchisee, approved by Franchisor within twelve (12) months after such death or mental incapacity, or, if legal proceedings make transfer within twelve (12) months not feasible, within such longer period as may be reasonable under the circumstances. Such transfer, including, without limitation, transfer by devise or inheritance, shall be subject to the same conditions as any inter vivos transfer. If an approved transfer has not been made within the aforementioned period, Franchisor shall have the option to purchase the Franchised Business at fair market value, and thereupon terminate this Agreement. In the event that Franchisor elects to purchase the Franchised Business and terminate this Agreement in accordance with the foregoing, closing of the transaction shall take place as promptly as possible after Franchisor exercises its option to purchase, and the parties reach agreement concerning the fair market value of the Franchised Business. Payment will be made in four (4) installments, the first of which shall be made at the time of closing and the remaining three (3) installments shall each be made at one (1) year intervals from the date of the first payment. Interest shall be payable on the unpaid portion of the purchase price on the due date of each installment of principal at the prime rate of Bank of America (or its successor bank) on the date of Franchisor's election to purchase the Franchised Business. If the parties are unable to agree on the fair market value of the Franchised Business, then the dispute will be settled by binding arbitration in Charlotte, North Carolina, in accordance with the rules and procedures of the American Arbitration Association.

E. Franchisor's consent to a transfer of any interest in Franchisee, rights to operate the Restaurant, interest in this Agreement or any license or franchise rights granted hereunder shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

F. Franchisee acknowledges that any failure to comply with the requirements of this Section XIV. will cause Franchisor irreparable injury, for which no adequate remedy at law may be available, and Franchisee agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Section XIV.

XV. <u>DEFAULT AND TERMINATION</u>

A. Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or make a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by Franchisee or such a petition is filed against Franchisee and not opposed by Franchisee; or if Franchisee is adjudicated a bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee.

B. Upon occurrence of any of the following events, Franchisee shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon receipt of notice by Franchisee:

(1) If Franchisee fails to construct and open the Franchised Business within 180 days of the date of execution of this Agreement;

(2) If Franchisee or any shareholder or member of Franchisee is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in the sole opinion of Franchisor, adversely to affect the System, the Proprietary Marks, the Trade Dress, the goodwill associated therewith, or Franchisor's interest therein;

(3) If Franchisee or any shareholder or member of Franchisee purports to transfer any interest in this Agreement, any rights hereunder, including but not limited to any rights to operate the Restaurant, franchise and license rights or obligations under this Agreement or any interest in Franchisee to any third party without Franchisor's prior written consent, contrary to the terms of Section XIV. of this Agreement;

(4) If, contrary to the terms of Section IX. or X. hereof, Franchisee discloses or divulges the contents of the Manual or other confidential information provided to Franchisee by Franchisor;

(5) If Franchisee knowingly maintains false books or records, or knowingly submits any false reports to Franchisor;

(6) If Franchisee, or any shareholder or member of Franchisee, violates Section VIII. hereof by making any unauthorized use of any name, trademark, service mark, or other Proprietary Mark or Trade Dress of Franchisor;

(7) If Franchisee shall cause, suffer, or permit (voluntarily or involuntarily) its right to or possession of the premises on which the Restaurant is located to be terminated prematurely for any cause whatsoever; or if Franchisee shall be in material default under the lease for the premises on which the Restaurant is located, or shall be in material default under any mortgage with respect to the property on which the Restaurant is located, provided, however, that Franchisee shall not be in breach of this provision if a condemnation proceeding affecting the premises upon which the Restaurant is situated occurs which makes it impossible or infeasible for Franchisee to continue to operate the Restaurant at its present location, and within thirty (30) days after the final condemnation determination Franchisee provides Franchisor with notice of its intention to open, and within one (1) year of the final condemnation determination opens, a substitute Restaurant on a new site approved by Franchisor;

(8) If Franchisee ceases to operate or otherwise abandons, or attempts to cease to operate or abandon, the Restaurant or enters into an agreement to sell, or sells, or purports or attempts to sell, the real property upon which the Restaurant is situated, or substantially all right, title and interest in and to the Restaurant or real property lease, or substantially all of the assets of Franchisee or of the Restaurant, without Franchisor's prior written consent; provided, however, that upon the occurrence of any of the foregoing events, Franchisor may, in lieu of immediate termination of this Agreement, request from Franchisee, a statement of intentions and assurances that no event in breach of this Agreement is so contemplated, which statement and assurances shall be delivered in writing within twenty-four (24) hours of Franchisor's request. In addition Franchisor may request, and Franchisee shall provide within five (5) business days thereafter, a performance bond from Franchisee, the amount of such bond and the issuing entity to be solely at Franchisor's reasonable discretion.

(9) If any other Franchise Agreement entered into by Franchisee and Franchisor or any of Franchisor’s predecessors is terminated based upon Franchisee's default thereunder;

(10) If Franchisee, after curing a default pursuant to Section XV.C. hereof, commits the same, or a substantially similar, default again within one hundred eighty (180) days after the prior default occurred, whether or not cured after notice; or

(11) If Franchisee repeatedly is in default under Section XV.C. hereof for failure to comply with any of the requirements imposed by this Agreement, whether or not cured after notice.

C. Except as otherwise provided in Sections XV.A. and XV.B. of this Agreement, Franchisee shall have thirty (30) days after its receipt from Franchisor of a written notice of default within which to remedy any default hereunder and to provide evidence thereof to Franchisor. If any such default is not cured within that time, or such longer period as applicable law may require, Franchisor may terminate this Agreement, effective immediately upon Franchisee's receipt of notice from Franchisor after the expiration of the thirty (30) day period or such longer period as applicable law may require. Franchisee shall be in default hereunder for any failure to comply with any of the requirements imposed by this Agreement, including any matter enumerated in this Section XV.C., as it may from time to time reasonably be supplemented by the Manual, or to carry out the terms of this Agreement in good faith. Such defaults shall include, for example, but without limitation, the occurrence of any of the following events:

(1) If Franchisee fails, refuses, or neglects promptly to pay any monies owing to Franchisor or its parents, subsidiaries or affiliates when due, or to submit the financial or other information required by Franchisor under this Agreement;

(2) If Franchisee fails to pay or fails repeatedly to make prompt payment of undisputed amounts due to its suppliers, landlord, equipment lessors, or other third parties;

(3) If Franchisee fails to maintain the Restaurant in a good, clean and wholesome manner, or fails to maintain or observe any of the other standards or procedures prescribed by Franchisor in this Agreement, the Manual, or otherwise in writing;

(4) If Franchisee fails, refuses, or neglects to obtain Franchisor's prior written approval or consent as required by this Agreement;

(5) If Franchisee denies Franchisor or its designee the right to inspect the Restaurant at reasonable times;

(6) If Franchisee engages in any business or markets any service or product under a name or mark which, in Franchisor's opinion, is confusingly similar to the Proprietary Marks or uses the Franchisor's Trade Dress other than in connection with the Restaurant or uses any of Franchisor's products, procedures or methods in any other operation not authorized by Franchisor;

(7) If Franchisee fails to comply with the in-term covenants in Section XVII.A. hereof or employs, or seeks to employ, any person who at the time is employed by Franchisor or any of its affiliates or by any RHB System franchisee, or otherwise induces, directly or indirectly, any such person to leave such employment;

(8) If a final judgment against Franchisee remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed);

(9) If Franchisee is dissolved, execution is levied against Franchisee's business or property, suit to foreclose any lien or mortgage against the Franchised Business or equipment situated therein is instituted against Franchisee and not dismissed or bonded off within sixty (60) days, or the real or personal property of the Franchised Business is sold after levy thereupon by any sheriff, marshal or constable;

(10) If an approved transfer of a controlling interest in Franchisee is not effected within the prescribed period following the death or mental incapacity of a shareholder or member of Franchisee, as required by Section XIV.D. hereof;

(11) If Franchisee fails to provide and financial, advertising or other report required by Franchisor under the terms of this Agreement;

(12) If Franchisee is in breach of any other provision, term or covenant of this Agreement; or,

(13) If Franchisee fails to forward or enter Special Orders through the Delivery Fulfillment Center, or attempts to fill Special Orders outside the Delivery Fulfillment Center; or if Franchisee fails to promptly and accurately fulfill any Special Order assigned by Franchisor.

D. In the event that this Agreement is terminated on account of Franchisee's default, Franchisor shall have the option, but not the obligation, within sixty (60) days after the date of termination (or longer if the provisions of Section XV.D.(3) are applicable), to purchase or lease the Franchised Business subject to the following terms:

(1) If Franchisee leases the Restaurant building and land on which the Restaurant is situated, Franchisor shall have the right to purchase the leasehold and other assets owned by Franchisee relating to the Restaurant for an amount equal to the higher of (i) the net tangible book value (which shall be the cost of the Restaurant building, land and equipment reduced by accumulated depreciation, utilizing the straight-line method of depreciation using a useful life of 5 years for all equipment, 7 years for seating and decor, 10 years for signs, paving and HVAC and 20 years for the building and other improvements) of the assets owned by Franchisee relating to the Restaurant, including the leasehold improvements, equipment, inventory and supplies, and excluding unamortized franchise fees, good will and all other intangible assets;

(2) The amount as computed above shall be payable twenty percent (20%) on closing with the principal balance payable in three (3) equal payments due annually on the anniversary of the purchase with interest on the unpaid principal balance payable on the due date of each principal payment at the rate of ten percent (10%) per annum. Undisclosed or matured contingent liabilities which are paid by Franchisor after payment of the twenty percent (20%) down shall be deducted from the next installment(s) due, together with interest thereon from the date paid at the rate of two percent (2%) per annum over the prime rate of Bank of America (or its successor bank) on the date such payment is made.

(3) If Franchisee owns the land on which the Restaurant to be purchased by Franchisor is situated, Franchisor shall have the right, at its discretion, either to purchase or lease the land and Restaurant building. If Franchisor elects to purchase, Franchisee shall sell the land, building, equipment, inventory, and supplies to Franchisor at the higher of their depreciated net tangible book value, which shall be the cost of the Restaurant building, land and equipment reduced by accumulated depreciation, utilizing the straight-line method of depreciation using a useful life of 5 years for all equipment, 7 years for seating and decor, 10 years for signs, paving and HVAC and

20 years for the building and other improvements. If Franchisor elects to lease, Franchisee shall lease the land and building to Franchisor on Franchisor's then-standard lease form for RED, HOT & BLUE Restaurant sites operated by Franchisor, and Franchisor shall purchase the equipment, inventory and supplies at their depreciated net tangible book value, as defined above. Net annual rental payments (payable monthly after taxes and expenses) shall be equal to eight percent (8%) of the depreciated net tangible book value, as defined above, of the land and Restaurant building.

(4) Franchisor shall exercise its right to purchase the Franchised Business by the later of sixty (60) days after the date of termination, the date it takes possession of the Restaurant pursuant to Section XV.E. hereof, or ten (10) days after the date upon which any litigation contesting the validity of the termination is finally adjudicated. If Franchisor has taken possession of the Restaurant, it shall exercise its right to purchase the Restaurant or vacate the premises by the end of the foregoing period.

E. In order to maintain continuous operation of the Restaurant and to promote the best interests of the System, in the event this Agreement is terminated, Franchisor shall have the right immediately upon termination to enter and take possession of and operate the Restaurant. Nothing in this Section is intended to give Franchisor control of the Franchisee's employees, and the employees of Franchisee shall not be deemed the employees of Franchisor.

F. In the event that this Agreement is terminated and Franchisee contests the validity of the termination, the party that operates the Restaurant during the period commencing with the date that notice of termination was given and ending with the date upon which a final notice and nonappealable judgment resolving the issue is entered, shall operate the Restaurant for the benefit of the prevailing party in such contest, and shall account for, and pay over, any profits earned during said period to the other party, if such other party is the party that prevails.

G. Upon termination of this Agreement owing to default by Franchisee, Franchisee shall not remove any furniture, fixtures, signs, equipment or other property or leasehold improvements from the Restaurant premises until expiration of the period within which Franchisor may exercise its right to purchase the Restaurant. If Franchisor does not elect to purchase the Restaurant it may nevertheless elect, within ninety (90) days of the date of termination, to purchase Franchisee's furniture, fixtures, signs, equipment, leasehold improvements and other property or any portion thereof for a sum equal to the fair market value of such property. If the parties cannot agree on a fair market value within a reasonable time, an independent appraiser shall be designated by Franchisor, and the appraiser's determination shall be binding. Any property so purchased by Franchisor shall be delivered to Franchisor's representative at the Restaurant premises on a date specified in the purchase notice by Franchisor not more than five (5) days after delivery of the purchase notice or at such other time as may be reasonable in the circumstances. If Franchisor elects to exercise any right to purchase herein provided, it shall have the right to set off all amounts due from Franchisee, and the cost of the appraisal, if any, against any payment therefor.

H. Upon expiration of this Agreement or termination resulting from any condemnation proceedings affecting the premises upon which the Restaurant is situated, within sixty (60) days prior to the date specified for expiration or takeover by any public authority, Franchisee shall not remove any furniture, fixtures, signs, equipment and other property or leasehold improvements. Franchisor may, upon written notice at least thirty (30) days prior to such date, notify Franchisee of its intention to purchase all or any portion of the furniture, fixtures, signs, equipment and other chattels for a sum equal to the fair market value of such property. Determination of fair market value and the terms of delivery shall be as specified in Section XV.G. hereof.

XVI. OBLIGATIONS UPON TERMINATION OR EXPIRATION

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

A. Franchisee shall immediately cease to operate the Franchised Business, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

B. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures and techniques associated with the System; the Proprietary Marks RED HOT & BLUE ®; and all other Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices and any Trade Dress associated with the System. In particular, Franchisee shall follow Franchisor's instructions to deidentify the Restaurant from the System, including removal or modification of structural features of the Restaurant including, but not limited to, the distinctive interior and exterior color combinations and designs, and shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms, and any other articles which display the Proprietary Marks.

C. Franchisee shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the mark "RED, HOT & BLUE" or any other service mark or trademark of Franchisor, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement.

D. Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute Franchisor's rights in and to the Proprietary Marks, and further agrees not to utilize any Trade Dress or designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor constituting unfair competition.

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

F. Franchisee shall pay to Franchisor all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section XVI.

G. Franchisee shall immediately deliver to Franchisor all manuals, including the Manual, records, files, instructions, correspondence, all materials related to operating the Franchised Business, including, without limitation, brochures, agreements, invoices, and any and all other materials relating to the operation of the Franchised Business in Franchisee's possession, and all copies thereof (all of which are acknowledged to be Franchisor's property), and shall retain no copy or record of any of the foregoing, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents which Franchisee reasonably needs for compliance with any provision of law.

H. Franchisee shall comply with any surviving covenants contained in Section XVII. of this Agreement.

XVII. COVENANTS

A. Franchisee acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and confidential information, including, without limitation, information relating to the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Accordingly, Franchisee covenants that:

(1) During the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee and its shareholders or members shall not, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company:

(a) Divert or attempt to divert any business or customer of the Restaurant to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and the System; or

(b) Employ or seek to employ any person who is at that time employed by Franchisor or by any other developer or franchisee of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment.

(c) In order to ensure Franchisee and its shareholders are fully dedicated to the operation of the Restaurant, during the term of this Agreement,, Franchisee shall not hold any interest in, operate, or manage any other business of any kind without the prior written approval of Franchisor, and shareholders of Franchisee shall not hold any interest in, operate, or manage any other restaurant business of any kind without the prior written approval of Franchisor.

(2) Except as otherwise approved in writing by Franchisor, Franchisee and its shareholders or members shall not, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or limited liability company, own, maintain, advise, help, invest in, make loans to, be employed by, be the landlord of, engage in, or have any interest in:

(a) Any restaurant business which competes with any RED, HOT & BLUE restaurant, during the term of this Agreement and for a continuing uninterrupted period commencing upon the expiration or termination of this Agreement, regardless of the cause for termination, and continuing for one (1) year thereafter; and

(b) Any restaurant business which sells barbeque pork or barbeque beef, or ribs, or other items which become featured menu items at the Restaurant, which is located within twenty (20) miles from the Restaurant, during the term of this Agreement and for a continuing uninterrupted period commencing upon the expiration or termination of this Agreement, regardless of the cause for termination, and continuing for two years (2) thereafter; and

(b) Any casual dining restaurant business which is located within twenty (20) miles from the Restaurant, or within the designated market area (DMA) within which the Restaurant is situated, during the term of this Agreement and for a continuous uninterrupted period commencing upon the expiration or termination of this Agreement, regardless of the cause of termination, and continuing for one (1) year thereafter.

B. Section XVII.A. shall not apply to ownership by Franchisee of less than two percent (2%) beneficial interest in the outstanding equity securities of any corporation which is registered under the Securities Exchange Act of 1934.

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

D. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope (distance, description of competitive items or time) of any covenant set forth in Section XVII.A. or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified.

E. Franchisee expressly agrees that the existence of any claims it may have now or in the future against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section XVII.

F. Franchisee acknowledges that any failure to comply with the requirements of this Section XVII. would result in irreparable injury to Franchisor, for which no adequate remedy at law may be available, and Franchisee agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Section XVII.

G. At the request of Franchisor, Franchisee shall obtain and deliver to Franchisor executed covenants similar in substance to those set forth in this Section XVII. (including covenants applicable upon the termination of a person's relationship with Franchisee) from the following persons: all officers, directors, or members, and holders of the securities of Franchisee, and of any corporation or limited liability company directly or indirectly controlling or controlled by Franchisee. Every covenant required by this Section XVII.G. shall be in a form satisfactory to Franchisor, including, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them. Failure by Franchisee to obtain execution of a covenant required by this Section XVII.G. or to deliver the covenant to Franchisor shall constitute a default under this Agreement.

H. Franchisor may require that the Franchisee join and make required purchases through a purchasing cooperative or other entity designated by Franchisor. Such Entity may adopt its own by-laws, rules, regulations and procedures, subject to Franchisor's prior approval. The Franchisee's failure to timely pay amounts due to, or comply with the by-laws, rules, regulations and procedures of such cooperative, or of any advertising cooperative, shall be a breach of this Agreement.

XVIII. FORCE MAJEURE

If the performance of any obligation under this Agreement is prevented or delayed, in whole or in part, by reason of force majeure, or the consequence thereof, affecting the parties hereto or the rights granted hereunder, such force majeure to include but not be limited to acts of God, fire, flood, governmental restrictions, lockouts or labor disputes, then the affected party shall be given such additional time as is reasonable to perform in view of the nature and extent of the force majeure.

XIX. TAXES, PERMITS, AND INDEBTEDNESS

A. Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the Franchised Business. Franchisee shall pay to Franchisor an amount equal to any sales tax, gross receipts tax, or similar tax imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless the tax is credited against income tax otherwise payable by Franchisor.

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

C. Franchisee shall comply with all federal, state, and local laws, rules and regulations, including, without limitation, those with respect to the sale of alcoholic beverages; and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business, including, without limitation, licenses to do business, fictitious name registrations, sales tax permits, and fire clearances.

D. Franchisee shall notify Franchisor in writing within ten (10) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of the Franchised Business.

XX. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

A. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that Franchisee is an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

B. During the term of this Agreement and any extensions thereof, Franchisee shall hold itself out to the public as an independent contractor operating the Franchised Business pursuant to a franchise from Franchisor. Franchisee agrees to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place in the Restaurant, the content of which Franchisor reserves the right to specify.

C. It is understood and agreed that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action, or by reason of any act or omission of Franchisee in its conduct of the Franchised Business or any claim or judgment arising therefrom. Franchisee shall indemnify and hold Franchisor and Franchisor's officers, directors, shareholders, and employees harmless against any and all claims arising directly or indirectly from, as a result of, or in connection with, Franchisee's operation of the Franchised Business, as well as the costs, including attorneys' fees, of defending against them.

XXI. APPROVALS AND WAIVERS

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

B. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee by providing any waiver, approval, consent, or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

C. No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Franchisee under any of the terms, provisions, covenants, or conditions hereof shall constitute a waiver by Franchisor to enforce any such right, option, duty, or power as against Franchisee, or as to a subsequent breach or default by Franchisee. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, provisions, covenants, or conditions of this Agreement.

XXII. NOTICES

All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been properly given (a) on the day delivered, if delivered personally or (b) three (3) business days after being mailed, if mailed first class, postage prepaid, registered or certified mail, return receipt requested, or (c) one (1) business day after being mailed, if sent via a reputable overnight courier service, as follows:

If to Franchisor:

RHB FRANCHISING, LLC

123 South White Street, Suite 203

Wake Forest, North Carolina 27587

If to Franchisee:

Any party may give notice of a change of address by written notice given as provided in this Section.

XXIII. ENTIRE AGREEMENT

This Agreement, the documents referred to herein, and the Attachment(s) hereto constitute the entire, full, and complete agreement between Franchisor and Franchisee concerning the subject matter hereof, and supersede all prior agreements. No representations have induced Franchisee to execute this Agreement except for those contained in this Agreement, the Exhibits and the Franchise Disclosure Document. No amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing; provided, however, that a writing signed by Franchisee need not be signed by any of its shareholders or members except to the extent, if any, that such writing would increase the amount of such shareholder's or member's financial obligations. Further, no modification, amendment, waiver, discharge or termination of any obligation of Franchisee, and no other matter or termination of any nature or kind whatsoever, including without limitation any release of Franchisee from any such obligation, shall release any shareholder or member of any guaranty obligation given or made by him under this Agreement or otherwise, whether or not such shareholder or member has notice thereof, all rights to notice or to consent being expressly waived hereby.

XXIV. SEVERABILITY AND CONSTRUCTION

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

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

C. Franchisee and each of its shareholders or members expressly agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

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

E. All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, where applicable, and all acknowledgments, promises, covenants, agreements, and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all those executing this Agreement on behalf of Franchisee.

F. This Agreement shall be executed in three copies and each executed copy shall be deemed an original.

XXV. APPLICABLE LAW

A. This Agreement takes effect upon its acceptance and execution by Franchisor in the State of North Carolina, and shall be interpreted and construed under the laws of that State, which laws shall prevail in the event of any conflict of law; provided, however, that if any of the provisions of this Agreement would not be enforceable under the laws of North Carolina, then such provisions shall be interpreted and construed under the laws of the state in which the principal office of Franchisee is located.

B. The parties agree that any action brought by either party against the other in any court, whether federal or state, shall be brought within the State of North Carolina and do hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

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

D. Nothing herein contained shall bar Franchisor's right to obtain injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

E. In the event of any action at law or in equity to secure or protect rights under or to enforce the terms of this Agreement, except as otherwise provided for in this Agreement, the prevailing party shall be entitled to recover reasonable counsel fees together with court costs and expenses incurred in connection with the litigation.

XXVI. ACKNOWLEDGMENTS

A. Franchisee acknowledges that the success of the business venture contemplated by this Agreement involves substantial business risks and will be largely dependent upon the ability of Franchisee as an independent business entity. Franchisor expressly disclaims the making of, and Franchisee acknowledges not having received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

B. Franchisee acknowledges that Franchisee has received, read, and understood this Agreement, the Exhibits attached hereto, and agreements relating hereto, if any; that other franchise agreements entered into by Franchisor may be different in form and content from this Agreement; and that Franchisor has accorded Franchisee ample time and opportunity, and has encouraged Franchisee, to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

C. Franchisee acknowledges that it received a complete copy of this Agreement, the Exhibits hereto, and agreements relating hereto, if any, at least seven (7) calendar days prior to the date on which this Agreement was executed. Franchisee further acknowledges that it has received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission, which rule is entitled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Venturers," at least fourteen (14) calendar days prior to the date on which this Agreement was executed.

[Signatures on the following page]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered three copies of this Agreement on the day and year first above written.

FRANCHISOR:

RHB FRANCHISING, LLC,

ATTEST: a Delaware limited liability company

__________________________ By: ___________________________________

____________ Secretary Executive Vice President

(Seal)

FRANCHISEE:

____

ATTEST:

_________________________________ By: ___________________________________

_____ Secretary _____ President

(Corporate Seal)

______________________________ _______________________________________

Witness Principal Operating Officer of Franchisee

The shareholders of Franchisee hereby join in this Agreement and each agree to be individually and severally bound by its terms, conditions and covenants.

SHAREHOLDERS OF FRANCHISEE:

_____________________________ _____________________________________

Witness

_____________________________ _____________________________________

Witness

*****OR*****

The members of Franchisee hereby join in this Agreement and each agree to be individually and severally bound by all of its terms, conditions and covenants.

FRANCHISEE:

____

___________________________ By: __________________________________

Witness Member/Manager

_____________________________ _____________________________________

Witness Principal Operating Partner of Franchisee

MEMBERS OF FRANCHISEE:

____________________________ ____

Witness

____________________________ ____

Witness

ATTACHMENT A

APPROVED LOCATION

UNDER

RHB FRANCHISING, LLC

FRANCHISE AGREEMENT

The location approved by Franchisor for the Restaurant franchised under the attached Franchise Agreement shall be:

#

GUARANTEE

As an inducement to RHB FRANCHISING, LLC ("Franchisor") to execute the Franchise Agreement ("Agreement"), to which this Guarantee is attached, the undersigned, jointly and severally, hereby agree to be individually bound by all the terms and conditions of the Agreement including any amendments thereto whenever made and unconditionally guarantee to Franchisor and its successors and assigns the payment of all liabilities incurred by Franchisee at any time.

Sixty (60) days after any default of Franchisee under Sections XV.A. or XV.B. of the Agreement, or ninety (90) days after a default by Franchisee which is not cured under Section XV.C. of the Agreement, the undersigned will immediately make payment of any liabilities previously incurred by Franchisee. Without affecting the obligations of the undersigned under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. The undersigned waive notice of amendment of the Agreement and notice of demand for payment and performance by Franchisee.

Upon death of an individual guarantor, the estate of such guarantor will be bound by this Guarantee but only for defaults and obligations hereunder existing at the time of death, and the obligations of the other guarantors will continue in full force and effect.

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

GUARANTORS:

______________________________ ________________________________

Witness

______________________________ ________________________________

Witness

<u>EXHIBIT C</u>

STATE ADDENDA

RHB FRANCHISING, LLC
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT
CONTAINING THE INFORMATION
REQUIRED BY THE COMMONWEALTH OF VIRGINIA

THIS ADDENDUM TO THE RHB FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
IS REQUIRED BY THE COMMONWEALTH OF VIRGINIA
AND IS BEING PROVIDED TO YOU
AT THE SAME TIME AS THE
FRANCHISE DISCLOSURE DOCUMENT WHICH CONTAINS THE INFORMATION
REQUIRED BY THE FEDERAL TRADE COMMISSION

***

YOU SHOULD REVIEW THIS VIRGINIA ADDENDUM
IN CONJUNCTION WITH THE FRANCHISE DISCLOSURE DOCUMENT

RHB FRANCHISING, LLC
ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT ("FDD")
CONTAINING THE INFORMATION
REQUIRED BY THE COMMONWEALTH OF VIRGINIA

Table of Contents:

ADDENDUM TO RHB FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE COMMONWEALTH OF VIRGINIA

This Addendum to the Franchise Disclosure Document is set forth below in order to amend and revise the Franchise Disclosure Document as follows:

> In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for RHB FRANCHISING, LLC for use in the Commonwealth of Virginia, Item 17, "RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION", Section "Franchise Agreement" Paragraph h, shall be amended by the addition of the following language:
>
>> Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause or to use undue influence to induce a franchisee to surrender any right given to him under the franchise, and that provision may not be enforceable

ADDENDUM TO

FRANCHISE AGREEMENT

BETWEEN

RHB FRANCHISING, LLC

(“FRANCHISOR”)

AND

____________________ (“FRANCHISEE”)

REQUIRED BY THE COMMONWEALTH OF VIRGINIA

This Addendum (“Addendum”) to the Franchise Agreement is executed contemporaneously with the execution of the Franchise Agreement, respectively, between Franchisor and Franchisee in order to amend and revise the Franchise Agreement, respectively, as follows:

1. Sections XV.A., B. and C. of the Franchise Agreement shall be amended by the addition of the following language:

   Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause or to use undue influence to induce a franchisee to surrender any right given to him by any provision contained in the franchise. If any grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause”, as that term may be defined in the Virginia Retail Franchising Act or laws of Virginia, that provision may not be enforceable.

2. To the extent this Addendum shall be deemed inconsistent with any terms and conditions of said Franchise Agreement, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum to the Franchise Agreement on the same date as respective Franchise Agreement was executed.

FRANCHISEE:	FRANCHISOR:
	RHB FRANCHISING, LLC
__________________	a Delaware limited liability company
By:_____________________	By:_____________________
_____ President/Member/Manager	__________________

EXHIBIT D

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

NOTE: SOME STATES REQUIRE THAT THE FRANCHISE BE REGISTERED WITH A STATE AGENCY. WE DO NOT OFFER OR SELL FRANCHISES IN ANY OF THOSE STATES UNLESS WE ARE REGISTERED, AND THE LISTING OF A STATE BELOW DOES NOT MEAN THAT WE ARE SO REGISTERED.

CALIFORNIA

Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, CA 90013
(213) 576-7500 or (866) 275-2677

Agent to Receive Process:
Commissioner of Business Oversight
Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, CA 90013

FLORIDA

Department of Agriculture and Consumer Services, Division of Consumer Services
Mayo Building
407 South Calhoun Street
Tallahassee, FL 32399
(850) 410-3754

HAWAII

Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Agent to Receive Process:
Hawaii Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813

ILLINOIS

Office of the Attorney General
Franchise Bureau
500 South Second Street
Springfield, IL 62706
(217) 782-4465

INDIANA

Indiana Securities Division
Franchise Section
302 W. Washington Street, Room E-111
Indianapolis, IN 46204
(317) 232-6681

Agent to Receive Process:
Indiana Secretary of State
302 W. Washington Street, Room E-111
Indianapolis, IN 46204

MARYLAND

Office of the Attorney General
Maryland Division of Securities
200 St. Paul Place
Baltimore, MD 21202-2020
(410) 576-6360

Agent to Receive Process:
Maryland Securities Commissioner

200 St. Paul Place
Baltimore, MD 21202-2020

MICHIGAN

Michigan Department of the Attorney General Consumer Protection Division
Antitrust and Franchise Unit
670 Law Building
525 W. Ottawa Street, 6th Floor
Lansing, MI 48913
(517) 373-7117

Agent to Receive Process:
Michigan Department of Commerce
Corporations and Securities Bureau
6546 Mercantile Way
Lansing, MI 48910

MINNESOTA

Minnesota Department of Commerce
Securities Unit
85 7th Place East, Suite 280
St. Paul, MN 55101
(651) 539-1600

Agent to Receive Process:
Minnesota Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101

NEBRASKA

Department of Banking and Finance
Bureau of Securities
1526 K Street, Suite 300
Lincoln, NE 68508
(402) 471-3445

NEW YORK

Office of the New York State Attorney General
Investor Protection Bureau
Franchise Section
120 Broadway, 23rd Floor
New York, NY 10271-0332
(212) 416-8211

Agent to Receive Process:
New York Secretary of State
New York Department of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, NY 12231-0001

NORTH DAKOTA

North Dakota Securities Department
600 East Boulevard, State Capitol
5th Floor, Dept. 414
Bismarck, ND 58505-0510
(701) 328-4712

Agent to Receive Process:
North Dakota Securities Commissioner
600 East Boulevard
5th Floor - State Capitol, Dept. 414
Bismarck, ND 58505

OREGON

Department of Consumer and Business Services
Division of Finance
Labor and Industries Building
Salem, OR 97310
(503) 378-4387

Agent to Receive Process:
Director
Department of Insurance and Finance
700 Summer Street, N.E.
Suite 120
Salem, OR 97310

RHODE ISLAND

Department of Business Regulation
Division of Securities
1511 Pontiac Avenue

John O. Pastore Complex - Building 69-1
Cranston, RI 02920
(401) 462-9527

Agent to Receive Process:
Director of Department of Business Regulation
Division of Business Regulation
John O. Pastore Center
Building 69, First Floor
Cranston, RI 02920

<u>SOUTH DAKOTA</u>

South Dakota Department of Labor and Regulation
Division of Insurance
Securities Regulation
124 S. Euclid Avenue, Suite 104
Pierre, SD 57501
(605) 773-3563

Agent to Receive Process:
Director, Division of Insurance
Department of Labor and Regulation
124 S. Euclid, Suite 104
Pierre, SD 57501

<u>TEXAS</u>

Secretary of State
Statutory Document Section
P.O. Box 13563
Austin, TX 78711
(512) 475-1769

<u>VIRGINIA</u>

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9051

Agent to Receive Process:

Clerk of the State Corporation Commission
Corporate Commission
1300 East Main Street, 1st Floor
Richmond, VA 23219

<u>WASHINGTON</u>

Department of Financial Institutions
Securities Division
150 Israel Road S.W.
Tumwater, WA 98501
(360) 902-8760

Agent to Receive Process:
Director, Department of Financial Institutions
Securities Division
150 Israel Road S.W.
Tumwater, WA 98501

<u>WISCONSIN</u>

Wisconsin Securities Commission
Securities and Franchise Registration
201 West Washington Avenue, Suite 300
Madison, WI 53703
(608) 266-0448

Agent to Receive Process:
Administrator, Division of Securities,
Department of Financial Institutions
201 West Washington Avenue, Suite 300
Madison, WI 53703

EXHIBIT E

FRANCHISEE QUESTIONNAIRE

FRANCHISEE QUESTIONNAIRE

As you know, RHB Franchising, LLC (the "Franchisor") and you are preparing to enter into a Franchise Agreement for the operation of a franchised Red Hot & Blue® Restaurant (the "Franchise"). The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest responses to each question.

	QUESTION	YES	NO
1.	Have you received and personally reviewed the Franchisor's Franchise Disclosure Document (the "Disclosure Document") provided to you?		
2.	Did you sign a receipt for the Disclosure Document indicating the date you received it?		
3.	Do you understand all of the information contained in the Disclosure Document?		
4.	Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?		
5.	Please insert the date on which you received a copy of the Franchise Agreement with all material blanks fully completed: ________________________________		
6.	Do you understand the terms of and your obligations under the Franchise Agreement?		
7.	Have you discussed the benefits and risks of operating the Franchise with an attorney, accountant or other professional advisor?		
8.	Do you understand the risks associated with operating the Franchise?		
9.	Do you understand that the success or failure of the Franchise will depend in large part upon your skills and abilities, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?		
10.	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?		
11.	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchise will generate that is contrary to, or different from, the information contained in the Disclosure Document?		

	QUESTION	YES	NO
12.	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs involved in operating the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?		
13.	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual, average or projected profits or earnings or the likelihood of success that you should or might expect to achieve from operating the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?		
14.	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, market penetration, training, support service or assistance relating to the Franchise that is contrary to, or different from, the information contained in the Disclosure Document?		

If you answered "Yes" to any of questions ten (10) through fourteen (14), please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to each of the foregoing questions, please leave the following lines blank.

____

____

____

____

You understand that your answers are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. No representations contained herein are intended to or will act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

FRANCHISE APPLICANT

____

Dated: , 20____

FRANCHISE APPLICANT

____

Dated: , 20____

<u>EXHIBIT F</u>

MANUAL TABLE OF CONTENTS

RED HOT & BLUE

Franchise Operator Manual

Genuine. American. BBQ.

Table of Contents

RED HOT & BLUE

Table of Contents

RED HOT & BLUE

Table of Contents

RED HOT & BLUE

Table of Contents

Table of Contents

RED HOT & BLUE

EXHIBIT G

RECEIPTS

Copy To Franchisee:

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If RHB Franchising, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the Franchise Agreement or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan and Washington require that we give you this Disclosure Document at least 10 business days before the execution of any binding Franchise Agreement or other agreement or the payment of any consideration, whichever occurs first.

If RHB Franchising, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed in the State Agency Exhibit.

The franchisor is RHB Franchising, LLC, located at 123 South White Street, Suite 203, Wake Forest, North Carolina 27587. Its telephone number is (888) 509-7100.

Issuance date: April 30, 2023

The franchise seller for this offering is: Adam Bradley, 123 South White Street, Suite 203, Wake Forest, North Carolina 27587. His telephone: (888) 509-7100.

RHB Franchising, LLC authorizes the respective state agencies identified in the State Agency Exhibit to receive service of process for it in the particular state.

I received the Franchise Disclosure Document dated April 30, 2023, that included the following exhibits:

Exhibit A: Financial Statements
Exhibit B: Franchise Agreement
Exhibit C: State Addenda
Exhibit D: List of State Agencies/ Agents for Service of Process
Exhibit E: Franchisee Questionnaire
Exhibit F: Manual Table of Contents
Exhibit G: Receipts

______________________________ ______________________________
Signature of Franchisee Date

____
Print Name

(THIS COPY IS TO BE RETAINED BY YOU)

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

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Exhibit E: Franchisee Questionnaire
Exhibit F: Manual Table of Contents
Exhibit G: Receipts

______________________________ ______________________________
Signature of Franchisee Date

____
Print Name

(THIS COPY IS TO RETURNED TO RHB FRANCHISING, LLC,)
RHB Franchising, LLC
123 South White Street, Suite 203, Wake Forest, North Carolina 27587.